

# Sinmag Equipment Corporation

## 2020 Annual Shareholders' Meeting

### Meeting Handbook

Date: June 20, 2020

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 2020 Annual General Shareholders' Meeting

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Management Presentation
- IV. Proposals
- V. Discussions
- VI. Extempore Motions
- VII. Adjournment

Sinmag Equipment Corporation  
Agendas of 2020 Annual General Shareholders' Meeting

Time: 9:00 A.M., June 20, 2020 (Saturday)

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. Chairman Remarks
- III. Management Presentation
  - Motion 1: 2019 Business Report.
  - Motion 2: 2019 Audit Committee's Review Report.
  - Motion 3: 2019 Employees' and Director's Compensation Distribution Report.
  - Motion 4: Report on the amendments to the Rules of Procedure for Board of Directors Meeting.
  - Motion 5: Report on the amendments to the Ethical Corporate Management Best Practice Principles.
- IV. Proposals
  - Motion 1: To approve 2019 Business Report and Financial Statements.
  - Motion 2: To approve the proposal for 2019 Earnings Distribution.
- V. Discussions
  - Motion 1: Amendments of the Rules of Procedure for Shareholders' Meetings.
  - Motion 2: Amendments of the Procedures for Acquisition or Disposal of Assets.
- VI. Extempore Motions
- VII. Adjournment

## **Management Presentation**

### **Motion 1: 2019 Business Report**

Explanation: For The Company's Business Report (2019), please refer to Attachment 1 on page 7 to 9 of this meeting handbook.

### **Motion 2: 2019 Audit Committee's Review Report**

Explanation: For the Audit Committee's Review Report (2019), please refer to Attachment 2 on page 10 of this meeting handbook.

### **Motion 3: 2019 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 Board of Directors resolved that the Company allocated NT\$17,051,794 as employees' compensation and NT\$7,757,504 as directors' compensation, and all were paid in cash.

### **Motion 4: To report on the amendments of the Rules of Procedure for the Board of Directors Meeting**

Explanation:

1. In accordance with the amendment and implementation of the Financial Supervisory Commission's Order No. 1080361934 dated January 15, 2020, and in response to the needs of the company's practical operation, some provisions of the Rules of Procedure for the Board of Directors Meeting were amended.
2. For the comparison table of the Rules of Procedure for the Board of Directors Meeting before and after revision, please refer to Attachment 4 on page 31 to 35 of this meeting handbook.

### **Motion 5: To report on the amendment of the Ethical Corporate Management Best Practice Principles**

Explanation:

1. In accordance with Letter No. 1080341134 issued by the Financial Supervisory Commission on February 12, 2020 and the amended and implemented Letter No. 10900521402 issued by the TPEx on February 19, 2020, and in response to the needs of the company's practical operation, some provisions of the Ethical Corporate Management Best Practice Principles were amended.
2. For the comparison table of the Ethical Corporate Management Best Practice Principles before and after revision, please refer to Attachment 5 on page 36 to 42 of this meeting handbook.

## Proposals

Motion 1: To approve the 2019 Business Report and Financial Statements. (Proposed by the Board of directors)

Explanation:

1. The Company's 2019 financial statements and consolidated financial statements and Business Report have been reviewed by the Audit Committee.
2. Business Report and financial statements for the year 2019, please refer to Attachment 1 on page 7 to 9 and Attachment 3 on page 11 to 30 of this meeting handbook.
3. Please proceed to the Ratification of the proposal.

Resolution:

Motion 2: To approve the proposal for 2019 Earnings Distribution.(Proposed by the Board of Directors)

Explanation:

1. The Company's 2019 Earnings Distribution Proposal is as follows:

Sinmag Equipment Corporation  
Earnings Distribution Proposal  
2019

Unit: NT\$

Unappropriated retained earnings of the previous years	655,723,709
Remeasurement of defined benefit obligation	(3,511,856)
Plus: Net profit in 2019	503,361,210
Less: 10% appropriated as legal reserve	(50,336,121)
Appropriated as special reserve	(59,098,873)
Retained earnings available for distribution	1,046,138,069
Item for distribution:	
Dividends to shareholders	
Cash dividends (NT\$5 per share)	251,151,210
Unappropriated retained earnings at the end of the period	794,986,859

Chairman: Hsieh, Shun-Ho    General Manager: Hsieh, Shun-Ho    Accounting Manager: Huang, Yu-Tung

2. Cash dividends to shareholders is NT\$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:

## **Discussion**

Motion 1: Discussion of the amendments to the Rules of Procedure for Shareholders' Meetings.  
(Proposed by the Board of Directors)

Explanation:

1. In accordance with Letter of the Financial Supervisory Commission No. 1080339900 dated December 31, 2019 and the amended and implemented Letter of the TPEX No. 10900500261 dated January 13, 2020, and in response to the needs of the company's practical operation, it is proposed to amend some provisions of the Rules of Procedure for Shareholders' Meeting.
2. For the Comparison Table for the Rules of Procedure for Shareholders' Meeting Before and After Revision, please refer to Attachment 6 on page 43 to 47 of this meeting handbook.
3. Please proceed to the discussion of the proposal.

Resolution:

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

Explanation:

1. In response to the needs of the company's practical operation, it is proposed to amend some provisions of the Procedures for Acquisition or Disposal of Assets.
2. For the Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision, please refer to Attachment 7 on page 48 to 105 of this meeting handbook.
3. Please proceed to the discussion of the proposal.

Resolution:

## **Extempore Motions**

## **Adjournment**



【Attachment 1】

Sinmag Equipment Corporation

2019 Business Report

I. 2019 Business Report

(I) Implementation of Business Plan

In 2019, the global economic climate showed signs of recession due to the impact of the trade war launched by the United States. The monetary policy of the central banks of many countries returned to a loose tone, and the confidence in market investment turned weak. China, as the protagonist of this trade war, continued its target strategy of economic transformation, but it was still vulnerable to the impact on the export side, and the economic growth slowed down. The performance of the Chinese market declined slightly due to the conservative development of stores by customers. In view of this, the Group actively strengthened the process improvement and quality management, adjusted the cost structure, controlled material loss and improved internal process, enhanced production efficiency and capacity utilization, reduced production costs, and benefited from the devaluation of RMB, which increased the gross profit margin of export business. The consolidated operating income of the Group in 2019 was NT\$4,164,628,000, down about 3.42% from NT\$4,312,015,000 in 2018, but the consolidated net profit after tax was NT\$503,361,000, after tax earnings per share was NT\$10.02, up 6.28% from the same period last year.

1. The company's operating results and sales of its main products are as follows:

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

Unit: Thousand NT\$

	2019	2018	Percent Change (%)
Operating Revenue	4,164,628	4,312,015	-3.42%
Operating Costs	2,459,103	2,593,709	-5.19%
Gross Profit	1,705,525	1,718,306	-0.74%
Operating Expenses	1,043,445	1,061,006	-1.66%
Operating Profit	662,080	657,300	0.73%
Non-operating Income and Expenses	25,471	31,961	-20.31%
Profit Before Income Tax	687,551	689,261	-0.25%
Net Profit	503,361	473,613	6.28%

(2) Budget implementation

The company did not have a public financial forecasting for 2019.

(3) Financial income and expenses (structure) and profitability analysis  
(consolidated financial statements)

Item		2019	2018
Financial Structure Analysis	Debt-to-asset ratio	32.29%	34.45%
	Long-term funds to fixed assets ratio (%)	217.98%	262.36%
Liquidity analysis	Current ratio	231.91%	236.68%
	Quick ratio	156.60%	162.03%
Profitability Analysis	Return on Assets	15.95%	15.05%
	Return on Shareholders' Equity	23.68%	23.31%

Item			2019	2018
	Ratio of paid-in capital	Operating income	131.80%	130.85%
		Pre-tax income	136.88%	137.22%
	Net profit margin		12.37%	11.25%
	Earnings per share (NT\$)		10.02	9.43

## II. Research and Development

The consumption growth of baking market in mainland China is still promising. In recent years, it has attracted many small-scale baking equipment manufacturers to enter the market. Sinmag Group is the industry leader. It knows that in terms of product development, it must be able to meet customers' all-round needs and provide high added-value and high-quality products in a timely and continuous manner. Otherwise, in the face of imitation and competition from many peers, it may be gradually replaced and eliminated. Therefore, we continue to invest in product R&D and innovation, and improve production technology, strengthen management physique, in response to the changing and fierce competition environment. In 2019, the Group invested a total R&D cost of NT\$161,088,000 to develop various processes and technologies and develop more diversified, more innovative and better quality products. In addition to continuously consolidating and expanding the market share in China, the Group expects to create new market opportunities.

## III. Summary of the Company's Business Plan for 2020:

### (I) Operating Strategies

With the continuous improvement of living standards, consumers in mainland China not only pay attention to the taste and texture of baked foods, but also have higher and higher requirements for consumer experience. In addition to delicious food, environment and service have also become the competitive focus of bakers. In recent years, more and more consumers drink afternoon tea in the bakery, making bread, cake with tea or coffee start to become a new mainstream consumption pattern. The rise of this consumption habit not only gradually leads bakery products such as bread to main meal in mainland China, but also makes the area and space of bakery chain stores larger and larger, no longer a small store business. More and more bakeries begin to reserve seats on a large scale and provide more perfect experience and services. The business model of bakery industry has gradually moved towards the trend of integration of bakery and catering, taking bakery sales to new heights.

With the change of baking market operation pattern, in addition to the continuous attention to market changes, Sinmag continue to expand different markets and business areas by using its own technique and channel advantages with years of development, and draw up contingency measures at any time, and strive to implement and focus on completing every step of breakthrough. Looking forward to 2020, the market development plan is summarized as follows:

1. Expand the new retail supermarket market, develop new customers, and promote the baking and cooling equipment.
2. Continue to develop large-scale bread machines to meet the demand of large-scale production of bread in central factories and wholesale factories, and strengthen the automatic function of bread machines to improve the performance of customers' production of bread.

3. In line with the upgrading and reforming trend of customers' stores in the market, promote the whole set of on-site baking equipment including refrigeration equipment, and promote the new combined equipment and high-end oven series.
4. Continue to deepen cooperation with baking training institutions in various places, improve and build online marketing platform, and develop new customer market (such as Internet celebrity stores, personalized new stores, personal studios, DIY classrooms, etc.).
5. Expand cooperation with kitchen utensils suppliers and raw material distributors all over the country, and establish a mutually beneficial cooperation model.
6. Seek the strategic cooperation of international equipment manufacturers, integrate and build the automatic production line of products, and promote the sales of complete automatic production line equipment.

## (II) Expected Sales Volume and Its 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 China 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, the company will offer ancillary services to customers by providing factory layout planning service to the package, optimizing the existing production lines, assisting customers in optimizing factory layout and provide store layout for guidance.
3. Enhance the technical capabilities of the maintenance team to respond quickly to customers' maintenance needs, and provide high-quality and timely after-sales services.
4. 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.

Chairman: Hsieh, Shun-ho

General Manager: Hsieh, Shun-Ho

Accounting Manager: Huang, Yu-tung

【 Attachment 2 】

Sinmag Equipment Corporation  
Audit Committee's Review Report

Hereby approved

The Board of Directors has submitted the 2019 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 (2020)

Sinmag Equipment Corporation

Convener of the Audit Committee

May 5, 2020

**【 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, 2019 and 2018, 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 (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, 2019 and 2018, 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 based on our audits and the report of other auditors.

**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, 2019. 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.

Key audit matter of the Company’s financial statements for the year ended December 31, 2019 is stated as follows:

Occurrence of Sales Revenue

The Company has thousands of customers whose overall operating revenue (excluding related parties within the Group) accounted for 40% of the total operating revenue. Some major customers have higher average change in the growth volatility of operating revenue than the Company’s overall operating revenue, resulting in a significant impact on the financial performance of the Company. Therefore, we deemed the

validity of occurrence of sales revenue from major customers with high volatility in operating revenue growth as a key audit matter. The accounting policies related to revenue recognition are referred to in Notes 4(1) and 19 to the financial statements.

The following audit procedures were performed 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 design and implementation of the Company's internal controls.
2. We selected samples from sales transactions, and reviewed sales orders, bills of lading or signed documents, invoices and receipts, in order to confirm the validity of occurrence of sales revenue.
3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover days and credit conditions of the abovementioned major 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 in accordance with auditing standards generally accepted in the United States of America. 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 8% (NT\$213,039 thousand) and 7% (NT\$188,743 thousand), of the total assets as of December 31, 2019 and 2018, respectively, and share of profit or loss of subsidiaries constituted 6% (NT\$29,929 thousand) and 4% (NT\$22,467 thousand), of profit before income tax from continuing operations for the years then ended, respectively.

### **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 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, 2019 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 Chao-Mei Chen and Chiang-Hsun Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2020

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, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 57,803	2	\$ 56,184	2
Notes receivable (Notes 4, 7 and 19)	13,734	-	46,139	2
Trade receivables (Notes 4, 7 and 19)	125,571	5	126,717	5
Trade receivables from related parties (Notes 4, 19 and 27)	63,350	2	41,291	2
Other receivables (Notes 4 and 7)	474	-	1,441	-
Current tax assets (Notes 4 and 21)	2,460	-	10,616	-
Inventories (Notes 4 and 8)	68,494	3	100,457	4
Prepayments	1,731	-	1,728	-
Total current assets	333,617	12	384,573	15
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4, 9 and 27)	2,207,286	82	2,030,490	79
Property, plant and equipment (Notes 4, 10 and 28)	111,894	4	118,988	5
Right-of-use assets (Notes 4 and 11)	567	-	-	-
Other intangible assets (Notes 4 and 12)	238	-	486	-
Deferred tax assets (Notes 4 and 21)	37,751	2	20,713	1
Other financial assets - non-current (Notes 4, 13 and 28)	64	-	64	-
Other non-current assets (Note 13)	181	-	391	-
Total non-current assets	2,357,981	88	2,171,132	85
TOTAL	\$ 2,691,598	100	\$ 2,555,705	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 14 and 28)	\$ 113,391	4	\$ 150,000	6
Contract liabilities - current (Notes 4 and 19)	4,540	-	8,893	1
Notes payable	20,878	1	27,566	1
Notes payable to related parties (Note 27)	339	-	973	-
Trade payables	6,327	-	5,217	-
Trade payables to related parties (Note 27)	221,833	9	155,543	6
Other payables (Note 15)	54,114	2	54,496	2
Provisions - current (Notes 4 and 16)	131	-	131	-
Lease liabilities - current (Notes 4 and 11)	378	-	-	-
Total current liabilities	421,931	16	402,819	16
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	87,891	3	87,298	3
Lease liabilities - non-current (Notes 4 and 11)	191	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	4,652	-	2,909	-
Total non-current liabilities	92,734	3	90,207	3
Total liabilities	514,665	19	493,026	19
EQUITY (Notes 4 and 18)				
Share capital				
Ordinary shares	502,302	19	502,302	20
Capital surplus	75,738	3	75,738	3
Retained earnings				
Legal reserve	502,418	18	455,057	18
Special reserve	101,655	4	84,646	3
Unappropriated earnings	1,155,573	43	1,046,591	41
Total retained earnings	1,759,646	65	1,586,294	62
Other equity	(160,753)	(6)	(101,655)	(4)
Total equity	2,176,933	81	2,062,679	81
TOTAL	\$ 2,691,598	100	\$ 2,555,705	100

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

# Sinmag Equipment Corporation

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 27)				
Sales	\$ 960,853	98	\$ 925,896	98
Service revenue	<u>20,249</u>	<u>2</u>	<u>21,430</u>	<u>2</u>
Total operating revenue	<u>981,102</u>	<u>100</u>	<u>947,326</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 8, 20 and 27)	(826,353)	(84)	(798,757)	(84)
Service cost	<u>(2,692)</u>	<u>(1)</u>	<u>(2,609)</u>	<u>-</u>
Total operating costs	<u>(829,045)</u>	<u>(85)</u>	<u>(801,366)</u>	<u>(84)</u>
GROSS PROFIT	152,057	15	145,960	16
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	(12,987)	(1)	(11,433)	(1)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Note 4)	<u>11,433</u>	<u>1</u>	<u>12,997</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>150,503</u>	<u>15</u>	<u>147,524</u>	<u>16</u>
OPERATING EXPENSES (Notes 4, 20 and 27)				
Selling and marketing expenses	(58,136)	(6)	(58,589)	(6)
General and administrative expenses	(73,328)	(7)	(71,275)	(8)
Research and development expenses	(8,081)	(1)	(9,094)	(1)
Expected credit gain (Note 7)	<u>639</u>	<u>-</u>	<u>9,564</u>	<u>1</u>
Total operating expenses	<u>(138,906)</u>	<u>(14)</u>	<u>(129,394)</u>	<u>(14)</u>
PROFIT FROM OPERATIONS	<u>11,597</u>	<u>1</u>	<u>18,130</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 27)				
Other income	708	-	1,011	-
Other gains and losses	5,020	-	6,889	-
Finance costs	(1,409)	-	(940)	-
Share of profit or loss of subsidiaries, associates and joint ventures	<u>527,468</u>	<u>54</u>	<u>490,610</u>	<u>52</u>
Total non-operating income and expenses	<u>531,787</u>	<u>54</u>	<u>497,570</u>	<u>52</u>

(Continued)

# SINMAG EQUIPMENT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	\$ 543,384	55	\$ 515,700	54
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(40,023)</u>	<u>(4)</u>	<u>(42,087)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>503,361</u>	<u>51</u>	<u>473,613</u>	<u>50</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,390)	-	6,120	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>878</u>	<u>-</u>	<u>(531)</u>	<u>-</u>
	<u>(3,512)</u>	<u>-</u>	<u>5,589</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(73,873)	(8)	(22,333)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>14,775</u>	<u>2</u>	<u>5,324</u>	<u>-</u>
	<u>(59,098)</u>	<u>(6)</u>	<u>(17,009)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(62,610)</u>	<u>(6)</u>	<u>(11,420)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 440,751</u>	<u>45</u>	<u>\$ 462,193</u>	<u>49</u>
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	<u>\$ 10.02</u>		<u>\$ 9.43</u>	
Diluted	<u>\$ 9.98</u>		<u>\$ 9.39</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

(Concluded)

## Sinmag Equipment Corporation

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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, 2018	\$ 485,316	\$ 74,943	\$ 401,642	\$ 70,718	\$ 1,039,971	\$ (84,646)	\$ 1,987,944
Appropriation of 2017 earnings (Note 18)							
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 23)	-	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,589</u>	<u>(17,009)</u>	<u>(11,420)</u>
Total comprehensive income (loss) for the year ended December 31, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,202</u>	<u>(17,009)</u>	<u>462,193</u>
BALANCE AT DECEMBER 31, 2018	502,302	75,738	455,057	84,646	1,046,591	(101,655)	2,062,679
Appropriation of 2018 earnings (Note 18)							
Legal reserve	-	-	47,361	-	(47,361)	-	-
Special reserve	-	-	-	17,009	(17,009)	-	-
Cash dividends distributed by the Company	-	-	-	-	(326,497)	-	(326,497)
Net profit for the year ended December 31, 2019	-	-	-	-	503,361	-	503,361
Other comprehensive loss for the year ended December 31, 2019, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,512)</u>	<u>(59,098)</u>	<u>(62,610)</u>
Total comprehensive income (loss) for the year ended December 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,849</u>	<u>(59,098)</u>	<u>440,751</u>
BALANCE AT DECEMBER 31, 2019	<u>\$ 502,302</u>	<u>\$ 75,738</u>	<u>\$ 502,418</u>	<u>\$ 101,655</u>	<u>\$ 1,155,573</u>	<u>\$ (160,753)</u>	<u>\$ 2,176,933</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

# Sinmag Equipment Corporation

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 543,384	\$ 515,700
Adjustments for:		
Expected credit loss reversed on receivables	(639)	(9,564)
Depreciation expenses	3,766	6,508
Amortization expenses	248	360
Finance costs	1,409	940
Share of profit of subsidiaries, associates and joint ventures	(527,468)	(490,610)
Interest income	(253)	(178)
Write-downs of inventories	2,899	3,914
Loss on disposal of property, plant and equipment	(1,621)	-
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	12,987	11,433
Realized gain on the transactions with subsidiaries associates and joint ventures	(11,433)	(12,997)
Net gain on foreign currency exchange	(1,880)	(2,051)
Changes in operating assets and liabilities		
Notes receivable	32,405	(6,155)
Trade receivables	(528)	14,525
Trade receivables from related parties	(22,939)	51,761
Other receivables	967	(58)
Inventories	28,944	(35,457)
Prepayments	(3)	10,477
Notes payable	(6,688)	(9,548)
Notes payable from related parties	(634)	80
Trade payables	1,113	(572)
Trade payables from related parties	72,116	(30,294)
Other payables	(390)	(503)
Contract liabilities - current	(4,353)	3,510
Advance receipts	-	(306)
Net defined benefit liabilities	(2,647)	(10,990)
Cash generated from operations	118,762	9,925
Interest received	253	178
Income tax paid	(32,659)	(62,147)
Net cash generated from (used in) operating activities	<u>86,356</u>	<u>(52,044)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(532)	(2,579)
Proceeds from disposal of property, plant and equipment	5,822	-
Dividends received from subsidiaries	275,245	376,987
Increase in other financial assets	-	(1)
Decrease in other non-current assets	<u>210</u>	<u>359</u>
Net cash generated from investing activities	<u>280,745</u>	<u>374,766</u>
		(Continued)

# Sinmag Equipment Corporation

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 583,391	\$ 410,000
Repayments of short-term borrowings	(620,000)	(350,000)
Repayment of the principal portion of lease liabilities	(219)	-
Dividends paid	(326,497)	(388,253)
Acquisition of additional interest in subsidiaries	-	(5,652)
Interest paid	<u>(1,401)</u>	<u>(897)</u>
Net cash used in financing activities	<u>(364,726)</u>	<u>(334,802)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(756)</u>	<u>1,300</u>
NET INCREASE (DECREASE) IN CASH	1,619	(10,780)
CASH AT THE BEGINNING OF THE YEAR	<u>56,184</u>	<u>66,964</u>
CASH AT THE END OF THE YEAR	<u>\$ 57,803</u>	<u>\$ 56,184</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

(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 (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (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, 2019 and 2018, 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 based on our audits and the report of other auditors.

### **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, 2019. 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.

Key audit matter of the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

#### Occurrence of Sales Revenue

The Group has thousands of customers whose overall operating revenue accounted for 24% of the total consolidated operating revenue. Some major customers have higher average change in the growth volatility of operating revenue than the Group's overall consolidated operating revenue, resulting in a significant impact on the financial performance of the Group. Therefore, we deemed the validity of occurrence of sales revenue from major customers with high volatility in operating revenue growth as a key audit matter. The accounting policies related to revenue recognition are referred to in Notes 4(m) and 21 to the consolidated financial statements.

The following audit procedures were performed 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 design and implementation of the Group's internal controls.
2. We selected samples from sales transactions, and reviewed sales orders, bills of lading or signed documents, invoices and receipts, in order to confirm the validity of occurrence of sales revenue.
3. We compared the changes in sales revenue, gross profit margin, trade receivables turnover days and credit conditions of the abovementioned major 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 in accordance with auditing standards generally accepted in the United States of America. 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 12% (NT\$400,460 thousand) and 11% (NT\$356,975 thousand), of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total revenue constituted 12% (NT\$519,262 thousand) and 12% (NT\$501,596 thousand), of the consolidated total revenue for the years then ended, respectively.

We have also audited the parent company only financial statements of Sinmag Equipment Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with 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, 2019 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 Chao-Mei Chen and Chiang-Hsun Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2020

#### 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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 797,975	24	\$ 807,198	25
Notes receivable (Notes 4, 7 and 21)	20,353	1	53,816	2
Trade receivables (Notes 4, 7 and 21)	484,490	15	611,712	19
Trade receivables from related parties (Notes 4, 21 and 29)	168	-	368	-
Other receivables (Notes 4 and 7)	12,507	-	19,892	-
Current tax assets (Notes 4 and 23)	2,460	-	10,616	-
Inventories (Notes 4 and 8)	631,628	19	669,144	21
Prepayments (Notes 3, 14 and 30)	25,066	1	27,833	1
Other financial assets (Notes 4, 15 and 30)	47,679	1	9,237	-
Total current assets	<u>2,022,326</u>	<u>61</u>	<u>2,209,816</u>	<u>68</u>
NON-CURRENT ASSETS				
Right-of-use assets (Notes 3, 4, 11 and 30)	106,040	3	-	-
Property, plant and equipment (Notes 4, 10 and 30)	1,065,760	32	843,929	26
Other intangible assets (Notes 4 and 13)	2,179	-	2,947	-
Goodwill (Notes 4 and 12)	3,254	-	3,254	-
Deferred tax assets (Notes 4 and 23)	43,869	2	26,156	1
Other financial assets - non-current (Notes 4, 15 and 30)	64	-	64	-
Long-term prepayments for leases (Notes 3, 14 and 30)	-	-	85,876	3
Other non-current assets (Notes 4 and 15)	57,955	2	59,925	2
Total non-current assets	<u>1,279,121</u>	<u>39</u>	<u>1,022,151</u>	<u>32</u>
TOTAL	<u>\$ 3,301,447</u>	<u>100</u>	<u>\$ 3,231,967</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 30)	\$ 113,391	3	\$ 150,000	5
Contract liabilities - current (Notes 4 and 21)	85,545	3	82,284	2
Notes payable	20,878	1	27,566	1
Notes payable to related parties (Note 29)	339	-	973	-
Trade payables	243,259	7	257,649	8
Trade payables to related parties (Note 29)	6,976	-	9,579	-
Other payables (Notes 17 and 26)	288,970	9	258,506	8
Current tax liabilities (Notes 4 and 23)	78,527	2	115,731	4
Provisions - current (Notes 4 and 18)	24,875	1	25,261	1
Lease liabilities - current (Notes 3, 4 and 11)	3,330	-	-	-
Current portion of long-term borrowings and bonds payable (Notes 16 and 30)	5,906	-	6,121	-
Total current liabilities	<u>871,996</u>	<u>26</u>	<u>933,670</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 30)	81,866	2	89,615	3
Deferred tax liabilities (Notes 4 and 23)	87,888	3	87,298	2
Lease liabilities - non-current (Notes 3, 4 and 11)	19,667	1	-	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	4,652	-	2,909	-
Total non-current liabilities	<u>194,073</u>	<u>6</u>	<u>179,822</u>	<u>5</u>
Total liabilities	<u>1,066,069</u>	<u>32</u>	<u>1,113,492</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Share capital				
Ordinary shares	502,302	15	502,302	16
Capital surplus	75,738	2	75,738	2
Retained earnings				
Legal reserve	502,418	16	455,057	14
Special reserve	101,655	3	84,646	3
Unappropriated earnings	1,155,573	35	1,046,591	32
Total retained earnings	1,759,646	54	1,586,294	49
Other equity	(160,753)	(5)	(101,655)	(3)
Total equity attributable to owners of the Company	2,176,933	66	2,062,679	64
NON-CONTROLLING INTERESTS (Notes 4 and 20)	58,445	2	55,796	2
Total equity	<u>2,235,378</u>	<u>68</u>	<u>2,118,475</u>	<u>66</u>
TOTAL	<u>\$ 3,301,447</u>	<u>100</u>	<u>\$ 3,231,967</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

# SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)				
Sales	\$ 4,144,379	100	\$ 4,290,585	100
Service revenue	<u>20,249</u>	<u>-</u>	<u>21,430</u>	<u>-</u>
Total operating revenue	<u>4,164,628</u>	<u>100</u>	<u>4,312,015</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 8, 22 and 29)	(2,456,411)	(59)	(2,591,100)	(60)
Service cost	<u>(2,692)</u>	<u>-</u>	<u>(2,609)</u>	<u>-</u>
Total operating costs	<u>(2,459,103)</u>	<u>(59)</u>	<u>(2,593,709)</u>	<u>(60)</u>
GROSS PROFIT	<u>1,705,525</u>	<u>41</u>	<u>1,718,306</u>	<u>40</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	(599,383)	(14)	(626,705)	(15)
General and administrative expenses	(282,668)	(7)	(277,929)	(6)
Research and development expenses	(161,088)	(4)	(163,455)	(4)
Expected credit loss (gain) (Notes 4 and 7)	<u>(306)</u>	<u>-</u>	<u>7,083</u>	<u>-</u>
Total operating expenses	<u>(1,043,445)</u>	<u>(25)</u>	<u>(1,061,006)</u>	<u>(25)</u>
PROFIT FROM OPERATIONS	<u>662,080</u>	<u>16</u>	<u>657,300</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Other income	27,298	-	26,822	1
Other gains and losses	5,394	-	13,829	-
Finance costs	<u>(7,221)</u>	<u>-</u>	<u>(8,690)</u>	<u>-</u>
Total non-operating income and expenses	<u>25,471</u>	<u>-</u>	<u>31,961</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	687,551	16	689,261	16
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(172,049)</u>	<u>(4)</u>	<u>(204,029)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>515,502</u>	<u>12</u>	<u>485,232</u>	<u>11</u>

(Continued)

# SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	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	\$ (4,390)	-	\$ 6,120	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>878</u>	<u>-</u>	<u>(531)</u>	<u>-</u>
	<u>(3,512)</u>	<u>-</u>	<u>5,589</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(75,529)	(2)	(21,076)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>14,775</u>	<u>1</u>	<u>5,324</u>	<u>-</u>
	<u>(60,754)</u>	<u>(1)</u>	<u>(15,752)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(64,266)</u>	<u>(1)</u>	<u>(10,163)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 451,236</u>	<u>11</u>	<u>\$ 475,069</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 503,361	12	\$ 473,613	11
Non-controlling interests	<u>12,141</u>	<u>-</u>	<u>11,619</u>	<u>-</u>
	<u>\$ 515,502</u>	<u>12</u>	<u>\$ 485,232</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 440,751	11	\$ 462,193	11
Non-controlling interests	<u>10,485</u>	<u>-</u>	<u>12,876</u>	<u>-</u>
	<u>\$ 451,236</u>	<u>11</u>	<u>\$ 475,069</u>	<u>11</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 10.02</u>		<u>\$ 9.43</u>	
Diluted	<u>\$ 9.98</u>		<u>\$ 9.39</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

(Concluded)

# SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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, 2018	\$ 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 income (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	
Appropriation of 2018 earnings (Note 20)										
Legal reserve	-	-	47,361	-	(47,361)	-	-	-	-	
Special reserve	-	-	-	17,009	(17,009)	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(326,497)	-	(326,497)	-	(326,497)	
Net profit for the year ended December 31, 2019	-	-	-	-	503,361	-	503,361	12,141	515,502	
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,512)	(59,098)	(62,610)	(1,656)	(64,266)	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	499,849	(59,098)	440,751	10,485	451,236	
Cash dividends distributed by subsidiaries (Note 20)	-	-	-	-	-	-	-	(7,836)	(7,836)	
BALANCE AT DECEMBER 31, 2019	\$ 502,302	\$ 75,738	\$ 502,418	\$ 101,655	\$ 1,155,573	\$ (160,753)	\$ 2,176,933	\$ 58,445	\$ 2,235,378	

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

# SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 687,551	\$ 689,261
Adjustments for:		
Expected credit loss recognized (reversed) on receivables	306	(7,083)
Depreciation expenses	69,125	64,965
Amortization expenses	1,257	1,563
Amortization of prepayments for leases	-	1,598
Write-downs of inventories	6,326	8,427
Finance costs	7,221	8,690
Recognition of provisions	464	-
Interest income	(16,674)	(16,172)
Loss on disposal of property, plant and equipment	8,256	1,698
Net loss (gain) on foreign currency exchange	4,124	(4,181)
Changes in operating assets and liabilities		
Notes receivable	33,459	(4,301)
Trade receivables	111,627	115,513
Trade receivables from related parties	194	1,307
Other receivables	6,987	(1,590)
Inventories	10,762	19,279
Prepayments	447	12,091
Notes payable	(6,688)	(9,548)
Notes payable from related parties	(634)	80
Trade payables	(5,192)	(34,861)
Trade payables from related parties	(2,421)	(1,034)
Other payables	5,696	5,614
Contract liabilities - current	6,019	10,898
Advance receipts	-	(306)
Net defined benefit liabilities	(2,647)	(10,990)
Cash generated from operations	925,565	850,918
Interest received	16,634	16,172
Income tax paid	(200,172)	(230,171)
Net cash generated from operating activities	<u>742,027</u>	<u>636,919</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash inflow on disposal of associates	-	25,641
Payments for property, plant and equipment	(287,551)	(149,322)
Proceeds from disposal of property, plant and equipment	6,420	1,096
Payments for intangible assets	(564)	(810)
Increase in prepayments for leases	-	(48,918)
Increase in other financial assets	(49,440)	(25)
Decrease in other financial assets	9,144	10,136

(Continued)

# SINMAG EQUIPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Increase in other non-current assets	\$ (15,100)	\$ (19,899)
Decrease in other non-current assets	<u>456</u>	<u>539</u>
Net cash used in investing activities	<u>(336,635)</u>	<u>(181,562)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	583,391	60,000
Repayments of short-term borrowings	(620,000)	(119,184)
Repayments of long-term borrowings	(6,196)	(6,013)
Repayment of the principal portion of lease liabilities	(2,693)	-
Dividends paid to owners of the Company	(326,497)	(388,253)
Interests paid	(7,213)	(9,334)
Dividends paid to non-controlling interests	(7,836)	(7,341)
Acquisition of subsidiaries	<u>-</u>	<u>(5,652)</u>
Net cash used in financing activities	<u>(387,044)</u>	<u>(475,777)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(27,571)</u>	<u>(509)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(9,223)	(20,929)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>807,198</u>	<u>828,127</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 797,975</u>	<u>\$ 807,198</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2020)

(Concluded)



【Attachment 4】

Sinmag Equipment Corporation

Comparison Table for the 【Rules of Procedure for Board of Directors Meeting】 Before and After Revision

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 7	<p>(Chair and deputy of directors' meeting) The Board meetings shall be convened and chaired by the Chairman of the Board. However, the first Board meeting of each term shall be convened and chaired by the Director whose ballots represent the most voting rights at the shareholders' meeting. When there are two or more persons with the right to convene, they shall choose one from among themselves.</p> <p>When the Chairman is on leave or for some reasons unable to exercise the power, the Vice Chairman shall serve as a proxy. If there is no Vice Chairman or the Vice Chairman is on leave or for some reasons unable to exercise the power, the Chairman shall appoint a Managing Director to serve as a proxy. If there is no Managing Directors, the Chairman shall appoint one Director to serve as a proxy. If the Chairman does not appoint a proxy, the Directors shall elect one from among themselves.</p>	<p>(Chair and deputy of directors' meeting) The Board meetings shall be convened and chaired by the Chairman of the Board. However, the first Board meeting of each term shall be convened and chaired by the Director whose ballots represent the most voting rights at the shareholders' meeting. When there are two or more persons with the right to convene, they shall choose one from among themselves. <u>According to Article 203, Paragraph 4 or Article 203-1, Paragraph 3 of the Company Act, the majority or more of the directors elect may convene the meeting on their own, and the directors shall select one director from among themselves to serve as chairperson of the meeting.</u> When the Chairman is on leave or for some reasons unable to exercise the power, the Vice Chairman shall serve as a proxy. If there is no Vice Chairman or the Vice Chairman is on leave or for some reasons unable to exercise the power, the Chairman shall appoint a Managing Director to serve as a proxy. If there is no Managing Directors, the Chairman shall appoint one Director to serve as a proxy. If the Chairman does not appoint a proxy, the Directors shall elect one from among themselves.</p>	<p>The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.</p>
Article	(Discussion of proposals)	(Discussion of proposals)	The appropriate

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
11	<p>The Board of Directors of the company shall conduct a meeting according to the agenda as specified in the meeting notice. However, the agenda can be changed if approved by the majority of attending Directors.</p> <p>The Chairman cannot announce the adjournment of the meeting before the completion of agenda unless agreed by the majority of attending Directors.</p> <p>During a directors' meeting, if the directors sitting at the meeting do not constitute a majority of the attending directors, then by the request of the sitting directors, the chair shall declare a suspension of the meeting, under the provisions to which Paragraph 4, Article 8 shall apply mutatis mutandis.</p>	<p>The Board of Directors of the company shall conduct a meeting according to the agenda as specified in the meeting notice. However, the agenda can be changed if approved by the majority of attending Directors.</p> <p>The Chairman cannot announce the adjournment of the meeting before the completion of agenda unless agreed by the majority of attending Directors.</p> <p>During a directors' meeting, if the directors sitting at the meeting do not constitute a majority of the attending directors, then by the request of the sitting directors, the chair shall declare a suspension of the meeting, under the provisions to which Paragraph 3, Article 8 shall apply mutatis mutandis.</p>	provisions are amended in writing.
Article 13	<p>(Voting on "I")</p> <p>The chairperson shall give the opportunity to fully explain and discuss the proposals. When the chairperson is of the opinion that a proposal has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the proposal to vote.</p> <p>When a proposal comes to a vote at a Board meeting, if the Chairman puts the matter before all Directors present at the meeting and none voices an objection, the matter is deemed approved. If objection is voiced when enquired by the Chairman, the matter shall be put to a vote.</p>	<p>(Voting on "I")</p> <p>The chairperson shall give the opportunity to fully explain and discuss the proposals. When the chairperson is of the opinion that a proposal has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the proposal to vote.</p> <p>When a proposal comes to a vote at a Board meeting, if the Chairman puts the matter before all Directors present at the meeting and none voices an objection, the matter is deemed approved. If objection is voiced when enquired by the Chairman, the matter shall be put to a vote.</p>	The appropriate provisions are amended in writing.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>The chair shall decide to adopt which of the following voting methods. In case of a dissent by an attendee, the voting method shall be decided by a majority of the attending directors.</p> <p>I. Vote by raising hands II. By voicing votes. III. By casting ballots.</p>	<p>The chair shall decide to adopt which of the following voting methods. In case of a dissent by an attendee, the voting method shall be decided by a majority of the attending directors.</p> <p>I. Vote by raising hands II. By voicing votes. III. By casting ballots. IV. <u>Methods adopted by the Company.</u> <u>All Directors present at the meeting mentioned in the preceding paragraph shall not be a Director who is not entitled to exercise voting rights pursuant to Paragraph 1, Article 15.</u></p>	
Article 15	<p>(Interest recusal system of directors) Where any item on the agenda results in conflicts of interest with any Director or the corporation represented by the Director, the Director shall state the important aspects of the interested party relationship at the Board meeting; if the said interest is harmful to the interests of the Company, the Director shall not participate in and shall avoid discussion and voting and shall not represent other Directors as a proxy to exercise their voting rights.</p> <p>The provisions of Article 180, paragraph 2 of the Company Act, as applied mutatis mutandis under</p>	<p>(Interest recusal system of directors) Where any item on the agenda results in conflicts of interest with any Director or the corporation represented by the Director, the Director shall state the important aspects of the interested party relationship at the Board meeting; if the said interest is harmful to the interests of the Company, the Director shall not participate in and shall avoid discussion and voting and shall not represent other Directors as a proxy to exercise their voting rights. <u>Where the spouse, a relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, the director shall be deemed to have a personal interest in the matter.</u></p> <p>The provisions of Article 180, paragraph 2 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 4 of that</p>	<p>The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	Article 206, paragraph 3 of that Act, apply to resolutions of Board meetings when a Board director is prohibited by the <u>preceding paragraph</u> from exercising voting rights.	Act, apply to resolutions of Board meetings when a Board director is prohibited by the <u>preceding two paragraphs</u> from exercising voting rights.	
Article 17	<p>(Principle of authorization of the Board of Directors)</p> <p><u>When the Board of Directors authorizes the Chairman to exercise the functions and powers of the Board of Directors during the period of adjournment, in addition to the matters that shall be submitted to the Board of Directors and related party transactions in accordance with laws or relevant regulations, which shall be resolved by the Board of Directors, the authorization contents are as follows:</u></p> <p>I. <u>Appoint and supervise managers.</u></p> <p>II. <u>Review company management decisions and operational plans.</u></p> <p>III. <u>Review and set company financial objectives.</u></p> <p>IV. <u>Monitoring of the Company' s operation results.</u></p> <p>V. <u>Evaluate, check, supervise, and handle various risks encountered by the company.</u></p> <p>VI. <u>Ensure that the company follows relevant regulations.</u></p> <p>VII. <u>Planning of the future direction of the Company.</u></p> <p>VIII. <u>Build and maintain the company' s image and fulfill social responsibility.</u></p>	<p>(Principle of authorization of the Board of Directors)</p> <p><u>Except for matters that shall be submitted to the Board of Directors for deliberation as mentioned in Article 12, paragraph 1, when the Board of Directors is in recess, it may authorize others to exercise its powers in accordance with the relevant laws and regulations or the Articles of Incorporation. However, the level of authorization or the content or matters to be authorized shall be clearly specified, and general authorization is not permitted.</u></p>	The appropriate provisions are amended in writing.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	IX. <u>Appoint and interact with accountants, lawyers, and other professionals.</u> X. <u>Other relevant items.</u>		

【Attachment 5】

Sinmag Equipment Corporation

Comparison Table for the 【Ethical Corporate Management Best Practice Principles】

Before and After Revision

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 5	(Policy) The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism to create an operational environment for sustainable development.	(Policy) The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith <u>approved by the Board of Directors</u> and establish good corporate governance and risk control and management mechanism to create an operational environment for sustainable development.	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.
Article 7	(Scope of Prevention Programs) When <u>establishing the prevention program</u> , the Company shall analyze business activities within their business scope which may be at a higher risk of being involved in an unethical conduct, and <u>strengthen relevant preventive measures</u> . The prevention program established by the Company shall at least include preventive measures against the following:  I. Offering and acceptance of bribes. II. Illegal political donations. III. Improper charitable donations or sponsorship. IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights and other intellectual property rights. VI. Engaging in unfair competitive practices.	(Scope of Prevention Programs) The company <u>shall establish an evaluation mechanism for the risk of dishonesty</u> , analyze and <u>evaluate</u> the business activities with high risk of dishonesty within the business scope <u>on a regular basis, so as to formulate a prevention plan and regularly review the appropriateness and effectiveness of the prevention plan</u> . The company shall consult the domestic and foreign general standards or guidelines to formulate the prevention plan, which shall at least cover the prevention measures for the following behaviors: I. Offering and acceptance of bribes. II. Illegal political donations. III. Improper charitable donations or sponsorship. IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits. V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights and other intellectual property rights. VI. Engaging in unfair competitive practices.	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	VII. Damage directly or indirectly caused to the rights and interests, health and safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision or sale of products and services.	VII. Damage directly or indirectly caused to the rights and interests, health and safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision or sale of products and services.	
Article 8	<p>(Commitment and implementation)</p> <p><u>Additions</u></p> <p>The Company and its business group shall clearly specify in their rules <u>and</u> external documents the ethical corporate management policies and the commitment by the Board of Directors and the management for rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> <p><u>Additions</u></p>	<p>(Commitment and implementation)</p> <p><u>The Company shall require directors and senior management to issue a statement of compliance with the ethical management policy, and require employees to comply with the ethical management policy in terms of employment conditions.</u></p> <p>The Company and its business group shall clearly specify in their rules, external documents <u>and the company website</u> the ethical corporate management policies and the commitment by the Board of Directors and the management for rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> <p><u>For the first and second ethical management policies, statements, commitments and implementation, the company should make documented information and keep it properly.</u></p>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.
Article 17	<p>(Organization and responsibility)</p> <p>The directors, managers, employees, retained entities, and those under substantial control of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p>	<p>(Organization and responsibility)</p> <p>The directors, managers, employees, retained entities, and those under substantial control of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>To achieve sound ethical corporate management, the Company shall establish a dedicated compliance unit that is under the Board of Directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis:</p> <p>I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. Set proposals that prevent dishonest behavior and set work-related Operating Procedures and Code of Conduct Guidelines within each proposal.</p> <p>III. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p>	<p>To achieve sound ethical corporate management, the Company shall establish a dedicated compliance unit that is under the Board of Directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis <u>(at least once a year)</u>:</p> <p>I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. <u>Regularly analyzing and evaluating the risk of unethical conduct within the business scope, and</u> formulating the prevention plan for unethical conduct <u>based on it</u>, and formulating the relevant standard operating procedures and conduct guidelines for work business within each plan.</p> <p>III. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p>	



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>V. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>VI. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	<p>V. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>VI. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	
Article 19	<p>(Recusal of interest )</p> <p>The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>Where any director, manager or other interested person attending or present on the board of directors of the company has an interest in any <u>proposal</u> made by the board of directors for himself / herself or the legal entity he / she represents, he or she shall explain the important content of his or her interest at the current board of directors, and shall not join in the discussion and voting if it is harmful to the interests of the company, and shall recuse the discussion and voting, and shall not represent other directors to exercise their voting rights. Directors shall also exercise self-discipline and must not support one another in improper dealings.</p>	<p>(Recusal of interest )</p> <p>The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>Where any director, manager or other interested person attending or present on the board of directors of the company has an interest in any proposal made by the board of directors for himself / herself or the legal entity he / she represents, he or she shall explain the important content of his or her interest at the current board of directors, and shall not join in the discussion and voting if it is harmful to the interests of the company, and shall recuse the discussion and voting, and shall not represent other directors to exercise their voting rights. Directors shall also exercise self-discipline and must not support one another in improper dealings.</p>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>Additions</u></p> <p>The directors, managers, employees, retained entities, and those under substantial control shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	<p><u>Where the spouse, a relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, the director shall be deemed to have a personal interest in the matter.</u></p> <p>The directors, managers, employees, retained entities, and those under substantial control shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	
Article 20	<p>(Accounting and Internal Control)</p> <p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The internal audit unit of the Company shall <u>periodically</u> examine the Company's compliance with <u>the foregoing systems</u> and <del>prepare audit reports and submit the same to the board of directors.</del> The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p>	<p>(Accounting and Internal Control)</p> <p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The Company's internal audit unit shall, <u>in accordance with the evaluation results of the risk of unethical conduct, formulate relevant audit plans, including audit parties, scope, items, frequency, etc., based on which</u> to check the compliance of the <u>prevention plan</u>, and may appoint CPAs to carry out the audit, and may, if necessary, appoint a professional to assist. <u>The results of the audit referred to in the preceding paragraph shall be reported to the senior management, and an audit report shall be prepared and submitted to the board of directors.</u></p>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 22	<p>(Training and Appraisal)</p> <p>The chairperson, general manager, or senior manager of the Company shall communicate the importance of corporate ethics to directors, employees, and mandataries on a regular basis.</p> <p>The Company shall periodically organize training and awareness programs for directors, managers, <u>staff</u>, retained entities, and those under substantial control and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>(Training and Appraisal)</p> <p>The chairperson, general manager, or senior manager of the Company shall communicate the importance of corporate ethics to directors, employees, and mandataries on a regular basis.</p> <p>The Company shall periodically organize training and awareness programs for directors, managers, <u>employees</u>, retained entities, and those under substantial control and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	The appropriate provisions are amended in writing.
Article 23	<p>(Whistle-blowing system)</p> <p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <p>I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow insiders and outsiders to submit reports.</p> <p>II. The dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated</p>	<p>(Whistle-blowing system)</p> <p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <p>I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow insiders and outsiders to submit reports.</p> <p>II. The dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior <u>management</u> shall be reported to the independent directors. Categories of reported misconduct shall be delineated</p>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>and standard operating procedures for the investigation of each shall be adopted.</p> <p><u>Additions</u></p> <p><u>III.</u> Documentation and preservation of case acceptance, investigation processes, investigation results and relevant documents.</p> <p><u>IV.</u> Confidentiality of the identity of whistle-blowers and the content of reported cases.</p> <p><u>V.</u> Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p><u>VI.</u> Whistleblowing incentive measures.</p> <p>If a serious violation is found or the Company is in danger of severe losses, the Company personnel or unit responsible for accepting the case shall immediately notify the independent directors in a written report.</p>	<p>and standard operating procedures for the investigation of each shall be adopted.</p> <p><u>III.</u> After the completion of the investigation of the reported case, the subsequent measures shall be taken according to the seriousness of the case, and if necessary, they shall be reported to the competent authority or transferred to the judicial organ for investigation.</p> <p><u>IV.</u> Documentation and preservation of case acceptance, investigation processes, investigation results and relevant documents.</p> <p><u>V.</u> The identity of the whistle-blower and the reported contents shall be kept confidential, and anonymous reporting are allowed.</p> <p><u>VI.</u> Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p><u>VII.</u> Whistleblowing incentive measures.</p> <p>If a serious violation is found or the Company is in danger of severe losses, the Company personnel or unit responsible for accepting the case shall immediately notify the independent directors in a written report.</p>	

【Attachment 6】

Sinmag Equipment Corporation

Comparison Table for the 【Rules of Procedure for Shareholders' Meetings】 Before and After Revision

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 3	<p>Convention of Shareholders' Meeting and meeting notice Paragraphs 1, 2 and 3: omitted The matters of selecting or dismissing directors, changing of association, spin off, merger, division or subparagraph 1 of Article 185 of the Company Act, <del>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</del> shall be listed in the cause of convening the meeting and <u>shall not be raised by temporary motion.</u></p> <p>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. <u>However</u>, the number of the</p>	<p>Convention of Shareholders' Meeting and meeting notice Paragraphs 1, 2 and 3: omitted The selection or removal of directors, change of articles of association, <u>reduction of capital, application for suspension of public issuance, permit for director's business competition, surplus to capital increase, public reserve to capital increase</u>, dissolution, merger, division of the company, or the matters referred to in paragraph 1 of article 185 shall be listed in the reasons for convening the meeting, <u>and the main contents shall be stated</u>, which shall not be put forward by temporary motion; <u>the main contents may be placed in the securities authority or the company's designated website, and its website address shall be specified in the notice.</u> <u>The reasons for the convening of the shareholders' meeting have indicated the full re-election of directors and the date of taking office. After the re-election of the shareholders' meeting is completed, the date of taking office shall not be changed by temporary motion or other means at the same meeting.</u></p> <p>Shareholders holding 1% or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be</p>	<p>The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>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.</p> <p>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.</p> <p>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</p>	<p>allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. <u>However, if the shareholders' proposal is a proposal to urge the company to promote public interests or fulfill social responsibilities, the board of directors may still include the proposal.</u> 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.</p> <p>Prior to the book closure date before a General Shareholders' Meeting is held, the Company shall publicly announce that it will receive shareholder proposals, <u>written or electronic acceptance and</u> the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>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.</p> <p>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</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	included in the agenda, the board shall explain the reasons in the shareholders' meeting.	included in the agenda, the board shall explain the reasons in the shareholders' meeting.	
Article 10	<p>Discussion of proposals</p> <p>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.</p> <p>Paragraphs 2 and 3 are omitted. 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.</p>	<p>Discussion of proposals</p> <p>If a shareholders' meeting is convened by the Board of Director, the agenda shall be determined by the Board of Directors. The relevant proposals (<u>including motions and amendment to original proposals</u>) shall be decided by <u>voting on a case-by-case basis</u>. The meeting shall be convened according to the scheduled agenda. The agenda shall not be altered without a resolution adopted at the shareholders' meeting.</p> <p>Paragraphs 2 and 3 are omitted. The chairperson shall give the opportunity to fully explain and discuss the proposals, as well as the amendments or motions proposed by the shareholders. When the chairperson is of the opinion that a proposal has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed, bring the proposal to vote, and <u>allocate sufficient time for voting</u>.</p>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.
Article 12	Calculation of voting shares and <u>recusal</u> system	Calculation of voting shares and <u>recusal</u> system	The appropriate provisions are amended in writing.
Article 13	<p>Voting, supervision and counting of votes for proposals</p> <p>Paragraph I. (Omitted)</p> <p>When the Company convenes a shareholders' meeting, <u>shareholders may exercise their voting rights in writing or electronically</u>; when exercising voting rights in writing or electronically, the methods shall be stated in the shareholders' meeting notice. A</p>	<p>Voting, supervision and counting of votes for proposals</p> <p>Paragraph I. (Omitted)</p> <p>When the Company convenes a shareholders' meeting, shareholders <u>shall exercise their voting rights by electronic means and may exercise their voting rights in writing</u>. The method for exercising voting rights in writing or by electronic means shall be indicated in the</p>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	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 on the amendments to the extempore motions and original proposals.	notice of shareholders' meeting. 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 on the amendments to the extempore motions and original proposals. <u>Hence, the Company shall avoid proposing such amendments.</u>	
	The following is omitted.	The following is omitted.	
Article 15	Minutes and signatures Matters resolved in the shareholders' meeting shall be recorded in the minute minutes and be handled in accordance with Article 183 of the Company Act.	Minutes and signatures Matters resolved in the shareholders' meeting shall be recorded in the meeting minutes. <u>The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the termination of the meeting. The production and distribution of the meeting minutes may be effective by electronic means. The distribution of the meeting minutes as described in the preceding paragraph can be done through a public announcement on the Market Observation Post System.</u> <u>The minutes of the meeting shall be recorded in accordance with the year, month, day, place, name of the chairman, method of resolution, essentials of the meeting process and voting results (including the statistical votes). When there is an election of directors, the number of votes obtained by each candidate shall be disclosed. It shall be kept permanently for the duration of the company.</u>	The amendments are made simultaneously in accordance with the revision of the articles of the competent authorities.
Article 17	Maintaining order at the meeting place	Maintaining order at the meeting place	The appropriate provisions are amended in writing.



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>The Chairman may direct the proctors (or security personnel) to help maintain the order at the meeting place.</u></p>	<p><u>Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.</u></p> <p><u>The chair may direct the proctors or security personnel to help maintain the order at the meeting place. The proctors or security personnel shall wear armbands with the word "Proctor" when maintaining order.</u></p> <p><u>At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the Company's equipment, the chairperson may stop the shareholder from so doing.</u></p> <p><u>If the shareholder violates the rules of procedures and defies the chairperson's instruction, and obstructs the proceedings and refuses to stop, the chairperson may direct the proctors or security personnel to escort the shareholder out of the venue.</u></p>	
Article 20	<p>The shareholders' meeting agreed to implement these Rules on April 30, 2003.</p> <p>The first amendment was made on June 24, 2006.</p> <p>The second amendment was made on June 19, 2012.</p> <p>The third amendment was made on June 28, 2013.</p> <p>The fourth amendment was made on June 30, 2015.</p> <p>The fifth amendment was made on June 6, 2016.</p> <p>The sixth amendment was made on June 19, 2017.</p>	<p>The shareholders' meeting agreed to implement these Rules on April 30, 2003.</p> <p>The first amendment was made on June 24, 2006.</p> <p>The second amendment was made on June 19, 2012.</p> <p>The third amendment was made on June 28, 2013.</p> <p>The fourth amendment was made on June 30, 2015.</p> <p>The fifth amendment was made on June 6, 2016.</p> <p>The sixth amendment was made on June 19, 2017.</p> <p><u>The seventh amendment was made on June 20, 2020.</u></p>	Add amendment date and number of times

【Attachment 7】

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. Marketable securities: include stocks, government bonds, corporate bonds, financial bonds, securities representing securities, depositary receipts, subscription (sales) warrants, beneficiary securities and asset-backed securities.</p> <p>II. Real estate (including land, housing and building, investment property, inventory of construction enterprise) and equipment.</p> <p>III. Membership card.</p> <p>IV. Intangible assets include patents, copyrights, trademark rights, and franchise.</p> <p>V. Right-of-use assets.</p> <p>VI. <u>Derivative products</u></p> <p>VII. <u>Assets acquired or disposed of by merger, demerger, acquisition or transfer of shares according to the law.</u></p> <p>VIII. <u>Other important assets.</u></p>	<p>Scope of Assets</p> <p>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.</p> <p>II. Real estate (including land, housing and building, investment property, inventory of construction enterprise) and equipment.</p> <p>III. Membership card.</p> <p>IV. Intangible assets include patents, copyrights, trademark rights, and franchise.</p> <p>V. Right-of-use assets.</p> <p>VI. <u>Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables).</u></p> <p>VII. <u>Derivatives.</u></p> <p>VIII. <u>Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares.</u></p> <p>IX. Other important assets.</p>	New items in the asset scope.
Articles 5 and 13	<p><u>Article 5</u></p> <p>The professional appraiser and appraisal personnel, independent auditor, lawyer or the securities underwriter who provides the appraisal</p>	<p><u>Article 6</u></p> <p>The professional appraiser and appraisal personnel, independent auditor, lawyer or the securities underwriter who provides the appraisal report or opinions</p>	The contents of Article 5 and Article 13 are combined

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>report or opinions for the Company shall meet the following requirements:</p> <p><del>The amount of the above assets obtained by the Company and each subsidiary individually is as follows:</del></p> <p>I. The person has never been sentenced to imprisonment of one year or above for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, those whose execution is completed, probation period has expired or the pardon has been completed for three years are excluded.</p> <p>II. The transaction party shall not be a related party or a substantial related party.</p> <p>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.</p> <p>When issuing the appraisal report or opinion, the personnel in the preceding paragraph shall follow the following procedures:</p> <p>I. Prior to undertaking a case, they</p>	<p>for the Company shall meet the following requirements:</p> <p>I. 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.</p> <p>II. The transaction party shall not be a related party or a substantial related party.</p> <p>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.</p> <p>When issuing the appraisal report or opinion, the personnel in the preceding paragraph shall follow the following procedures:</p> <p>I. Prior to undertaking a case, they</p>	<p>and changed to Article 6, with text modification as appropriate.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>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.</p> <p>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.</p> <p>IV. Matters to be declared shall include the professionalism and independence of relevant personnel, the reasonableness and correctness of the information used and the compliance with relevant laws and regulations.</p> <p><u>Article 13</u> 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.</p>	<p>shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>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.</p> <p>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.</p> <p>IV. Matters to be declared shall include the professionalism and independence of relevant personnel, the reasonableness and correctness of the information used and the compliance with relevant laws and regulations.</p> <p><u>V.</u> Where the Company acquires or disposes of assets through court auctions, certificates issued by the court may substitute for appraisal reports or CPAs' opinions.</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 6	<p><u>Article 6</u></p> <p>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 (China) Co., Ltd., and Wuxi New Order Control Co., Ltd.</p>	<p><u>Article 5</u></p> <p>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 (China) Co., Ltd., and Wuxi New Order Control Co., Ltd.</p> <p><u>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.</u></p> <p><u>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.</u></p>	Article 6 is changed to Article 5, and the text is modified according to the company's practical operation.
<del>Article 6-1</del>	<p><del>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.</del></p> <p><del>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</del></p>	<u>The article is deleted.</u>	Article 6(1) is repeated with Article 8, so it is deleted.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><del>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.</del></p> <p><del>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.</del></p>		
Article 6(2)	<p><del>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.</del></p>	<u>The article is deleted.</u>	Article 6(2) is repeated with Article 13, so it is deleted.
Article 6(3)	<p><del>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.</del></p> <p><del>If the Company has not made any capital increase or disposal of the</del></p>	<u>The article is deleted.</u>	The part of Article 6(3) is repeated with Article 6. The content of this article is incorporated into Article 6 and deleted.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><del>Company, it shall be approved by a special resolution of the Board of Directors of the Company.</del></p> <p><del>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.</del></p>		
Article 7	<p>The <u>total amount</u> of real property and right-of-use assets or securities and <u>the restricted amount</u> of securities for non-operating use acquired by the Company <u>and its subsidiaries</u> are as follows:</p> <p>I. The total amount of non-operating property for business use and right-of-use asset 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 be greater than 50% of the net value.</p>	<p><u>The amount</u> of real property and right-of-use assets or securities for non-operating use acquired by the Company are <u>set</u> as follows:</p> <p>I. The total amount of non-operating property for business use and right-of-use asset 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 be greater than 50% of the net value.</p> <p><u>In principle, subsidiaries shall not engage in real estate or right-of-use asset investment transactions that are not for business use. If they want to engage in such transactions thereafter, they shall submit them to the board of directors for approval before formulating their evaluation and operation procedures.</u></p>	<p>According to the needs of practical operation of the company, the text is modified.</p>
Article 8	<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</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</p>	<p>Wording is adjusted.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>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 all directors, and the resolutions of the Audit Committee shall be stated in the proceedings of the Board of Directors. The terms "all Audit Committee members" and "all directors" stated in paragraph three shall be actual incumbents.</p>	<p>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.</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 all directors, and the resolutions of the Audit Committee shall be stated in the proceedings of the Board of Directors. The terms "all Audit Committee members" and "all directors" stated shall be actual incumbents.</p>	
Article 9	<p>Procedures for acquisition or disposal of property, equipment or its right-of-use asset</p> <p>I. Appraisal and operating procedures</p> <p>The company's acquisition or disposal of real property, equipment, or its right-of-use asset shall be conducted in accordance with the Company's internal control system, the property, plant and equipment processing procedures.</p>	<p>Procedures for acquisition or disposal of property, equipment or its right-of-use asset</p> <p>I. Appraisal and operating procedures</p> <p>The company's acquisition or disposal of real property, equipment, or its right-of-use asset shall be conducted in accordance with the Company's internal control system, the property, plant and equipment processing procedures.</p>	<p>According to the needs of practical operation of the company, the text is modified.</p>



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>II. Procedures for determining trading conditions and authorization limits</p> <p>(I) In acquiring or disposing of real property, 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 under NT\$ 20 million (inclusive), it shall be submitted to the chairman for approval and <del>shall be reported and recorded in the most recent Board of Directors' meeting</del> on an after-event basis. If the transaction exceeds NT\$ 20 million, it shall <u>be submitted</u> to the Audit Committee for approval and passed <u>by</u> the Board of Directors.</p> <p>(II) Acquisition or disposal of equipment or its right-of-use asset shall be made by inquiry, price comparison, bargaining or bidding. <u>If the amount is less than NT\$10 million (inclusive),</u> 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 <u>submitted</u> to the</p>	<p>II. Procedures for determining trading conditions and authorization limits.</p> <p>(I) In acquiring or disposing the real property <u>or its right-of-use assets,</u> 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 under NT\$20 million (inclusive), it shall be <u>approved by the chairman and reported in the most recent Board of Directors' meeting;</u> If <u>the amount</u> exceeds NT\$20 million, the transaction shall be approved <u>by</u> the Audit Committee and <u>submitted</u> to the Board of Directors for approval before implementation.</p> <p>(II) Acquisition or disposal of equipment or its right-of-use asset shall be made by inquiry, price comparison, bargaining or bidding. <u>If the amount is less than NT\$3 million (inclusive), it shall be approved level by level according to the right of approval;</u> <u>If the amount exceeds NT\$3 million and is less than NT\$10 million (inclusive),</u> it shall be approved by the general manager;</p>	

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	<p>chairman for approval <del>and</del> for <u>being reported and recorded in the most recent Board of Directors' meeting</u> on a post-event basis. For those exceeding NT\$ 30 million, the transaction shall be submitted to the Audit Committee for approval and passed <u>by</u> the Board of Directors before implementation.</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 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 or its Right-of-Use Asset 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</p>	<p>if <u>the amount</u> exceeds NT\$10 million and is less than NT\$30 million (inclusive), it shall be approved <u>by the chairman and submitted to the the most recent Board of Directors' meeting</u> on a post-event basis; if <u>the amount</u> exceeds NT\$30 million, it shall be approved <u>by</u> the Audit Committee and <u>submitted to the Board of Directors for approval</u> before implementation.</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 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 or its Right-of-Use Asset 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</p>	

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	<p>followed:</p> <p>(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.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) If any of the following situation occurs, unless all of the appraisal values for asset acquisition are higher than the trading amount or all of the appraisal values for asset disposal are lower than the transaction price, the Company shall contact CPAs to take actions in accordance with Auditing Standards No. 20 published by Accounting Research and Development Foundation (ARDF) and to express specific comments on the reasons for the discrepancy and the fairness of the</p>	<p>followed:</p> <p>(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.</p> <p>(II) Transaction amounts exceeding NT\$1 billion shall have appraisal reports from two (2) or more professional appraisers.</p> <p>(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</p>	

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	<p>transaction price.</p> <p>1. The discrepancy between the appraisal results and the transaction amount is 20% or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(IV) The date of report presented by the professional appraiser and the date of establishment of contract shall not be more than three months. 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.</p>	<p>make specific recommendations on the difference between the reason for the discrepancy and the transaction price.</p> <p>1. The discrepancy between the appraisal results and the transaction amount is 20% or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(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.</p>	
Article 10	<p>Acquisition or disposal of securities investment procedures</p> <p>I. Appraisal and Procedures: The Company's acquisition or disposal of securities shall be conducted in accordance with the Company's internal control system investment reversed.</p> <p>II. Procedures for determining trading conditions and authorization limits for <del>acquiring or disposing securities</del> with an amount less than NT\$10</p>	<p>Acquisition or disposal of securities investment procedures</p> <p>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.</p> <p>II. Procedures for determining trading conditions and authorization limits <u>(I) For trading of securities</u> <u>(excluding government bonds,</u></p>	According to the needs of practical operation of the company, the text is modified.

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	<p>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 <del>and</del> for being <u>reported in the most recent Board of Directors' meeting on a post-event basis</u>. If the amount exceeds NT\$30 million, it shall be <u>submitted to the Audit Committee for approval and passed by the Board of Directors before implementation</u>.</p>	<p><u>short term notes traded by famous domestic bills finance companies, domestic bond funds and domestic currency funds) in the centralized securities exchange market or the business place of a securities firm, the responsible unit shall make a decision according to the market conditions</u>, and the amount of which is less than NT\$10 million (inclusive) shall be approved by the general manager; the amount <u>of which</u> is more than NT\$10 million and less than NT\$30 million (inclusive) shall be approved by the chairman, and <u>be submitted to the most recent Board of Directors' meeting on a post-event basis</u>. If <u>the amount</u> exceeds NT\$30 million, it shall be approved <u>by the audit committee and submitted to the Board of Directors for approval before implementation</u>.</p> <p><u>(II) For trading of securities (excluding government bonds, short term notes traded by famous domestic bills finance companies, domestic bond funds and domestic currency funds) not in the centralized securities exchange market or the business place of a securities firm, the financial statements audited and certified or reviewed by the CPA of the target company for the most recent period shall be taken as the</u></p>	

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		<u>reference of transaction price before the date of occurrence of the fact, and the amount below NT\$10 million (including NT\$10 million) shall be approved by the general manager; the amount above NT\$10 million and below NT\$30 million (including) shall be approved by the chairman; if the amount is more than NT\$30 million, it shall be approved by the audit committee and approved by the board of directors before implementation.</u>	
	<p>III. Execution Unit</p> <p>The Company's acquisition or disposal of securities shall be approved by the financial unit in accordance with the approval of the aforementioned resolution.</p> <p>IV. Acquisition of expert opinions</p> <p>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.</p>	<p>III. Execution Unit</p> <p>The Company's acquisition or disposal of securities shall be approved by the financial unit in accordance with the approval of the aforementioned resolution.</p> <p>IV. Acquisition of expert opinions</p> <p>When the company acquires or disposes of securities, it shall, prior to the date of the occurrence of the fact, take the latest financial statements of the subject company audited and attested or reviewed by a certified public accountant as reference for the transaction price, and if the transaction amount reaches 20% of the company's paid in capital or NT\$300 million or more, it shall, prior to the date of the occurrence of the fact, consult with a certified public accountant to express its opinion on the reasonableness of the transaction price. Where an expert report is required by the CPA, it shall be</p>	

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	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.	handled in accordance with the statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China. 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.	
Article 11	<p>Procedures governing the acquisition or disposal of <u>intangible assets or the right-of-use assets or the memberships</u></p> <p>I. Appraisal and operating procedures The Company's acquisition or disposal of <u>intangible assets or its right-of-use asset or memberships</u> shall be conducted in accordance with the Company's internal control system and the property, plant and equipment procedure.</p> <p>II. Procedures for determining trading conditions and authorization limits</p> <p>(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, it <u>shall be submitted to the general manager for approval and reported and recorded in the</u></p>	<p>Procedure governing the acquisition or disposal of <u>membership, intangible assets or its right-of-use assets</u></p> <p>I. Appraisal and operating procedures The Company's acquisition or disposal of <u>membership, intangible assets or its right-of-use asset</u> shall be conducted in accordance with the Company's internal control system, the property, plant and equipment processing procedures.</p> <p>II. Procedures for determining trading conditions and authorization limits</p> <p>(I) To obtain or dispose of a membership, an analysis report shall be prepared and submitted to the chairman with reference to the fair market price of the market and the trading conditions and the trading price determined. If the amount of the membership is less than 1% of the paid in capital or NT\$3 million (inclusive), it shall be approved by the general manager and <u>reported and recorded in the most recent Board meeting</u>. If the</p>	Wording is adjusted.

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	<p><u>most recent Board meeting</u>. For transaction exceeding NT\$3 million, approval from the Board shall be obtained before implementation.</p> <p>(II) In acquiring or disposing of intangible assets or the right-of-use asset, 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 <u>submitted</u> to the chairman <u>for approval and shall be for-reporting and recording in the most recent Board of Directors' Meeting</u> on a post-event basis. If the amount exceeds NT\$ 20 million, the transaction shall be approved <u>by</u> the Audit Committee and passed <u>by</u> the Board of Directors before implementation.</p> <p>III. Execution Unit The Company's acquisition or disposal of <u>intangible assets, right-of-use assets or membership</u> shall be executed by the user department and relevant authorities and responsible</p>	<p>amount <u>of which</u> exceeds NT\$3 million, it shall also be approved <u>by</u> the Audit Committee and <u>submitted</u> to the Board of Directors for approval before implementation.</p> <p>(II) In acquiring or disposing of intangible assets or the right-of-use assets, 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), it shall <u>be approved by</u> the chairman and submitted to the most recent <u>Board of Directors' Meeting</u> on a post-event basis. If the amount of which exceeds NT\$ 20 million, the transaction shall be approved <u>by</u> the Audit Committee and <u>submitted</u> to the Board of Directors for approval before implementation.</p> <p>III. Execution Unit The Company's acquisition or disposal of <u>membership, intangible assets or its right-of-use assets</u> shall be executed by the user department and relevant authorities and responsible departments</p>	



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	<p>departments after the approval according to the aforementioned jurisdiction.</p> <p>IV. Professional assessment reports on the <u>intangible assets, their right-of-use assets, or memberships</u></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>	<p>after the approval according to the aforementioned jurisdiction.</p> <p>IV. Professional assessment reports on the <u>memberships, intangible assets or their right-of-use assets</u></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>	
Articles 14 to 18	<p><u>Article 14</u></p> <p>When acquiring or disposing assets, in addition to dealing with <del>relevant</del> procedures for resolutions and evaluating the reasonableness of the transaction conditions as stipulated in <del>Article 10, Article 11, Article 12, Article 13, Article 14, Article 15, Article 16, Article 17 and Article 18 of this Standards</del>, 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.</p> <p>The amount <u>of which</u> shall be conducted in accordance with <u>Paragraph 2, Article 31</u> of the</p>	<p><u>Article 12</u></p> <p><u>Procedures for related party transaction</u></p> <p><u>I.</u> When acquiring or disposing assets, the Company and its related parties shall follow the <u>relevant processing procedures</u> and evaluate the reasonableness of the transaction conditions. Moreover, for transaction amounts that exceed 10% of the company's total assets, the company shall obtain appraisal reports from professional appraisers or consult opinions from CPAs according to the preceding sections.</p> <p>The calculation of the transaction amount <u>referred to in the preceding paragraph</u> shall be made in accordance with <u>Paragraph 2, Article 17</u> herein.</p> <p>When judging whether a trading</p>	<p>Articles 14 to Article 18 are merged and changed to Article 12, and texts are revised according to the company's practical operation.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>Procedure.</p> <p><del>In addition</del>, 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.</p>	<p>counterpart is a related party, besides legal definitions, the substantial relations shall also be taken into consideration.</p> <p><u>II. When the company and its subsidiaries, or their subsidiaries directly or indirectly holding 100% of the issued shares or total capital engage in, acquire or dispose of equipment or their right-of-use assets or real estate right-of-use assets for business use, the board of directors may authorize the chairman to make a decision in advance for more than NT\$10 million and less than NT\$30 million, and then submit it to the audit committee and the board of directors of the most recent period for ratification.</u></p>	
	<p><u>Article 15</u></p> <p>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</p>	<p><u>III. Appraisal and Operating</u></p> <p>Where the Company acquires or disposes of real estate or its right-of-use assets with a related party, or other assets other than real estate or its right-of-use assets with a related party, and the transaction amount reaches 20% of the company's paid in capital, 10% of the company's total assets, or NT\$300 million or more, in addition to trading domestic government bonds, bonds with repurchase or resale conditions, subscription or repurchase of money market funds issued by domestic securities investment trust enterprise, the following data shall be <u>submitted</u> for approval by more than half of all members of the Audit Committee and</p>	

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	<p>following information and materials shall be approved <u>by</u> more than half of all members of the Audit Committee <u>first</u> and submitted to the Board of Directors <u>for resolution</u>. <del>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</del> before signing the transaction contract and making payment, <u>and the resolution of the Audit Committee shall be stated in the minutes of the Board of Directors' Meeting.</u></p> <p><del>The terms "all Audit Committee members" and "all Directors" as stated in the preceeding paragraph shall be counted as the actual number of persons currently holding those positions.</del></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> <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 or its right to use assets from the related parties.</p> <p><u>IV.</u> Items like original date and price of acquisition by affiliate,</p>	<p>submitted to the Board of Directors <u>for approval</u> before signing a transaction contract and making payment; <u>when submitting to the Board of Directors for discussion, the opinions of each Independent Director shall be fully considered, and if the Independent Director has any objection or reservation, it shall be stated in the minutes of the board of directors.</u></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><u>(III)</u> For acquisition of real property or its right-of-use assets from related parties, information related to the appropriateness of preliminary transaction conditions shall be evaluated in accordance with <u>Paragraph 4 of this Article</u>.</p> <p><u>(IV)</u> The date and price of the related party originally acquired, trading</p>	

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	<p>transaction counterparty and relation between company and affiliate.</p> <p><u>V.</u> Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, the evaluation of the necessity of the transaction, and rationality of the funds utilization.</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> Restrictive covenants and other important stipulations associated with the transaction.</p> <p><del>The calculation of the amount of transactions mentioned in the preceding paragraph shall be conducted 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.</del></p> <p><del>When 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</del></p>	<p>object, and its relationships with company and the related party.</p> <p><u>(V)</u> Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.</p> <p><u>(VI)</u> Appraisal report from professional appraisers or CPA's opinion obtained in accordance with regulations.</p> <p><u>(VII)</u> Restrictive conditions and other important stipulations of the transaction.</p>	

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	<p><del>of equipment for use in business or their right of use assets or real estate use rights assets, 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 audit committee and Board of Directors for 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.</del></p> <p><del>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.</del></p> <p><u>Article 16</u></p>	<p><u>IV. Assessment of reasonableness of</u></p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>When the Company acquires real estate or its right-of-use assets from related parties, the reasonableness of transaction costs should be assessed as follows:</p> <p><del>I. The Company that acquires real property thereof from a related party shall evaluate the legitimacy of transaction costs by the following means:</del></p> <p>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.</p> <p>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</p>	<p><u>transaction cost</u></p> <p><u>(I)</u> The Company that acquires real property or its right-of-use assets from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>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.</p> <p>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</p>	

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	<p>related to each other.</p> <p><u>II.</u> Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When the Company acquires real estate or its right-of-use assets from its related parties, it shall assess the cost of the real property or its right-of-use assets in accordance with the <u>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 or its right to use assets from related parties, it shall be handled in accordance with the provisions of the preceding article if one of the following circumstances occurs. The <u>first three provisions</u> shall not apply:</p> <p><u>I.</u> The related party acquires real property or right-of-use asset from inheritance or as a gift.</p>	<p>the parties involved in the transaction are related to each other.</p> <p><u>(II)</u> When acquiring or leasing both land and buildings of the same subject matter, the Company may use one of the above methods to assess the transaction cost of land and buildings separately.</p> <p><u>(III)</u> When the Company acquires real property from a related party and appraises the cost of the real property or right of use assets in accordance with <u>Paragraph IV, subparagraph (I) of this Article</u>, the Company shall also engage a CPA to confirm the appraisal and render a specific opinion.</p> <p><u>(IV)</u> Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall <u>only</u> be conducted in accordance with <u>the relevant appraisal and procedures in Paragraph 3 of this Article</u>, and <u>shall not apply to the provisions of Subparagraph (1), (2), and (3) of Paragraph 4 of this Article</u>:</p> <p><u>1.</u> The related party acquired the real property or its right-of-use assets through inheritance or as</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>III. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.</p> <p>III. 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>IV. 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.</p> <p><u>Article 17</u> When the results of the appraisal conducted by the Company in accordance with the <u>Paragraph 1 and 2 of the preceeding Article</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 is raised and the specific opinions of real estate appraisers and CPAs on the reasonability are obtained:</p>	<p>a gift.</p> <p><u>2.</u> More than five years will have elapsed from the time the related party signed the contract to obtain the real property or its right-of-use assets 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>4.</u> The real property right-of-use assets for business use are acquired by the Company with its Subsidiaries, or by its Subsidiaries in which it directly or indirectly holds 100 % of the issued shares or authorized capital.</p> <p><u>(V) When acquiring real estate or right-of-use assets thereof from a related party, if the value assessed in accordance with Subparagraphs 1 and 2, Paragraph 4 of this Article is lower than the transaction price, actions shall be taken in accordance with Subparagraphs 6, Paragraph 4 of this Article.</u> However, this restriction does not apply to the following circumstances where objective</p>	



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>I.</u> Where the related party acquires 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> <p><u>(II)</u> There is case transaction of other floors of the same subject-matter building or in neighboring areas within one</p>	<p>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 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 is lower.</p> <p><u>(2)</u> Completed transactions by unrelated parties within the preceding year involving other floors of the same</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>year, provide that the area and condition are equivalent according to the reasonable appraisal of real estate.</p> <p><u>II.</u> Where the Company acquires real property or obtains right-of-use assets of real property through leasing from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. 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</p>	<p>property, neighboring, or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p><u>2.</u> Where the Company acquiring real property or obtaining real property's right-of-use assets through leasing from a related party, the terms of the transaction are similar to the terms of transaction cases involving neighboring or closely valued parcels of land of a similar size by unrelated parties within one year. The above-mentioned nearby transactions refer to those which are on the same street or nearby streets within the distance of 500 meters of the target transaction or with similar current value as reported; the similar area acreage refers to that its acreage shall not be less than 50% of the target transaction in area; "within one year" shall start from the transaction date to trace back to one year.</p>	

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	<p>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>Article 18</u> When acquiring the real property or the right-of-use assets from a related party, the Company shall carry out the following matters if the appraisal results in <u>the 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 Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property or right-of-use assets thereof, and may not be distributed or used for capital increase or issuance of bonus shares. 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><u>(VI)</u> When the appraised values of real estate or right-of-use assets thereof acquired by the Company from related parties according to <u>Subparagraph (1) to (5), Paragraph 4 of this Article</u> is lower than the transaction price, the situation shall be handled in the manner as follows:</p> <p><u>1.</u> In respect of the difference between the transaction price and the assessed cost of the real estate or right-of-use assets thereof, the Company shall recognize a special reserve in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act. The special reserve shall not be distributed or used for capital increase and issuance of bonus share. 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>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>II.</u> The Audit Committee shall comply with Article 218 of the Company Act.</p> <p><u>III.</u> 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 or leased at a high price shall be recognized as a loss or disposition or appropriate compensation or reinstatement, or 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 right-of-use assets 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 <u>preceding two paragraphs</u>.</p>	<p><u>2.</u> The Audit Committee shall comply with Article 218 of the Company Act.</p> <p><u>3.</u> The handling of the Company's <u>Items 1 and 2 of this Article</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 or leased at a high price shall be recognized as a loss or disposition or appropriate compensation or reinstatement, or 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><u>(VII)</u> When the Company acquires real property from a related party and any evidence indicates that the acquisition was not performed in accordance with operational conventions, it shall comply with <u>Paragraph IV, subparagraph (VI) of this Article</u>.</p>	
Article 12	<p><u>Article 12</u></p> <p>The calculation of the transaction amounts in the preceding 3 articles shall be in accordance with <u>Paragraph 2 of Article 31</u> herein.</p> <p>And the said one-year period is based</p>	<p><u>Article 13</u></p> <p>The calculation of the transaction amounts referred to in the preceding <u>four</u> articles shall be made in accordance with <u>Paragraph 2 of Article 17</u> herein, and "within the preceding</p>	Article 12 is changed to Article 13, and the text is modified according to

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	on the date of the occurrence of the transaction, one year forward retroactively calculated. The part of the appraisal report issued by the professional appraiser or the opinion of the CPA that has been obtained in accordance with the provisions of <del>these procedures</del> shall not be included again.	year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been included in the evaluation report issued by the professional appraiser or CPA's opinions need not be counted toward the transaction amount. <u>The transactions of related parties shall be approved by the audit committee and submitted to the board of directors for approval in accordance with the regulations, and shall not be included again.</u>	the company's practical operation.
Article 13	<p><u>Article 14</u></p> <p><u>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 Article 10, Article 11, Article 12, Article 13, Article 14, Article 15, Article 16, Article 17 and Article 18 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 conducted in accordance with 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 14</u></p> <p><u>For procedures for acquisition or disposal of financial institutions' claims, in principle, the Company does not engage in the acquisition or disposal of financial institutions' claims. In the future, if the Company intends to engage in such matters, the Company will submit the proposal to the Board of Directors for approval before stipulating its assessment and operation procedures.</u></p>	<p>1.The original Article 14 was incorporated into Article 12.</p> <p>2. In line with the company's practical work, additional contents are required.</p>

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
Article 15-1	<p><del>Article 15-1</del></p> <p><del>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. 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.</del></p>	<p><u>The article is deleted</u></p>	<p>Delete article according to the company's practical operation.</p>
Articles 19 to 22	<p><u>Article 19</u></p> <p>Principles and Guidelines for Transaction of Derivative products</p> <p><u>I. Business (hedge) strategy</u></p> <p>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</p>	<p><u>Article 15</u></p> <p>Engaging in Derivatives Trading</p> <p><u>I. Transaction categories</u></p> <p><u>The trading scope of the company's derivative financial products is limited to the use of forward exchange, option, interest rate or FX swap, bond trading and repurchase. If other products need to be used, they should be approved by the board of directors before trading.</u></p> <p><u>II. Business (hedge) strategy</u></p> <p><u>(I) The main strategy of the Company is to select derivatives trading that could avoid operation risk to the maximum as to minimize losses. In order to lower the Company's overall foreign exchange risk and to save costs from exchanging foreign currency, currencies held shall conform to the actual import/export transaction needs</u></p>	<p>The content merged from Article 19 to Article 22 shall be changed to Article 15, and the text shall be revised according to the company's practical operation.</p>

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	<p>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><b>II. Powers and responsibilities</b></p> <p><del>(I) Finance Department</del></p> <p>1. Traders</p> <p><u>A.</u> Responsible for the formulation of the Company's financial product transactions.</p> <p><u>B.</u> Traders shall <del>weekly</del> regularly calculate positions, collect market information, make trend <u>judgment</u> and risk assessment, and formulate operational strategies which can be basis for transactions <del>after</del></p>	<p>of the Company, and shall be based on the principle of balancing the Company's overall internal position (referring to revenue and expense from foreign currency).</p> <p><u>(II) The Company shall carefully evaluate the transactions for specific purposes, which shall be approved by the audit committee and approved by the board of directors before implementation.</u></p> <p><u>(III) The company may conduct foreign exchange hedging operations in response to the foreign currency financing needs of overseas subsidiaries.</u></p> <p><b>III. Responsibilities</b></p> <p><u>The following trading personnel in charge of derivatives and the personnel responsible for delivery and confirmation shall not concurrently hold positions with each other.</u></p> <p>1. Traders</p> <p><u>(1)</u> Responsible for the strategy formulation of derivative financial products trading throughout the Company.</p> <p><u>(2)</u> Trading personnel shall regularly calculate positions, collect market information and <u>legal information</u>, conduct trend <u>analysis</u> and risk assessment, and formulate trading strategies as the basis for trading.</p>	





Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
		<p><u>trading transactions and regularly reviews cash flow status to ensure that the transaction contract can be settled on schedule.</u></p> <p><u>(2) Evaluation of derivative products</u></p>	
		<p><u>3. Confirmation personnel</u></p> <p><u>(1) Verification of the transaction is based on the authorization and the established strategies.</u></p> <p><u>(2) Responsible for the accounting treatment and evaluation of derivatives transactions, to correctly and appropriately present the results of relevant transactions and profits and losses in the financial statements, and to make public announcement and report in accordance with the Securities and Futures Bureau of the Financial Supervisory Commission regulations.</u></p>	
	4. Review and resolution authority of derivative products	4. Review and resolution authority of derivative products	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note																					
	<div><p><u>A. Delegation of authorization of the hedge transaction</u></p><table><tr><td><u>Authorized Signatory</u></td><td><u>Daily transaction authority</u></td><td><u>Net cumulative position trading authority</u></td></tr><tr><td><u>President</u></td><td><u>below US\$0.5M</u></td><td><u>Below US\$1.5M (inclusive)</u></td></tr><tr><td><u>Chairman</u></td><td><u>US\$0.5M-1.5M (inclusive)</u></td><td><u>below US\$3M (inclusive)</u></td></tr></table></div> <div><p><u>B. Other specific uses of transactions can only be carried out <u>after being approved by the Board of Directors.</u></u></p><p><u>(H) Audit Department</u></p><p><del>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</del></p></div>	<u>Authorized Signatory</u>	<u>Daily transaction authority</u>	<u>Net cumulative position trading authority</u>	<u>President</u>	<u>below US\$0.5M</u>	<u>Below US\$1.5M (inclusive)</u>	<u>Chairman</u>	<u>US\$0.5M-1.5M (inclusive)</u>	<u>below US\$3M (inclusive)</u>	<div><p><u>(1) Authority to approve hedging transactions</u></p><table><tr><td><u>Authorized Signatory</u></td><td><u>Daily trading Authority</u></td><td><u>Net cumulative position trading authority</u></td></tr><tr><td><u>President</u></td><td><u>US\$0.5 million (inclusive) or less</u></td><td><u>US\$1.5 million(inclusive) or less</u></td></tr><tr><td><u>Chairman</u></td><td><u>US\$0.5 million ~ US\$1.5 million (inclusive)</u></td><td><u>US\$1.5 million ~ US\$3 million (inclusive)</u></td></tr><tr><td><u>Board of Directors</u></td><td><u>US\$1.5 million or more</u></td><td><u>US\$3 million or more</u></td></tr></table></div> <div><p><u>(2) Approval authority for other specific-purpose <u>hedging</u> transactions: <u>The approval by the chairman according to the approval authority shall be approved by the Audit Committee and passed by the Board of Directors</u> before proceeding.</u></p></div>	<u>Authorized Signatory</u>	<u>Daily trading Authority</u>	<u>Net cumulative position trading authority</u>	<u>President</u>	<u>US\$0.5 million (inclusive) or less</u>	<u>US\$1.5 million(inclusive) or less</u>	<u>Chairman</u>	<u>US\$0.5 million ~ US\$1.5 million (inclusive)</u>	<u>US\$1.5 million ~ US\$3 million (inclusive)</u>	<u>Board of Directors</u>	<u>US\$1.5 million or more</u>	<u>US\$3 million or more</u>	
<u>Authorized Signatory</u>	<u>Daily transaction authority</u>	<u>Net cumulative position trading authority</u>																						
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<u>Authorized Signatory</u>	<u>Daily trading Authority</u>	<u>Net cumulative position trading authority</u>																						
<u>President</u>	<u>US\$0.5 million (inclusive) or less</u>	<u>US\$1.5 million(inclusive) or less</u>																						
<u>Chairman</u>	<u>US\$0.5 million ~ US\$1.5 million (inclusive)</u>	<u>US\$1.5 million ~ US\$3 million (inclusive)</u>																						
<u>Board of Directors</u>	<u>US\$1.5 million or more</u>	<u>US\$3 million or more</u>																						

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><del>make a report and submit it for review, and inform the audit committee.</del></p> <p><u>III. Performance appraisal</u></p> <p><del>(I) Hedging transactions</del></p> <p><u>A.</u> 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><u>B.</u> To fully grasp and express the evaluation risk of transactions, the Company adopts monthly evaluation method to evaluate profit and loss.</p> <p><del>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.</del></p> <p><del>(II) Special purpose transaction</del></p> <p><del>The actual profit and loss is used as the performance evaluation basis, and the accountants shall regularly report the position to management for reference.</del></p> <p><u>IV. Setting up of the total contract amount and loss limit</u></p> <p><u>(I) Total contract amount</u></p> <p><del>A. Hedging trading quota</del></p> <p>The Finance Department shall grasp the overall position of the</p>	<p><u>IV. Performance Appraisal</u></p> <p><u>(I)</u> Gains and losses generated by transactions of financial derivatives engaged in due to exchange and <u>interest rate</u> costs associated with accounts shall constitute the basis of performance assessments.</p> <p><u>(II)</u> To fully control and express the evaluation risk of trading, the Company adopts monthly evaluation method to evaluate profit and loss.</p> <p><u>V. Setting up of the total contract amount and loss limit</u></p> <p><u>(I) Total contract amount</u></p> <p>The financial department shall master the overall position of the Company to avoid transaction</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>Company to avoid transaction risks. The amount of hedging transactions shall not exceed <u>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.</u></p> <p><del>B. Specific use transactions</del>  <del>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.</del></p> <p>(II) Setting up of the loss limits</p> <p><del>A. Hedging transaction is avoiding risks, so there is no need to set a limit for losses.</del></p> <p><del>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.</del></p> <p><del>C. The maximum amount of loss</del></p>	<p>risk, and the amount of hedging transaction shall not exceed <u>the net position of the company's monthly trading foreign exchange risk.</u></p> <p>(II) Setting up of the loss limits</p> <p><u>The amount of realized and unrealized losses arising from individual hedging contracts shall not exceed 20% of the contract amount, and the amount of realized and unrealized losses arising from all hedging contracts shall not exceed 5% of the net worth of the company's latest financial statements.</u></p>	

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	<p><del>for individual contract losses is not more than US\$20,000 or 5% of the contract amount, which is lower.</del></p> <p><del>D. The maximum annual loss for the Company's specific purpose of trading operations is US\$300,000.</del></p> <p><u>Article 20</u></p> <p><del>The following risk management measures shall be adopted:</del></p> <p><u>I. Credit risk management</u></p> <p>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:</p> <p>Transaction object: Mainly renowned domestic and foreign financial institutions.</p> <p>Trading items: Limited to the commodities provided by renowned domestic and foreign financial institutions.</p> <p>Transaction amount: The amount of uncharged off transactions <del>of the same trading object</del> shall not exceed 10% of the total authorized amount, except for those approved by the general manager.</p> <p><u>II. Market risk management</u></p> <p>Based on the open foreign exchange market provided by banks, the futures market will not be considered for the time being.</p>	<p><u>IV. Risk management measures</u></p> <p><u>(I) Credit risk management</u></p> <p>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:</p> <ol style="list-style-type: none"> <li>1. Trading object: reputable domestic and foreign financial institutions.</li> <li>2. Trading products: Limited to the products provided by reputable domestic and foreign financial institutions.</li> <li>3. Trading amount: <u>at least 2 domestic and foreign famous financial institutions shall be included</u> in the outstanding trading amount.</li> </ol> <p><u>(II) Market Risk Management</u></p> <p>Based on the open foreign exchange market provided by banks, the futures market will not be considered for the time being.</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p><u>III. Liquidity risk management</u> To ensure market liquidity, <u>financial products</u> 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.</p> <p><u>IV. Cash Flow Risk Management</u> 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.</p> <p><u>V. Operational Risk Management</u>  <u>(I)</u> The Company's authorized transaction amount and operating procedures shall be fully complied, and internal audit shall be undertaken to avoid operational risk.  <u>(II)</u> The personnel that deal with the transaction of derivative products, make confirmation of these transactions and make settlements of these transactions shall not be the same group of people.  <u>(III)</u> Risk measurement, monitoring, and control personnel shall be</p>	<p><u>(III) Liquidity Risk Management</u> To ensure market liquidity, more liquid <u>derivative products</u> (can be cashed out in the market at any time) will be considered. Financial institutions entrusted for the transaction should have sufficient information and possess the capability to trade in any market at any time.</p> <p><u>(IV) Cash Flow Risk Management</u> 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.</p> <p><u>(V) Operational Risk Management</u>  <u>1.</u> The company's authorization quota, operating procedures, and internal audits shall be followed to avoid operational risks.  <u>2.</u> Traders engaged in derivative commodities and operators engaged in confirmation and delivery of derivative commodities shall not act concurrently with each other.  <u>3.</u> The measurement, supervision and control of risks shall be</p>	

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	<p>assigned to personnel of different departments from the preceding subparagraph, and shall report to the Board of Directors or senior management personnel with no responsibility in trading or position decision-making.</p> <p><del>(IV) 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 the Board of Directors.</del></p> <p><u>VI. Product Risk Management</u> 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 <u>misusing financial products</u>.</p> <p><u>VII. Legal risk management</u> To prevent legal risks, any document signed with a financial institution shall be inspected by a <del>foreign exchange department and legal department</del> or legal consulting <del>experts</del> <u>prior to</u> official signing.</p> <p><del>VIII. Internal audit system for derivatives product transaction</del></p> <p>(I) The internal auditor shall regularly review the</p>	<p>assigned to a different department, and report to the board of directors or senior managers with no responsibility for trading or position decision-making.</p> <p><u>(VI) Risk Management for Derivative Product</u> Internal traders should have complete and correct professional knowledge of <u>derivative products</u> and require banks to fully expose risks to avoid <u>derivative product</u> risks.</p> <p><u>(VII) Legal Risk Management</u> Documents signed with financial institutions can only be formally signed after being reviewed by legal advisers to avoid legal risks.</p> <p><u>VII. Internal audit system:</u></p> <p>(I) The Internal Auditor shall regularly review the</p>	

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	<p>appropriateness of the internal control of derivatives trading, and check the <u>compliance</u> 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 <del>the Financial Supervision and Administration Commission</del> 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 <u>the Financial Supervision and Management Commission</u> no later than the end of May of the next year.</p> <p><del>IX. Regular evaluation methods and abnormal situation handling in derivative commodity transactions.</del></p> <p>(I) <u>The Board of Directors shall authorize the senior executives to regularly supervise and evaluate whether the transactions in the derivative commodities are actually</u></p>	<p>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) Internal auditors shall file the auditing report and the implementing status of annual auditing plans of internal audits to the competent authority before the end of February of next year and also shall report the improvement situation for any abnormal affairs to the competent authority before the end of May of next year.</p> <p><u>VIII. Regular evaluation methods</u></p> <p>(I) <u>When engaging in derivative transactions, a memorandum book shall be established, detailing the type and amount of derivative transactions, the date of adoption by the board of</u></p>	



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	<p><u>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.</u></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> When engaging in the trading of derivative commodities, the Board of Directors shall strictly supervise and manage according to the following principles:</p> <p><u>I.</u> Designate senior managers to pay attention to the supervision and 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</p>	<p><u>directors, and the matters that shall be carefully evaluated in accordance with Paragraph 8, Subparagraph 2, Paragraph 9, Subparagraph 2, and Paragraph 10, Subparagraph 1 of this Article.</u></p> <p>(II) Positions held in derivatives trading shall be assessed at least once weekly, but the hedging trades held for business needs shall be assessed twice a month. The evaluation report shall be remitted to senior managers authorized by the Board of Directors.</p> <p><u>IX.</u> Where the Company engaging in derivatives transactions, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <p><u>(I)</u> Designate senior management shall always pay attention to the monitoring and control of derivatives trading at all times.</p> <p><u>(II)</u> Regularly evaluate whether the performance of derivatives product transaction meets the</p>	

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	<p>established operational strategies and whether the risks are within the Company's permitted scope.</p> <p>Senior executives authorized by the Board of Directors shall manage transactions in accordance with the following principles:</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. <u>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 included in the board's records.</u></p> <p>When the Company engages in derivative trading, the Company shall</p>	<p>established operational strategies and whether the risks are within the Company's permitted scope.</p> <p><u>X.</u> The senior executives authorized by the board of directors shall manage derivatives trading in accordance with the following principles <del>and report to the most recent board of directors afterwards:</del></p> <p><u>(I)</u> Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the procedures for engaging in derivatives trading formulated by TUC.</p> <p><u>(II)</u> Supervising the transaction and profit/loss. When abnormality is found, necessary measures shall be taken. The incident shall also be immediately reported to the Audit Committee and the Board of Directors. <u>The Board of Directors shall have independent directors present to express their opinions.</u></p> <p><u>XI.</u> The Company shall report to the soonest meeting of the Board</p>	

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	<p>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>  <del>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 Subparagraph (4), Paragraph 5 of Article 20 and Subparagraph (2), Paragraph 1 of Article 21 and Subparagraph (2), Paragraph 2 shall be recorded in details in the memorandum book for reference.</del></p>	<p>of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>	
Articles 23 to 30	<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</p>	<p><u>Article 16</u>  <u>Processing procedures for merger, demerger, acquisition or transfer of shares</u></p> <p><u>I. Appraisal and operating procedures</u>  <u>(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</u></p>	<p>Article 23 to Article 30 shall be merged and changed to Article 16, and the text shall be revised according to the company's practical operation.</p>

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	<p>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>  <del>In participating in the merger, demerger or acquisition,</del> the Company shall prepare an open document to the shareholders before the meeting of the shareholders' meeting, and submit it <u>together with the expert opinions according to the Article 23(1) 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.</u>  In addition, if the shareholders' meeting of a company participating in merger, demerger or acquisition is unable to convene, resolve or reject a</p>	<p>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>(II)</u> 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 <u>Subparagraph 1, Paragraph 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.  <u>In addition,</u> if the shareholders' meeting of a company</p>	

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	<p>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><del>The Company</del> 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, 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</p>	<p>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>II. Other precautions</u></p> <p><u>(I) Date of board of directors and shareholders' meeting</u></p> <p><u>1.</u> 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, 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><u>2.</u> The Company shall convene a Board of Directors' meeting on</p>	

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	<p>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 <del>a company listed on the Stock Exchange or traded over the counter</del> 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> <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</p>	<p>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><u>3.</u> When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:</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><u>(2)</u> Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.</p> <p><u>(3)</u> Important documents and minutes: Including mergers, demergers, acquisitions, and</p>	

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	<p>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 <u>the preceding paragraph 1 and 2</u>, and file the information in the prescribed format via an online information system to file the competent authority for reference.</p> <p>When <del>the Company</del> participates in a merger, demerger, acquisition or transfer of shares, the Company shall sign an agreement with it and comply with the provisions of the <u>preceding two paragraphs</u>.</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</p>	<p>share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.</p> <p><u>4.</u> When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in <u>Items 3-1 and 3-2 of this Article to the FSC</u> for recording.</p> <p><u>5.</u> Where a company participating in a merger, demerger, acquisition, or share transfer is not a listed company or a company whose shares are traded on the business premises of a securities firm, the Company shall enter into an agreement with it and handle the matter in accordance with <u>Items 3 and 4 of this subparagraph</u>.</p> <p><u>(II) Confidentiality commitment in advance</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</p>	

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	<p>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></p> <p>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, 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 of the Company's major assets and other activities that affect the Company's financial business.</p>	<p>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>(III) Determination and alteration of shareholding ratio and acquisition price</u></p> <p>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, 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 of the Company's major assets and other activities that affect the Company's financial business.</p>	



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	<p>III. Major disasters, major technological changes and other events affecting the rights and interests of shareholders or securities prices.</p> <p>IV. Any adjustment to the Company's stock repurchase by any party participating in the merger, demerger, acquisition, or transfer of shares.</p> <p>V. Changes in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.</p> <p>VI. Other conditions stipulated in the 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 <del>specify the rights and obligations for participating in the merger, demerger, acquisition, or transfer of shares</del>, and shall also include the following:</p> <p><u>I.</u> Handling of breach of contract</p> <p><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.</p> <p><u>III.</u> The number of treasury stock that</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 stipulated in the contract change and have been disclosed publicly.</p> <p><u>(IV) Contents of the contract</u></p> <p>The company's participation in merger, demerger, acquisition or share transfer shall include the following:</p> <p><u>1.</u> Handling of breach of contract</p> <p><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.</p> <p><u>3.</u> The number of treasury stock</p>	

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	<p>shall be repurchased according to the law after calculating the base date of the exchange calculation ratio and their principles of disposal.</p> <p>IV. The manner of handling changes in the number of participating entities or companies.</p> <p>V. Expected execution progress and expected completion schedule.</p> <p>VI. Scheduled date for convening the legally-mandated shareholders meeting if the plan exceeds the deadline without completion and relevant procedures.</p> <p><u>Article 29</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 re-convening of shareholders' meeting to</p>	<p>that shall be repurchased according to the law after calculating the base date of the exchange calculation ratio and their principles of disposal.</p> <p><u>4.</u> The method of handling changes in the number of participating entities or companies.</p> <p><u>5.</u> Expected execution progress and expected completion schedule.</p> <p><u>6.</u> The relevant procedures of the expected convening dates of shareholders' meeting based on laws when a plan is overdue and still undone.</p> <p><u>(V) When the number of companies participating in the merger, demerger, acquisition or share transfer changes:</u> if any party of the company participating in the merger, demerger, acquisition or share transfer plans to merge, demerge, acquire or share transfer with other companies after the information is made public, except for the number of participants is reduced, and the shareholders' meeting has resolved and authorized the board of directors to change its authority, the participating company may be exempted from the need to hold a shareholders' meeting to re-execute a resolution. In the</p>	

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	<p>generate another resolution.</p> <p><u>Article 30</u> 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>	<p>original merger, demerger, acquisition or share transfer case, all the completed procedures or legal actions shall be taken by all participating companies.</p> <p><u>(VI)</u> The Company shall sign an agreement with non-public companies participating in the merger, demerger, acquisition or transfer of shares and take actions in accordance with <u>Article 16, Paragraph 2, Subparagraphs 1, 2 and 5.</u></p>	
Articles 31 and 32	<p><u>Article 31</u></p> <p>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</p>	<p><u>Article 17</u> <u>Information Disclosure Procedures</u> <u>I. Items to be publicly announced and public announcement filing standards:</u></p> <p>where the Company acquires or disposes of assets under the following circumstances, it shall, in accordance with the nature and in the prescribed format, report the relevant information on the website designated by the FSC within two days from the date of the occurrence of the fact:</p> <p><u>(I)</u> Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or</p>	Articles 31 to 32 shall be merged and changed to Article 17, and the text shall be revised according to the company's practical operation.

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	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.	NT\$300 million or more. 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.	<u>(II)</u> 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.	<u>(III)</u> Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.	
	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.	<u>(IV)</u> Where the type of asset acquired or disposed is equipment for business use or its rights of using, the trading counterparty is not a Related Party, and the transaction amount is more than NT\$500 million.	
	V. 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.	<u>(V)</u> Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction counterparty is not a related party, and the amount the Company expects to invest in	

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	<p>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 more than NT\$300 million. However, this does not apply to the following circumstances:</p> <p><u>(I)</u> Trading of government bonds.</p> <p><u>(II)</u> 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><u>I.</u> The amount of each transaction.</p> <p><u>II.</u> 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>the transaction reaches NT\$500 million or more.</p> <p><u>(VI)</u> Where an asset transaction other than any of those referred to in the preceding five Subparagraphs, <u>a disposal of receivables by a financial institution</u>, or an investment in Mainland China reaches 20 percent or more of paid-in capital or NT\$300 million; However, this does not apply to the following circumstances:</p> <p><u>1.</u> Trading of domestic government bonds.</p> <p><u>2.</u> Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p><u>II.</u> The said transaction amount shall be calculated in the following method, <u>and "within the preceding year" refers to the year preceding the actual occurrence date of the transaction, except for the transaction announced in accordance with stipulations.</u></p> <p><u>(I)</u> The amount of each individual transaction.</p> <p><u>(II)</u> The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within</p>	

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	<p><u>III.</u> 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><u>IV.</u> The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities within the preceding year.</p> <p><del>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.</del></p> <p><u>Article 32</u> Announcement and Declaration Procedures The company shall, on a monthly basis, input the information of the</p>	<p>the preceding year.</p> <p><u>(III)</u> The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p><u>(IV)</u> The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p><u>III.</u> As for the provisions of 10% total assets, it shall be calculated by the amount of total assets in the latest entity or individual financial report stipulated by securities issuer financial report preparation standards. <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></p> <p><u>IV. Procedures for public announcements and declarations</u> <u>(I)</u> The company shall enter the derivative product transaction status engaged by the Company</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>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 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>and its non-domestic public offering company subsidiaries into the information reporting website designated by the competent authority each month before the 10th day of the month in the prescribed format.</p> <p><u>(II) When the Company and its subsidiaries that are non-public companies domestically reach the maximum loss limit on all or individual contract established in the Regulations while engaging in derivatives trading, they shall publicly announce and report the relevant information on the website designated by the competent authority within two days from the occurrence in a prescribed format based on its nature.</u></p> <p><u>(III)</u> If the Company has to amend errors or omissions in items publicly announced, the Company shall announce and file all items again within two (2) days from the date when it becomes aware of the mistake.</p> <p><u>(IV)</u> Regarding the Company's acquisition or disposal of assets, the elated contracts, minutes, record books, appraisal reports and opinions of CPAs, lawyers or securities underwriters shall be retained within the Company. Unless otherwise provided in other laws, these documents shall</p>	

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<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 <u>the competent authority</u> 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 announcement.</p>	<p>be retained for at least five (5) years.</p> <p><u>(V)</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 <u>the Financial Supervisory Commission</u> 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 original announcement.</p>	
Article 33	<p><u>Article 33</u></p> <p>The Company's subsidiaries shall <del>also</del> comply with the following provisions:</p> <p><u>I.</u> 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</p>	<p><u>Article 18</u></p> <p>The Company's subsidiaries shall comply with the following provisions:</p> <p><u>I.</u> Subsidiaries shall establish "Procedures for Acquisition and Disposal of Assets" in accordance with "Procedures for Acquisition and Disposal of Assets by Public Companies" and upon attaining approval from the board of</p>	Article 33 is changed to Article 18, and the text is modified as appropriate.



Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	<p>and report to the Board of Directors of the Company <del>after being approved by the Board of Directors of the subsidiary</del>. The same procedures shall be followed for its amendment.</p> <p>II. If a subsidiary is not a domestic publicly owned corporation, <u>the</u> 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.</p> <p>III. The provisions on the paid-in capital or total assets related to the subsidiaries' disclosure standards shall be based on the paid-in capital or total assets of <u>the</u> Company.</p>	<p>directors of the subsidiary, it shall be submitted to the shareholder's meeting of the Company for approval. The same shall apply to any amendments to the Procedures.</p> <p>II. Information required to be publicly announced and reported in accordance with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies on the acquisition or disposal of assets by the Company's subsidiary that is not a public company in Taiwan shall be reported <u>by the parent (the) Company on behalf of its</u> subsidiary.</p> <p>III. <u>In</u> the public announcement and declaration standards <u>for</u> subsidiaries, provisions regarding paid-in capital or total assets shall <u>be</u> based on the paid-in capital or total assets of <u>the parent (the) Company</u>.</p>	
Article 34	<del>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.</del>	<u>The article is deleted.</u>	The article is deleted according to the actual operation of the company.
Article 35	<p><u>Article 35</u></p> <p>Penalty provision</p> <p>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</p>	<p><u>Article 19</u></p> <p>Penalty provision</p> <p>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</p>	Article 35 is changed to Article 19.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	shall be punished according to the personnel management measures and related measures of the Company, depending on the seriousness of the circumstances.	be punished according to the personnel management measures and related measures of the Company, depending on the seriousness of the circumstances.	
Article 36	<p><u>Article 36</u></p> <p>Implementation and Amendment</p> <p>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.</p> <p>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.</p> <p>All audit committee members and all directors as used herein shall be counted as the actual number of persons currently holding those positions.</p> <p>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</p>	<p><u>Article 20</u></p> <p>Implementation and Amendment</p> <p>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.</p> <p>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.</p> <p>All audit committee members and all directors as used herein shall be counted as the actual number of persons currently holding those positions.</p> <p>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</p>	Article 36 is changed to Article 20.

Article No.	Articles before the amendments	Articles after the amendments	Amendment Note
	matter, it shall be recorded in the minutes of the Board of Directors' meeting.	Directors' meeting.	
Article 37	<u>Article 37</u> Supplementary Provisions Any matters not covered by the Procedures shall be governed by the relevant laws and regulations.	<u>Article 21</u> Supplementary Provisions Any matters not covered by the Procedures shall be governed by the relevant laws and regulations.	Article 37 is changed to Article 21.

## 【Appendix 1】

### 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 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 set by the Board of Directors may be granted such compensation. Directors compensation shall be paid in cash. 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.

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.



- Article 29(1 ) 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 (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.
- 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.

## **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 19th, 2012.  
The eighteenth amendment was made on June 28th, 2013.  
The nineteenth amendment was made on June 23th, 2014.  
The twentieth amendment was made on June 30th, 2015.

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

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

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

The twenty-fourth amendment was made on June 14, 2019.

Sinmag Equipment Corporation

Chairman: Hsieh, Shun-ho

## 【Appendix 2】

### Sinmag Equipment Corporation Rules of Procedure for Board of Directors Meeting

- Article 1 (Basis for the adoption of these Rules)  
To establish a strong governance system and sound supervisory capabilities for the Company's Board of Directors and to strengthen management capabilities, these Rules are adopted pursuant to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2 (Scope of these Rules)  
Meeting regulations, the main agenda, operational procedures, particulars to be specified in the meeting minutes, public announcements, and other compliance matters shall be handled in accordance with the Rules and Procedures of Directors' Meetings.
- Article 3 (Convening and notice of Board meetings)  
The Company's Board of Directors' meeting shall be convened quarterly.  
The reasons for calling a Board meeting shall be notified to each Director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.  
The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.  
All matters set out in the subparagraphs of Article 12, paragraph 1, shall be specified in the notice of the reasons for calling a Board of Directors meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.
- Article 4 (Meeting notification and meeting materials)  
The designated unit responsible for the Board meetings of the Company shall be the Chairman's Office.  
The agenda working group shall prepare agenda items for Board meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting.  
If Directors consider the meeting materials to be insufficient, they may request the unit in charge to provide supplementary information. If Directors consider the materials concerning the proposals to be insufficient, the deliberation may be postponed upon a resolution of the Board.
- Article 5 (Preparation of attendance book and other documents; attendance by proxy)  
When a Board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.  
All Board directors shall attend Board meetings in person; if attendance in person is not possible, they may, pursuant to the company's articles of incorporation, appoint another director to attend as their proxy. Attendance via tele- or video-conference is deemed as attendance in person.  
A Director who appoints another Director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.  
A proxy under Paragraph 2 may accept a proxy from one person only.
- Article 6 (Principles for determining the place and time of a Board meeting)

A Board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all directors to attend and suitable for holding Board meetings.

Article 7 (Chair and acting chair of a Board meeting)

The Board meetings shall be convened and chaired by the Chairman of the Board. However, the first Board meeting of each term shall be convened and chaired by the Director whose ballots represent the most voting rights at the shareholders' meeting. When there are two (2) or more persons with the right to convene, they shall choose one from among themselves.

When the Chairman is on leave or for some reasons unable to exercise the power, the Vice Chairman shall serve as a proxy. If there is no Vice Chairman or the Vice Chairman is on leave or for some reasons unable to exercise the power, the Chairman shall appoint a Managing Director to serve as a proxy. If there is no Managing Directors, the Chairman shall appoint one Director to serve as a proxy. If the Chairman does not appoint a proxy, the Directors shall elect one from among themselves.

Article 8 (Reference materials, non-voting participants, and holding Board meetings)

When a Board meeting is held, the departments in charge of financial affairs shall furnish the attending directors with relevant materials for ready reference.

When convening a directors' meeting, the Company may, in view of the meeting agenda, notify personnel of the relevant departments or subsidiaries to attend the meeting as guests.

If necessary, the CPAs, lawyers or other professionals may also be invited to be present at the meeting and provide explanations. However, they shall excuse themselves during discussion and voting.

When a majority of the directors have arrived near the appointed meeting time, the chair may call the meeting to order.

If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.

The term the directors as referred to in the preceding paragraph and in Subparagraph 2, Paragraph 2, Article 16, refer to the directors actually in office.

Article 9 (Documentation of a Board meeting by audio or video)

Proceedings of a Board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If litigation arises from the matters resolved in the Board meetings before the above retention period expires, the relevant audio or video recordings shall be retained until the litigation is concluded.

If the Board meeting is convened by video conference, its video and audio recordings shall be part of the meeting minutes and shall be retained throughout the life of the Company.

Article 10 (Agenda items)

Agenda items for regular Board meetings of the Company shall include at least the following:

- I. Report items:
  - (I) Meeting minutes of the last Board meeting and implementation status.
  - (II) Reporting on important financial and business matters.
  - (III) Reporting on internal audit activities.
  - (IV) Other important matters to be reported.
- II. Discussion:
  - (I) Items discussed and continued from the last meeting.
  - (II) Items to be discussed at this meeting.
- III. Special motions

Article 11 (Discussion of proposals)

A Board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed if approved by the majority of attending Directors.

The Chairman may not announce the adjournment of the meeting before the completion of agenda unless agreed by the majority of attending Directors.

At any time during the course of a Board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 3 shall apply mutatis mutandis.

Article 12 (Matters requiring discussion at a Board meeting)

The Company shall submit the following items for discussion by the Board:

- I. Operating plan of the Company.
- II. Annual and semi-annual financial reports. With the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by Certified Public Accountants (CPA).
- III. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.
- IV. Adoption or amendment, in accordance with Article 36-1 of Taiwan SEA, of the handling procedures of important financial or operational actions, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- V. Offering, issuance or private placement of any equity based securities.
- VI. Appointment or discharge of a finance manager, accounting manager or Chief Auditor.
- VII. Donations to related parties or major donations to non-related parties; however, public-interest donations of disaster relief for a major natural disaster may be submitted to the next Board Meeting for ratification.
- VIII. Any matter that, under Article 14-3 of the Act, any other law, or regulation must be approved by resolution at a shareholders meeting or Board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net

operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term within one year in the preceding paragraph means one year calculated retrospectively from the date on which the current Board meeting is held. The part for which the Company has obtained approval from the Board shall not be included.

At least one independent director of the Company shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a Board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. When an Independent Director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board Meeting. If the Independent Director cannot attend the Board Meeting in person to voice his/her dissenting or qualified opinion, unless there are justifiable reasons for failure to do so, he/she shall provide a written opinion in advance, and the opinion shall be noted in the minutes of the Board Meeting.

Article 13 (Voting-I)

The chairperson shall give the opportunity to fully explain and discuss the proposals. When the chairperson is of the opinion that a proposal has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the proposal to vote.

When a proposal comes to a vote at a Board meeting, if the Chairman puts the matter before all Directors present at the meeting and none voices an objection, the matter is deemed approved. If objection is voiced when enquired by the Chairman, the matter shall be put to a vote.

The chair shall decide to adopt which of the following voting methods. In case of a dissent by an attendee, the voting method shall be decided by a majority of the attending directors.

I. Vote by raising hands

II. By voicing votes.

III. By casting ballots.

Article 14 (Voting-II and methods for vote monitoring and counting)

Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a Board meeting shall require the approval of a majority of the directors in attendance at a Board of Directors meeting attended by a majority of all directors.

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 above proposals is approved by vote, the rest is deemed rejected, and no further vote is required.

If the voting requires ballot supervisors and ballot counters, the Chairman shall appoint those personnel. The ballot supervisors shall be Directors.

The voting results shall be announced immediately at the meeting and recorded in the minutes.

Article 15 (Recusal system for directors)

If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting.

When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a Board meeting,

the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.

Article 16 (Meeting minutes and sign-in matters)

Minutes shall be prepared of the discussions at Board meetings. The meeting minutes shall record the following:

- I. The meeting session (or year) and the time and place of the meeting.
- II. Name of the Chairman.
- III. Directors' attendance status, including names and numbers of Directors who are present, on leave, and absent.
- IV. Names and titles of non-voting attendees.
- V. Name of the minute taker.
- VI. Report items.
- VII. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 4.
- VIII. Special motion: Name of proposer, the voting method, and result of each proposed resolution; speech summary of Directors, professionals and other persons; name of Director having a personal interest pursuant to the Paragraph 1 of the preceding article; description of major aspects of the interest; the reasons for recusal or non-recusal; the circumstances of recusal and objections or reservations which are on the record or in writing.
- IX. Other matters that shall be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the Board of Directors shall be stated in the meeting minutes and be published on an information reporting website designated by the competent authority within two days of the meeting :

- (I) Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.
- (II) A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee of the Company.

The attendance book of the Board meeting is a part of the meeting minutes and shall be retained throughout the life of the Company.

The minutes of a Board meeting shall bear the signature or seal of both the meeting chair and the minute taker; a copy of the minutes shall be distributed to each director within 20 days after the meeting, The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

Article 17 (Principles with respect to the delegation of powers by the Board)

With the exception of matters concerning related party transactions or matters required by law or regulations to be submitted for resolution by the Board of Directors, when the Board Meeting is in recess and the Chairman is authorized to exercise the powers of the Board Meeting, the content of authorization is stated as follows, :

- I. Appoint and supervise managers.
- II. Review company management decisions and business plans.
- III. Review and set company financial objectives.
- IV. Monitoring of the Company's operation results.
- V. Evaluate, check, supervise, and handle various risks encountered by the Company.
- VI. Supervision of regulatory compliance.
- VII. Planning of the future direction of the Company.
- VIII. Build and maintain the Company's corporate image and fulfill social responsibility.
- IX. Appoint and interact with accountants, lawyers, and other professionals.
- X. Other relevant items.

Article 18 (Supplementary provisions)

These Rules of Procedure shall be adopted by the approval of meeting of the Board of Directors and shall be reported to the Shareholders Meeting. The Board of Directors may be authorized to adopt, by resolution, any future amendments to these Rules.



### 【Appendix 3】

#### Sinmag Equipment Corporation

#### Ethical Corporate Management Best Practice Principles

- Article 1 (Objective and scope of application)  
These Principles are adopted to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.  
The ethical corporate management best practice principles applicable to its business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company ("hereafter, the group and organization").
- Article 2 (Prevention of unethical conduct)  
When engaging in commercial activities, directors, managers, employees, and mandataries of the Company, or persons having substantial control over it ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.  
Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.
- Article 3 (Pattern of interests)  
"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 4 (Compliance with laws and regulations)  
The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Article 5 (Policies)

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism to create an operational environment for sustainable development.

Article 6 (Prevention programs)

The Company shall establish ethical management policies clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.

When establishing the prevention program, the Company shall comply with relevant laws and regulations of the territory where the Company and its Business Group are operating.

In the process of developing the prevention programs, the Company should negotiate with staffs, labor unions members, important trading counterparties, or other stakeholders.

Article 7 (Scope of prevention programs)

When establishing the prevention program, the Company shall analyze business activities within their business scope which may be at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.

The prevention program established by the Company shall at least include preventive measures against the following:

- I. Offering and acceptance of bribes.
- II. Illegal political donations.
- III. Improper charitable donations or sponsorship.
- IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
- V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights and other intellectual property rights.
- VI. Engaging in unfair competitive practices.
- VII. Damage directly or indirectly caused to the rights and interests, health and safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision or sale of products and services.

Article 8 (Undertaking and enforcement)

The Company and its business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management for rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9 (Ethical corporate management of commercial activities)

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any transactions with persons so involved.

When entering into contracts with its agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy. In the event that the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 10 (Prevention of benefits offering and accepting)

When conducting business, the Company and its directors, managers, employees, retained entities, and those under substantial control, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11 (Prevention of unauthorized political donations)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, retained entities, and those under substantial control, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Prevention of improper donations and sponsorship)

When making or offering donations and sponsorship, the Company and its directors, managers, employees, retained entities, and those under substantial control shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 (Prevention of unreasonable presents, hospitality or other improper benefits)

The Company and its directors, managers, employees, retained entities, and those under substantial control shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationships or influence commercial transactions.

Article 14 (Prohibition on infringement of intellectual property rights)

The Company and its directors, managers, employees, retained entities, and those under substantial control shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

- Article 15 (Prohibition on unfair competitive practices)  
The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.
- Article 16 (Prevention of damage to stakeholders by products or services)  
The Company and its directors, managers, employees, appointees and substantial controllers shall follow relevant laws and regulations and international standards in the R&D, procurement, manufacturing, supply or sales of products and services, ensure the transparency and safety of information about products and services, formulate and publicize policies for the protection of the rights and interests of consumers or other stakeholders, and implement them in business activities to prevent products or services from directly or indirectly harming the rights and interests, health and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.
- Article 17 (Organization and responsibilities)  
The directors, managers, employees, retained entities, and those under substantial control of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.  
To achieve sound ethical corporate management, the Company shall establish a dedicated compliance unit that is under the Board of Directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis:
- I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
  - II. Set proposals that prevent dishonest behavior and set work-related Operating Procedures and Code of Conduct Guidelines within each proposal.
  - III. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.

- IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
- V. Developing a whistle-blowing system and ensuring its operating effectiveness.
- VI. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18 (Compliance with laws and regulations for conduct of business)  
The Company's Directors, managers, employees, retained entities, and those under substantial control shall comply with laws and regulations and the prevention programs when conducting business.

Article 19 (Prevention of conflicts of interest)  
The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

Where any director, manager or other interested person attending or present on the board of directors of the company has an interest in any proposal made by the board of directors for himself / herself or the legal entity he / she represents, he or she shall explain the important content of his or her interest at the current board of directors, and shall not join in the discussion and voting if it is harmful to the interests of the company, and shall recuse the discussion and voting, and shall not represent other directors to exercise their voting rights. Directors shall also exercise self-discipline and must not support one another in improper dealings.

The directors, managers, employees, retained entities, and those under substantial control shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 (Accounting and internal control)  
The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Article 21 (Operating procedures and guidelines of conduct)

The Company shall establish operational procedures and guidelines in accordance hereof to guide directors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

- I. Standards for defining offering or acceptance of improper benefits.
- II. Procedures for offering legitimate political donations.
- III. Procedures for offering legitimate charity donations or sponsorships and the amount standard.
- IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
- V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
- VI. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct
- VII. Handling procedures for violations of these Principles.
- VIII. Disciplinary measures on offenders.

#### Article 22

(Education, training and evaluation)

The chairperson, general manager, or senior manager of the Company shall communicate the importance of corporate ethics to directors, employees, and mandataries on a regular basis.

The Company shall periodically organize training and awareness programs for directors, managers, employees, retained entities, and those under substantial control and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

#### Article 23

(Whistleblowing System)

The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

- I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow insiders and outsiders to submit reports.
- II. The dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.

- III. Documentation and preservation of case acceptance, investigation processes, investigation results and relevant documents.
- IV. Confidentiality of the identity of whistle-blowers and the content of reported cases.
- V. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
- VI. Whistleblowing incentive measures.
- VII. If a serious violation is found or the Company is in danger of severe losses, the Company personnel or unit responsible for accepting the case shall immediately notify the independent directors in a written report.

Article 24 (Disciplinary and complaint system)  
The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 25 (Information disclosure)  
The company should establish quantitative data to promote ethical management, continuously analyze and evaluate the promotion effect of ethical management policies, disclose the adoption measures, performance conditions, quantitative data and promotion effect of ethical management on the company's website, annual report and prospectus, and disclose the content of ethical management rules at the MOPS.

Article 26 (Review and amendment of ethical corporate management policies measures)  
The Company shall, at all times, monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, managers and employees to make suggestions based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 27 (Implementation)  
The company's code of ethical management has been adopted and implemented by a resolution of the board of directors, and submitted to the audit committee and the shareholders' meeting for report. The same shall apply to the amendment.  
When submitting the code of ethical management to the board of directors for discussion in accordance with the preceding paragraph, the company shall fully consider the opinions of each independent director, and record the objections or reserved opinions in the minutes of the board of directors; if the independent director is unable to attend the board of directors in person to express objections or reserved opinions, he/she shall provide written opinions in advance and record them in the minutes of the board of directors unless there are legitimate reasons.

【Appendix 4】

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.

## 【Appendix 5】

### 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. Real estate (including land, housing and building, investment property, inventory of construction enterprise) and equipment.
- III. Membership card.
- IV. Intangible assets include patents, copyrights, trademark rights, and franchise.
- V. Right-of-use assets.
- 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 instruments: The term refers to contracts with value derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indexes, credit ratings or credit indexes or other variables. Contracts include forward contracts, option contracts, futures contracts, leverage contracts, swap contracts, hybrid contracts consisting of the above contracts, or hybrid contracts or structured products containing embedded derivatives. 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(3) 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.

Article 5 The professional appraiser and appraisal personnel, independent auditor, lawyer or the securities underwriter who provides the appraisal report or opinions for the Company shall meet the following requirements:

The amount of the above assets obtained by the Company and each subsidiary individually is as follows:

- I. 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.
- II. The transaction party shall not be a related party or a substantial related party.
- 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.

When issuing the appraisal report or opinion, the personnel in the preceding paragraph shall follow the following procedures:

- I. They shall carefully assess their professional capabilities, practical experience and independence before accepting cases.
- 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.



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.

IV. Matters to be declared shall include the professionalism and independence of relevant personnel, the reasonableness and correctness of the information used and the compliance with relevant laws and regulations.

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 (China) Co., Ltd., and Wuxi New Order Control Co., Ltd.

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 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:
- I. The total amount of non-operating property for business use and right-of-use asset 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 8 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.
- 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, and the resolutions of the audit committee shall be stated in the proceedings of the Board of Directors. The terms "all Audit Committee members" and "all directors" stated herein shall be actual incumbents.
- Article 9 Procedures for acquisition or disposal of property, equipment or its right-of-use asset
- I. Appraisal and operating procedures  
The company's acquisition or disposal of real property, equipment, or its right-of-use asset shall be conducted in accordance with the Company's internal control system, the property, plant and equipment 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 or its right-of-use asset 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 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

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 be executed by the use department, the procurement department and the relevant authority and responsibility department.

### IV. Appraisal Report on Real Estate, Equipment or its Right-of-Use Asset

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:

- (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) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) If any of the following situation occurs, unless all of the appraisal values for asset acquisition are higher than the trading amount or all of the appraisal values for asset disposal are lower than the transaction price, the Company shall contact CPAs to take actions in accordance with Auditing Standards No. 20 published by Accounting Research and Development Foundation (ARDF) and to express specific comments on the reasons for the discrepancy and the fairness of 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) The date of report presented by the professional appraiser and the date of establishment of contract shall not be more than three months. 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.

Article 10 Acquisition or disposal of securities investment procedures

I. Appraisal and 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.

Article 11 Procedures for acquisition or disposal of intangible assets or the right-of-use assets or the memberships .

I. Appraisal and operating procedures

The company's acquisition or disposal of intangible assets or its right-of-use asset or memberships shall be conducted in accordance with the Company's internal control system and the property, plant and equipment procedure.

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 or their right-of-use asset, 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.

### III. Execution Unit

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

### IV. Intangible assets or their right-of-use assets or memberships' expert appraisal report

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.

Article 12 The calculation of the transaction amounts in the preceding 3 articles shall be in accordance with Paragraph 2 of Article 31 herein.

Based on the date of the occurrence of the transaction, a year's retroactive calculation is made, and the part of the appraisal report issued by the professional appraiser or CPA's opinion that has been obtained in accordance with the provisions of these guidelines shall not be included again.

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.

- Article 14 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 Article 10, Article 11, Article 12, Article 13, Article 14, Article 15, Article 16, Article 17 and Article 18 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 conducted in accordance with Article 31 (2).
- 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.
- Article 15 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 the acquisition or disposal of assets.
  - II. The reason for choosing a related party as a transaction object.
  - III. The relevant materials for appraising the reasonableness of the predetermined transaction conditions in accordance with Articles 16 and 17 when acquiring the real estate or its right to use assets from the related parties.
  - IV. Items like original date and price of acquisition by affiliate, transaction counterparty and relation between company and affiliate.
  - V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, the evaluation of the necessity of the transaction, and rationality of the funds utilization.
  - VI. Appraisal report from professional appraisers or CPA's opinion obtained pursuant to Article 14.

VII. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the amount of transactions mentioned in the preceding paragraph shall be conducted 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.

When 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 use rights assets, 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 audit committee and Board of Directors for 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.

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.

Article 15-1 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.

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 16 When the Company acquires real estate or its right-of-use assets from related parties, the reasonableness of transaction costs should be assessed as follows:

- I. The Company that acquires real property thereof from a related party shall evaluate the legitimacy of transaction costs by the following means:

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

When the Company acquires real estate or its right-of-use assets from its related parties, it shall assess the cost of the real property or its right-of-use assets in accordance with the preceding two provisions, and shall also entrust an accountant to perform the review and render specific opinions.

When the Company acquires real estate or its right to use assets from related parties, it shall be handled in accordance with the provisions of the preceding article if one of the following circumstances occurs. The first three provisions shall not apply:

- I. The related party acquires real property or right-of-use asset from inheritance or as a gift.
- II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
- III. 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.
- IV. 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.

Article 17 When the results of the appraisal conducted by the Company in accordance with the preceding item 1 and 2 are lower than the transactions price, It shall perform in accordance with article 18: 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:



- I. Where the related party acquires undeveloped land or leased land, it shall submit a proof of compliance with one of the following conditions:
  - (I) 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.
  - (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.
- II. Where the Company acquires real property or obtains right-of-use assets of real property through leasing from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.  
 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.

- Article 18 When the Company acquires real property right-of-use assets from a related party or its right-of-use asset, the Company shall carry out the following matters if the appraisal results in the preceding two articles are lower than the transaction price.
- I. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property or right-of-use assets thereof, and may not be distributed or used for capital increase or issuance of bonus shares. 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.
  - II. The Audit Committee shall comply with Article 218 of the Company Act.

III. The handling of the handling of the preceding two subparagraphs 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 or leased at a high price shall be recognized as a loss or disposition or appropriate compensation or reinstatement, or have no other evidence proving irrationality and be approved by the Financial Supervision and Administration Commission before the special surplus reserve is used.

The company shall obtain real property or right-of-use assets 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.

Article 19 Principles and Guidelines for Transaction of Derivative products

I. 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.

II. Powers and responsibilities

(I) 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. Accountants

- 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
President	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.

## (II) Audit 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.

## III. Performance appraisal

### (I) 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.

(II) 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.

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

(I) 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.

(II) 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.

Article 20 The following risk management measures shall be adopted:

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

- (I) The Company's authorized transaction amount and operating procedures shall be fully complied, and internal audit shall be undertaken to avoid operational risk.
- (II) The personnel that deal with the transaction of derivative products, make confirmation of these transactions and make settlements of these transactions shall not be the same group of people.
- (III) Risk measurement, monitoring, and control personnel shall be assigned to personnel of different departments from the preceding subparagraph, and shall report to the Board of Directors or senior management personnel with no responsibility in trading or position decision-making.
- (IV) 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 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.

VIII. Internal audit system for derivatives product transaction

- (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.

IX. Regular evaluation methods and abnormal situation handling in derivative commodity transactions.

- (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.

Article 21 When engaging in the trading of derivative commodities, the Board of Directors shall strictly supervise and manage according to the following principles:

- I. Designate senior managers to pay attention to the supervision and control the risks of derivatives product transaction at all times.
- 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.

Senior executives authorized by the Board of Directors shall manage transactions in accordance with the following principles:

- I. 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.

- II. 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 included in the board’s records.

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.

Article 22 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 Article 20-5 (4) and Article 21-1 (2) and 2 (2) shall be recorded in details in the memorandum book for reference.

Article 23 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.

Article 24 In participating in the merger, demerger or acquisition, the Company shall prepare an open document to the shareholders before the meeting of the shareholders’ meeting, and submit it together with the expert opinions according to the Article 23(1) 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.

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.

Article 25 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, 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.

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.

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:

- I. 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.
- II. 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.
- III. Important documents and proceedings: Including merger, demerger, acquisition, or transfer of shares, letter of intent or memorandum of understanding, important contracts and board proceedings.

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.

When the Company participates in a merger, demerger, acquisition or transfer of shares, the Company shall sign an agreement with it and comply with the provisions of the preceding two paragraphs.

Article 26 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.

Article 27 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, or transfer of shares:



- I. 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.
- II. Disposal of the Company's major assets and other activities that affect the Company's financial business.
- III. Major disasters, major technological changes and other events affecting the rights and interests of shareholders or securities prices.
- IV. Any adjustment to the Company's stock repurchase by any party participating in the merger, demerger, acquisition, or transfer of shares.
- V. Changes in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other conditions stipulated in the contract change and have been disclosed publicly.

Article 28 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:

- I. Handling of breach of contract
- II. 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.
- III. 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.
- IV. The method of handling changes in the number of participating entities or companies.
- V. Expected execution progress and expected completion schedule.
- VI. The relevant procedures of the expected convening dates of shareholders' meeting based on laws when a plan is overdue and still undone

Article 29 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 re-convening of shareholders' meeting to generate another resolution.

Article 30 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 Articles 25, 26 and 29.

Article 31 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-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.
- 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 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 more than NT\$300 million. However, this does not apply to the following circumstances:
  - (I) Trading of government bonds.
  - (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.

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

- I. The amount of each transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same counterparty within the preceding year.
- 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.

IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities within the preceding 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.

Article 32      Announcement and Declaration Procedures

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.

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.

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.

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:

- I. There are changes, terminations or rescission of relevant contracts signed in the original transaction.
- II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- III. There are changes in contents of the declaration in the original announcement.

Article 33      The Company’s subsidiaries shall comply with the following provisions:

- 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. The provisions on the paid-in capital or total assets related to the subsidiaries' disclosure standards shall be based on the paid-in capital or total assets of the Company.

Article 34 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.

Article 35 Penalty provision

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.

Article 36 Implementation and Amendment

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 37 Supplementary Provisions

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

【Appendix 6】

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 2020 Annual Shareholders' Meeting (April 22, 2020), 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	108.6.14	2,211,267	4.40%	2,211,267	4.40%
Director	Wu, Yao-tsung	108.6.14	1,788,616	3.56%	1,788,616	3.56%
Director	Chang, Jui-jung	108.6.14	380,981	0.76%	380,981	0.76%
Director	Hsieh, Ming-ching	108.6.14	1,398,980	2.79%	1,408,980	2.81%
Director	Chen, Yung-Chen	108.6.14	0	0.00%	0	0.00%
Director	Chang, Yu-Chuan	108.6.14	6,517	0.01%	6,517	0.01%
Independent Director	Chan, Shih-hung	108.6.14	0	0.00%	0	0.00%
Independent Director	Tu, San-chien	108.6.14	0	0.00%	0	0.00%
Independent Director	Huang, Huei-Wang	108.6.14	0	0.00%	0	0.00%
Number of Shares Held by all Directors and Shareholding ratio			5,786,361	11.52%	5,796,361	11.54%

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 7】**

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 2020, 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.