

Stock Code : 4545



銘鈺精密工業股份有限公司  
Min Aik Precision Industrial Co., Ltd.

2019  
Annual General Meeting  
Meeting Handbook

Time : 9:00 a.m., Tuesday, June 13, 2019

Venue : 2F., No.2, Ln. 12, Datan 3rd Rd., Guanyin Dist., Taoyuan  
City , Taiwan

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# **Min Aik Precision Industrial Co., Ltd.**

## **Agenda of the 2019 Annual General Meeting**

Time: 9:00 a.m., Tuesday, June 13, 2019

Venue: 2F., No.2, Ln.12, Datan 3rd Rd., Guanyin Dist., Taoyuan City, Taiwan

Number of Shares Present:

Call to Order:

Chairperson Remarks:

### **I. Matters Reported**

1. The 2018 Business Report.
2. The 2018 Audit Committee Report.

### **II. Matters for Ratification**

1. Adoption of the 2018 Business Report and Financial Statements.
2. Adoption of the 2018 Deficit Compensation.

### **III. Matters for Discussion**

1. To approve the Proposal of Cash Distribution from the Capital Reserve.
2. Amendment to the Procedures for Acquisition or Disposal of Assets.
3. Amendment to the Procedures for the Loaning of Funds.
4. Amendment to the Procedures for Endorsements and Guarantees.

### **IV. Questions and Motions**

### **V. Adjournment**

## **I. Matters Reported:**

### **Proposal 1**

**Subject:** The 2018 Business Report.

**Explanation:** The 2018 Business Report please refer to Attachment 1(Page 6-8).

### **Proposal 2**

**Subject:** The 2018 Audit Committee Report.

**Explanation:** The 2018 Audit Committee Report please refer to Attachment 2 (Page 9).

## **II. Matters for Ratification:**

Proposal 1 (Proposed by Board of Directors)

Subject: Adoption of the 2018 Business Report and Financial Statements.

Explanation:

1. The individual financial report and consolidated financial report of 2018 of The Company have been certified by Chen, Cheng-Chien and Huang, Yung-Hua, CPAs of KPMG. The reports and the business report have also been reviewed by Audit Committee found true and correct. Please refer to Attachments 1 (Page 6-8) and Attachments 3 (Page 10-25).
2. Please kindly ratify the 2018 Business Report and Financial Statements.

Resolution:

Proposal 2 (Proposed by Board of Directors)

Subject: Adoption of the Proposal for 2018 Deficit Compensation.

Explanation:

1. The company's net loss after tax for 2018 is NT\$ 56,767,050. The statement for Deficit Compensation is prepared in accordance with the articles of incorporation. Please refer to Attachment 4 (Page 26).
2. Please kindly ratify the 2018 Deficit Compensation.

Resolution:

### **III. Matters for Discussion:**

Proposal 1 (Proposed by Board of Directors)

Subject: To approve the Proposal of Cash Distribution from the Capital Reserve.

Explanation:

1. The Company proposes to distribute in cash in accordance with Article 241 of the Company Act NT\$26,950,000 of capital reserve from the premium of share issuance in excess of face value. \$0.35 per share is distributable based on the number of shares held by shareholders on the distribution record date. Following approval by the general shareholders meeting, the chairman is authorized to determine the distribution record date, issue date and other relevant matters.
2. The above cash calculation is rounded to the minimum of one dollar. Fractions will be included as other income of the Company.
3. If the distribution ratio among shareholders is subsequently changed due to change of outstanding shares of the Company, it is proposed that the shareholders meeting authorizes the chairman to adjust the distribution ratio based on the total amount of distribution resolved by the shareholders meeting and in accordance with the actual number of outstanding ordinary shares on the distribution record date.
4. Submission for discussion and resolution.

Resolution:

Proposal 2 (Proposed by Board of Directors)

Subject: Amendment to the Procedures for Acquisition or Disposal of Assets.

Explanation: The amendment to the Procedures for Acquisition or Disposal of Assets is made to meet the legal requirements and based on actual needs. For the comparison table of amended and original articles, please refer to Attachment 5 (Page 27-41).

Resolution:

Proposal 3 (Proposed by Board of Directors)

Subject: Amendment to the Procedures for the Loaning of Funds.

Explanation: The amendment to the Procedures for the Loaning of Funds is made to meet the legal requirements and based on actual needs. For the comparison table of amended and original articles, please refer to Attachment 6 (Page 42-47).

Resolution:

Proposal 4 (Proposed by Board of Directors)

Subject: Amendment to the Procedures for Endorsements and Guarantees.

Explanation: The amendment to the Procedures is made to meet the legal requirements and based on actual needs. For the comparison table of amended and original articles, please refer to Attachment 7 (Page 48-50).

Resolution:

#### **IV. Questions and Motions**

#### **V. Adjournment**

**Min Aik Precision Industrial Co., Ltd.**  
**2018 Business Report**

It was very tough for Min Aik Precision Industrial Co., Ltd. in 2018. The company faced a quite difficult business environment due to the poor sales of the terminal products and the impact of the Sino-US trade war. Thank you again for your long-term support to Min Aik Precision Industrial Co., Ltd. At the same time, I would like to express my regret to all of you that the performance in 2018 was not as good as expected. Looking forward to 2019, our management team shall continuously invest the resources to win over the new customers and orders of the new products while actively implementing innovation and reform. In this way, the company will lead Min Aik Precision Industrial Co., Ltd. to get out of the business difficulties and return to the growth track as soon as possible even facing the forthcoming operating adversity in 2019, and accordingly live up to the mission and expectations of the shareholders to the management team entrusted by the company.

I. Operating policies and implementation overview

Compared with the impact on the profits of the company as a result of sharp appreciation of US dollar in 2017, the difficulties that the company faced during operation in 2018 almost entirely resulted from the recession of the industry to which the customers belong. With the shrinking hard disk market and the saturated sales of the smart phones, the operating revenue and profits in 2018 declined compared with that of the last year. Taking the businesses of precision stamping and automation as an example, the demand for the terminal products was sluggish and the market was saturated, thereby leading to reduction of the order amounts of the assembly and automatic equipment from the customers, and causing that the operating revenues of two main business units of the company were not as good as expected in 2018. However, the operating revenue and the profit of the Medical Plastic Department were increased compared with those in 2017 because the distribution of the past few years had gradually matured and the industry grew stably. Moreover, a stable source of funds was appropriately provided to the Group by the cash flow from this business, to support the resources required by other two businesses during the transition period.

The precision metal stamping and the automatic equipment are closely related to the market situation of the consumer electronic products. Due to the influence of the market saturation and the Sino-US trade war in 2018, the two businesses were still suffered from the considerable impact even though the market was not affected



by fluctuation of the exchange rate in 2018. At present, it seems that such industry and the market situation may affect the operating condition significantly in 2019, and the company may face the considerable challenges this year during operation. The management team of the company shall strictly control the cost and the expenses and get ready to pass through the tough time while actively developing the medical business to provide the Group with the stable resource by virtue of the industrial characteristics of the business and own operating strength, to pass through the difficult period of transformation and industrial adjustment.

## II. Implementation achievements of the operating plan

Item	2018	2017
Operating Revenue	2,073,532	2,469,384
Operating Gross Profit	360,103	500,760
Operating profit/loss	-53,333	110,993
Non-Operating Income and Expenses	19,124	-92,026
Net income	-56,767	16,513

## III. Analysis of profitability

Item	2018	2017
Return on asset (%)	-1.61%	0.70%
Return on equity (%)	-3.19%	0.87%
Paid-in capital (%)	Operating Income	14.41%
	Pre-tax Profit	2.46%
Profit ratio (%)	-2.74%	0.67%
Earnings per share (NT\$)	-0.74	0.21

## IV. Research and Development situations

The company cannot take resource investment of the new technology and the new product lightly even though the challenges of the industry became more and more severe in the past two years and the demand for terminal products was weakened due to the saturation of the market. Because manufacturing is taken as the core in metal stamping, automatic equipment and medical plastics, the company spares no effort in introducing the Industry 4.0 in three business areas to implement the concept and mechanism of intelligent manufacturing and big data analysis in each area of the company. In this way, the company can improve the production efficiency and the product yield by implementing the concept of Industry 4.0. In addition, due to rapid changes of the electronic industry and the rise of the red supply chain, the industry to which the metal stamping and automatic equipment belong has become the Red Ocean industry at present. Therefore, in terms of the

two businesses, the company actively seeks for the next Blue Ocean product respectively, and has invested the considerable human and material resources in research and development of the electronic industry for automobile, vision identification system and Artificial Intelligence (AI) respectively, to acquire the outstanding industry status when the next generation of products come out. As for the medical plastic industry, the company also actively develops the materials and moulds to reserve the necessary competitiveness in the industry.

When facing the business adversities in these two years, all business units of the Group were actively developing the new businesses and controlling the cost and expenses with the considerable cautious attitude. However, the company never stopped the investment in research and development of the new products. The company deeply understands that the leading position of the company can be maintained only through continuous R&D and innovation. The R&D of each business unit of the Group is guided by the future requirements of the customers and the potential market, and the development and investment are implemented with the help of the core competencies of the company in different business areas. In addition, the company also actively cooperates with the domestic academic units to seek for the market opportunities of the new technologies by virtue of cooperation between the two sides. The management team of the company believes that such a layout can support the company to lay the foundation for the business development in the new target industry and the market by means of the accurate objective setting and resource input and by combining with innovation and leading technology development of the academic unit.

After being listed in 2016, the operating performance of the company was indeed not as good as expected because the growth of the industry slowed down or even declined and the transformation was not implemented as quickly as possible. Thank you very much for your continued support. Looking into the year 2019, the company shall still face the considerable uncertainties on the macroeconomic and industrial aspect. But after learning and investment over the past few years, the view of the future and the strategy distribution of the management team have become apparent. Although it will be very difficult to operate in 2019, we believe that the company will gradually get out of the past difficulties and return to the track of growth, to meet the expectations of the shareholders.

**Min Aik Precision Industrial Co., Ltd.**

Audit report issued by Audit Committee for 2018

The individual financial report and consolidated financial report of 2018 of the company, which were prepared by its Board of Directors, have been certified by Chen, Cheng-Chien and Huang, Yung-Hua, CPAs of KPMG. The aforementioned reports, the business report and the proposal of deficit compensation are reviewed by the Committee and found true and correct. The Committee hereby submits the aforementioned reports and proposal for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to:

2019 Annual General Meeting of Min Aik Precision Industrial Co., Ltd.

Convener of Audit Committee: Liu, Chin-Tang

March 18, 2019

## **Independent Auditors' Report**

### **(Parent Company Only Financial Statements)**

To the Board of Directors of Min Aik Precision Industrial Co., Ltd.:

#### **Opinion**

We have audited the financial statements of Min Aik Precision Industrial Co., Ltd. (“the Company”), which comprise the parent company only balance sheets statement of financial position as of December 31, 2018 and 2017, the parent company only statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### **Key Audit Matters**

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

##### **1. Inventory valuation**

Please refer to Note 4(g) “Inventory” and Note 5(b) of the notes to financial statement for the accounting policies on inventory measurement and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

The Company's inventory are measured at lower of cost and net realized value. The Company's products may be obsolescent or do not meet the market demand due to new product or market change. Thus, the cost of inventory may exceed its net realizable value. Moreover, the net realizable value involved management's judgments. Therefore, the inventory valuation is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the Company's policies of inventory valuation to assess the appropriateness of its inventory valuation; on a sampling basis, testing the Company's inventory aging report to verify its correctness; understanding and testing, on a sampling basis, the selling price that the management used to assess the appropriateness of the net realizable value.

2. Investments accounted for using equity method

Please refer to Notes 4(h) "Investment in associates" and Notes 5(b) of the notes to financial statement for the accounting policies on investment in associates and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

One of the subsidiaries that accounted for using equity method, whose inventory valuation is material to the parent company only financial statements, and the net realizable value involved management's judgments. Such matters may have significant impact to the Company's financial statements. Therefore, which subsidiary's financial statements in relation to inventory valuation was one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the subsidiary's policies of automatic machine valuation to assess the appropriateness of its inventory valuation; reviewing the reasonableness of prior years' inventory allowance and then compare to current year to assess the appropriateness of the method and the assumption for current year's inventory allowance; understanding and testing, on a sampling basis, the selling price that the management used, or reviewing the subsequent sales of the inventories to assess the appropriateness of the net realizable value.

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

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only 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 parent company only 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 parent company only financial statements.

As part of an audit in accordance with 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 parent company only 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 parent company only 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 parent company only 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 the investment in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 18, 2018

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Parent Company Only Balance Sheets**

**December 31, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2018		December 31, 2017		Liabilities and Equity		December 31, 2018		December 31, 2017			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (notes 6(a))	\$	417,477	15	737,907	30	2100	Short-term borrowings (note 6(f))	\$	140,000	5	150,000	6
1170	Accounts receivable, net (notes 6(b) and (m))		116,414	4	134,772	5	2170	Accounts payable		126,820	5	161,227	7
1181	Accounts receivable from related parties (notes 6(b) and 7)		143,965	5	213,598	9	2201	Salary and wages payable (note 6(n))		59,498	2	68,171	3
130X	Inventories (notes 6(c))		135,286	5	118,535	5	2300	Other current liabilities (note 7)		97,086	3	122,746	4
1479	Other current assets (notes 7 and 8)		41,090	1	44,446	1	2322	Long-term borrowings, current portion (note 6(g))		98,000	4	-	-
			854,232	30	1,249,258	50				521,404	19	502,144	20
Non-current assets:						Non-Current liabilities:							
1551	Investments accounted for using equity method (note 6(d))		955,135	35	934,148	38	2541	Long-term borrowings (note 6(g))		462,000	17	50,000	2
1600	Property, plant and equipment (notes 6(e), 7 and 8)		914,946	33	258,313	10	2570	Deferred tax liabilities (note 6(j))		50,822	2	41,652	2
1995	Other non-current assets (notes 6(i) and (j))		39,073	2	38,212	2	2670	Other non-current liabilities		-	-	59,443	2
			1,909,154	70	1,230,673	50				512,822	19	151,095	6
								Total liabilities		1,034,226	38	653,239	26
						Equity attributable to owners of parent (note 6(k)):							
							3110	Ordinary share		770,000	28	770,000	31
							3200	Capital surplus		731,335	26	758,285	31
							3310	Legal reserve		284,874	10	283,223	11
							3320	Special reserve		61,868	2	56,380	2
							3350	Unappropriated retained earnings (accumulated deficit)		(53,970)	(2)	20,672	1
							3412	Exchange differences on translation of foreign financial statements		(64,947)	(2)	(61,868)	(2)
								Total equity		1,729,160	62	1,826,692	74
Total assets		\$	2,763,386	100	2,479,931	100	Total liabilities and equity		\$	2,763,386	100	2,479,931	100



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Parent Company Only Statements of Comprehensive Income**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		<b>2018</b>		<b>2017</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4111	Operating revenues (notes 6(m) and 7)	\$ 1,053,656	102	1,229,559	102
4170	Less: Sales returns and allowances	21,360	2	19,576	2
	<b>Net operating revenues</b>	1,032,296	100	1,209,983	100
5111	Operating costs (notes 6(c), (h), (i), (n), 7 and 12)	923,336	89	1,023,870	84
	<b>Gross profit from operations</b>	108,960	11	186,113	16
	<b>Operating expenses (notes 6(h), (i), (n), 7 and 12):</b>				
6100	Selling expenses	36,660	4	36,455	3
6200	Administrative expenses	106,460	10	103,047	9
6300	Research and development expenses	33,460	3	38,309	3
6450	Impairment loss determined in accordance with IFRS 9	878	-	-	-
	<b>Total operating expenses</b>	177,458	17	177,811	15
	<b>Net operating income (losses)</b>	(68,498)	(6)	8,302	1
	<b>Non-operating income and expenses (notes 6(d) and (o)):</b>				
7010	Other income (note 7)	12,293	1	11,145	1
7020	Other gains and losses, net	11,356	1	(79,135)	(7)
7375	Share of profit of associates and joint ventures accounted for using equity method	7,995	1	68,246	6
7050	Finance costs	(7,880)	(1)	(2,231)	-
7635	Loss on financial assets (liabilities) at fair value through profit or loss	-	-	(34)	-
		23,764	2	(2,009)	-
7900	<b>Profit (loss) before income tax</b>	(44,734)	(4)	6,293	1
7950	Less: Income tax expenses (note 6(j))	12,033	1	(10,220)	(1)
	<b>Net profit (loss)</b>	(56,767)	(5)	16,513	2
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Gains (loss) on remeasurements of defined benefit plans	814	-	(210)	-
		814	-	(210)	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(3,079)	-	(5,488)	-
		(3,079)	-	(5,488)	-
8300	<b>Other comprehensive income (loss), net of income tax</b>	(2,265)	-	(5,698)	-
	<b>Total comprehensive income (loss)</b>	<b>\$ (59,032)</b>	<b>(5)</b>	<b>10,815</b>	<b>2</b>
9750	<b>Basic earnings per share (NT dollars) (note 6(l))</b>	<b>\$ (0.74)</b>		<b>0.21</b>	
9850	<b>Diluted earnings per share (NT dollars) (note 6(l))</b>			<b>\$ 0.21</b>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Parent Company Only Statements of Changes in Equity**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>Share capital</u>		<u>Retained earnings</u>			<u>Other equity interest</u>	
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings (accumulated deficit)</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Total equity</u>
<b>Balance on January 1, 2017</b>	\$ 770,000	758,285	260,460	6,361	250,401	(56,380)	1,989,127
Net profit	-	-	-	-	16,513	-	16,513
Other comprehensive income (loss), net of income tax	-	-	-	-	(210)	(5,488)	(5,698)
Total comprehensive income (loss)	-	-	-	-	16,303	(5,488)	10,815
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	22,763	-	(22,763)	-	-
Special reserve	-	-	-	50,019	(50,019)	-	-
Cash dividends on ordinary share	-	-	-	-	(173,250)	-	(173,250)
<b>Balance on December 31, 2017</b>	<u>770,000</u>	<u>758,285</u>	<u>283,223</u>	<u>56,380</u>	<u>20,672</u>	<u>(61,868)</u>	<u>1,826,692</u>
Net loss	-	-	-	-	(56,767)	-	(56,767)
Other comprehensive income (loss), net of income tax	-	-	-	-	814	(3,079)	(2,265)
Total comprehensive income (loss)	-	-	-	-	(55,953)	(3,079)	(59,032)
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	1,651	-	(1,651)	-	-
Special reserve	-	-	-	5,488	(5,488)	-	-
Cash dividends on ordinary share	-	-	-	-	(11,550)	-	(11,550)
Cash dividends from capital surplus	-	(26,950)	-	-	-	-	(26,950)
<b>Balance on December 31, 2018</b>	<u>\$ 770,000</u>	<u>731,335</u>	<u>284,874</u>	<u>61,868</u>	<u>(53,970)</u>	<u>(64,947)</u>	<u>1,729,160</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**MIN AIK PRECISION INDUSTRIAL CO., LTD.**

**Parent Company Only Statements of Cash Flows**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before income tax	\$ (44,734)	6,293
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	79,104	77,751
Net loss on financial assets or liabilities at fair value through profit or loss	-	34
Interest expense	7,880	2,231
Interest income	(1,148)	(2,464)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(7,995)	(68,246)
Loss on disposal or retirement of property, plant and equipment	325	475
Impairment loss on non-financial assets	12,444	-
Other	-	106
<b>Total adjustments to reconcile profit (loss)</b>	<u>90,610</u>	<u>9,887</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Accounts receivable	87,991	(8,029)
Inventories	(26,534)	(32,886)
Other current assets	2,832	(29,611)
Other operating assets	(1,042)	(2,908)
<b>Total changes in operating assets</b>	<u>63,247</u>	<u>(73,434)</u>
Changes in operating liabilities:		
Accounts payable	(34,407)	22,413
Other current liabilities	(38,169)	(27,098)
<b>Total changes in operating liabilities</b>	<u>(72,576)</u>	<u>(4,685)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(9,329)</u>	<u>(78,119)</u>
<b>Total adjustments</b>	<u>81,281</u>	<u>(68,232)</u>
Cash inflow (outflow) generated from operations	36,547	(61,939)
Interest received	1,229	2,403
Interest paid	(6,157)	(2,221)
Income taxes paid	(2,723)	(11,180)
<b>Net cash flows from operating activities</b>	<u>28,896</u>	<u>(72,937)</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	14,500
Acquisition of investments accounted for using equity method	(66,479)	-
Acquisition of property, plant and equipment	(742,607)	(49,498)
Proceeds from disposal of property, plant and equipment	7	-
Increase in refundable deposits	(1,017)	1,359
Increase in other financial assets	(730)	(1,400)
<b>Net cash flows used in investing activities</b>	<u>(810,826)</u>	<u>(35,039)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowing	(10,000)	50,000
Increase in long-term borrowing	510,000	-
Cash dividends paid	(38,500)	(173,250)
<b>Net cash flows from (used in) financing activities</b>	<u>461,500</u>	<u>(123,250)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(320,430)</u>	<u>(231,226)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>737,907</u>	<u>969,133</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 417,477</u></u>	<u><u>737,907</u></u>

See accompanying notes to parent company only financial statements.

# **Independent Auditors' Report**

## **(Consolidated Financial Statements)**

To the Board of Directors of Min Aik Precision Industrial Co., Ltd.:

### **Opinion**

We have audited the consolidated financial statements of Min Aik Precision Industrial Co., Ltd. and subsidiaries ("the Group"), which comprise the consolidated balance sheets statement of financial position as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

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

#### **1. Inventory valuation**

Please refer to Notes 4(h) "Inventory" and Note 5 of the notes to consolidated financial statement for the accounting policies on inventory measurement and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

#### Description of key audit matter:

The Group's inventory are measured at lower of cost and net realized value. The Group's products except for automatic machines may be obsolescent or do not meet the market demand due to new product or market change, and the automatic machines are customizable. Thus, the cost of inventory may exceed its net realizable value. Moreover, the net realizable value involved management's judgments. Therefore, the inventory valuation is one of the key audit matters.

#### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the Group's policies of inventory valuation to assess the appropriateness of its inventory valuation; on a sampling basis, testing the Group's inventory aging report to verify its correctness; understanding and testing, on a sampling basis, the selling price that the management used, or reviewing the subsequent sales of the inventories to assess the appropriateness of the net realizable value.

#### **Other Matter**

We have also audited the parent company only financial statements of Min Aik Precision Industrial Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

#### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 18, 2018

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

## Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2018		December 31, 2017		Liabilities and Equity		December 31, 2018		December 31, 2017			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$	1,000,649	32	1,092,427	39	2100	Short-term borrowings (note 6(f))	\$	184,600	6	209,818	7
1170	Accounts receivable, net (notes 6(b) and (m))		420,343	13	548,168	20	2170	Accounts payable (note 7)		224,852	7	260,277	9
1181	Accounts receivable from related parties (notes 6(b), (m) and 7)		143,965	4	213,681	8	2201	Salary and wages payable (note 6(n))		113,320	3	118,868	4
130X	Inventories (note 6(c))		275,781	9	260,217	9	2230	Current income tax liabilities		25,060	1	28,288	1
1479	Other current assets (notes 7 and 8)		59,698	2	62,261	2	2300	Other current liabilities (note 7)		251,336	8	241,331	9
			1,900,436	60	2,176,754	78	2322	Long-term borrowings, current portion (note 6(g))		98,000	3	-	-
Non-current assets:						Non-Current liabilities:							
1551	Investments accounted for using equity method (note 6(d))		107,991	3	117,300	4	2541	Long-term borrowings (note 6(g))		462,000	15	50,000	2
1600	Property, plant and equipment (notes 6(e) and 8)		1,098,142	35	457,365	16	2570	Deferred tax liabilities (note 6(j))		69,393	2	64,648	3
1995	Other non-current assets (notes 6(i) and (j))		51,152	2	51,503	2	2600	Other non-current liabilities		-	-	3,000	-
			1,257,285	40	626,168	22				531,393	17	117,648	5
						Total liabilities							
						Equity attributable to owners of parent (note 6(k)):							
							3110	Ordinary share		770,000	25	770,000	27
							3200	Capital surplus		731,335	23	758,285	27
							3310	Legal reserve		284,874	9	283,223	10
							3320	Special reserve		61,868	2	56,380	2
							3350	Unappropriated retained earnings (accumulated deficit)		(53,970)	(2)	20,672	1
							3410	Exchange differences on translation of foreign financial statements		(64,947)	(2)	(61,868)	(2)
						Total equity							
						Total liabilities and equity							
Total assets		\$	3,157,721	100	2,802,922	100			\$	3,157,721	100	2,802,922	100

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		<b>2018</b>		<b>2017</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4111	Operating revenues (notes 6(m) and 7)	\$ 2,100,367	101	2,494,480	101
4170	Less: Sales returns and allowances	26,835	1	25,096	1
	<b>Net operating revenues</b>	<b>2,073,532</b>	<b>100</b>	<b>2,469,384</b>	<b>100</b>
5111	Operating costs (notes 6(c), (h), (i), (n), 7 and 12)	1,713,429	83	1,968,624	80
	<b>Gross profit from operations</b>	<b>360,103</b>	<b>17</b>	<b>500,760</b>	<b>20</b>
	<b>Operating expenses (notes 6(h), (i), (n), 7 and 12):</b>				
6100	Selling expenses	104,141	5	97,178	4
6200	Administrative expenses	205,420	10	190,462	8
6300	Research and development expenses	102,233	5	102,127	4
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	1,642	-	-	-
	<b>Total operating expenses</b>	<b>413,436</b>	<b>20</b>	<b>389,767</b>	<b>16</b>
	<b>Net operating income (losses)</b>	<b>(53,333)</b>	<b>(3)</b>	<b>110,993</b>	<b>4</b>
	<b>Non-operating income and expenses (notes 6(d) and (o)):</b>				
7010	Other income	45,435	2	50,765	2
7020	Other gains and losses, net	(6,965)	-	(127,745)	(5)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	(10,551)	(1)	(10,740)	-
7050	Finance costs	(8,795)	-	(4,272)	-
7635	Loss on financial assets (liabilities) at fair value through profit or loss	-	-	(34)	-
		<b>19,124</b>	<b>1</b>	<b>(92,026)</b>	<b>(3)</b>
7900	<b>Profit (loss) before income tax</b>	<b>(34,209)</b>	<b>(2)</b>	<b>18,967</b>	<b>1</b>
7951	Less: Income tax expenses (note 6(j))	22,558	1	2,454	-
	<b>Net profit (loss)</b>	<b>(56,767)</b>	<b>(3)</b>	<b>16,513</b>	<b>1</b>
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Gain (loss) on remeasurements of defined benefit plans	814	-	(210)	-
		<b>814</b>	<b>-</b>	<b>(210)</b>	<b>-</b>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(3,079)	-	(5,488)	-
		<b>(3,079)</b>	<b>-</b>	<b>(5,488)</b>	<b>-</b>
8300	<b>Other comprehensive income (loss), net of income tax</b>	<b>(2,265)</b>	<b>-</b>	<b>(5,698)</b>	<b>-</b>
	<b>Total comprehensive income (loss)</b>	<b>\$ (59,032)</b>	<b>(3)</b>	<b>10,815</b>	<b>1</b>
	<b>Net profit (loss) attributable to:</b>				
	Owners of parent	<b>\$ (56,767)</b>	<b>(3)</b>	<b>16,513</b>	<b>1</b>
	<b>Total comprehensive income (loss) attributable to:</b>				
	Owners of parent	<b>\$ (59,032)</b>	<b>(3)</b>	<b>10,815</b>	<b>1</b>
9750	<b>Basic earnings per share (NT dollars) (note 6(l))</b>	<b>\$ (0.74)</b>		<b>0.21</b>	
9850	<b>Diluted earnings per share (NT dollars) (note 6(l))</b>			<b>\$ 0.21</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent								
	Share capital					Other equity interest			
	Retained earnings					Exchange differences on translation of foreign financial statements		Total equity attributable to owners of parent	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)				
Balance on January 1, 2017	\$ 770,000	758,285	260,460	6,361	250,401	(56,380)	1,989,127	1,989,127	
Net profit	-	-	-	-	16,513	-	16,513	16,513	
Other comprehensive income (loss), net of income tax	-	-	-	-	(210)	(5,488)	(5,698)	(5,698)	
Total comprehensive income (loss)	-	-	-	-	16,303	(5,488)	10,815	10,815	
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	22,763	-	(22,763)	-	-	-	
Special reserve	-	-	-	50,019	(50,019)	-	-	-	
Cash dividends on ordinary share	-	-	-	-	(173,250)	-	(173,250)	(173,250)	
Balance on December 31, 2017	770,000	758,285	283,223	56,380	20,672	(61,868)	1,826,692	1,826,692	
Net loss	-	-	-	-	(56,767)	-	(56,767)	(56,767)	
Other comprehensive income (loss), net of income tax	-	-	-	-	814	(3,079)	(2,265)	(2,265)	
Total comprehensive income (loss)	-	-	-	-	(55,953)	(3,079)	(59,032)	(59,032)	
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	1,651	-	(1,651)	-	-	-	
Special reserve	-	-	-	5,488	(5,488)	-	-	-	
Cash dividends on ordinary share	-	-	-	-	(11,550)	-	(11,550)	(11,550)	
Cash dividends from capital surplus	-	(26,950)	-	-	-	-	(26,950)	(26,950)	
Balance on December 31, 2018	\$ 770,000	731,335	284,874	61,868	(53,970)	(64,947)	1,729,160	1,729,160	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**MIN AIK PRECISION INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit(loss) before income tax	\$ (34,209)	18,967
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation and amortization expense	116,469	117,592
Interest expense	8,795	4,272
Interest income	(3,091)	(3,555)
Share of loss (profit) of associates and joint ventures accounted for using equity method	10,551	10,740
Loss on disposal or retirement of property, plant and equipment	1,407	20,523
Property, plant and equipment transferred to expenses	7,510	-
Impairment loss on non-financial assets	12,444	-
Other	-	139
<b>Total adjustments to reconcile profit (loss)</b>	<u>154,085</u>	<u>149,711</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Accounts receivable	197,542	28,010
Inventories	(26,157)	(43,623)
Other current assets	2,037	(33,460)
Other operating assets	(1,042)	(2,908)
<b>Total changes in operating assets</b>	<u>172,380</u>	<u>(51,981)</u>
<b>Changes in operating liabilities:</b>		
Accounts payable	(35,425)	(8,075)
Other current liabilities	10,079	(38,048)
<b>Total changes in operating liabilities</b>	<u>(25,346)</u>	<u>(46,123)</u>
<b>Total changes in operating assets and liabilities</b>	<u>147,034</u>	<u>(98,104)</u>
<b>Total adjustments</b>	<u>301,119</u>	<u>51,607</u>
Cash inflow generated from operations	266,910	70,574
Interest received	3,170	3,494
Interest paid	(6,649)	(4,205)
Income taxes paid	(17,904)	(26,384)
<b>Net cash flows from operating activities</b>	<u>245,527</u>	<u>43,479</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	14,500
Acquisition of property, plant and equipment	(779,025)	(104,821)
Proceeds from disposal of property, plant and equipment	1,531	9,492
Increase in refundable deposits	(366)	(275)
Increase in other non-current assets	(1,064)	(1,555)
<b>Net cash flows used in investing activities</b>	<u>(778,924)</u>	<u>(82,659)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term borrowing	(24,086)	51,786
Increase in long-term borrowing	510,000	-
Cash dividends paid	(38,500)	(173,250)
<b>Net cash flows from (used in) financing activities</b>	<u>447,414</u>	<u>(121,464)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(5,795)</u>	<u>(13,657)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(91,778)</u>	<u>(174,301)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>1,092,427</u>	<u>1,266,728</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 1,000,649</u></u>	<u><u>1,092,427</u></u>

See accompanying notes to consolidated financial statements

**Min Aik Precision Industrial Co., Ltd.****2018 Deficit Compensation Statement**

Unit: NTD

Item	Amount
Undistributed profit at start of period	1,982,847
Plus: Variation following re-evaluation of confirmed welfare plan	813,818
Minus: After-tax net loss	(56,767,050)
Accumulated losses	(53,970,385)
Plus: Loss compensation by legal reserve	53,970,385
Undistributed profit at end of period (Accumulated losses)	-

## Min Aik Precision Industrial Co., Ltd.

### Comparison Table of Amended Clauses of Procedures for Acquisition and Disposal of Assets

Article	Amended Clauses	Current Provision	Remarks
	<u>6<sup>th</sup> version approved by shareholders meeting on June 13, 2019</u>	<u>5<sup>th</sup> version approved by shareholders meeting on June 16, 2017</u>	Version Update
3	<p>The result of acquisition or disposal of asset referred to in these Regulations shall be submitted to the following board meeting. The scope of application is as follows:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. <u>Right-of-use assets.</u></li> <li>6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>7. Derivatives.</li> <li>8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>9. Other major assets.</li> </ol>	<p>The result of acquisition or disposal of asset referred to in these Procedures shall be submitted to the following board meeting. The scope of application is as follows:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property, <u>rights to use land</u>, and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>6. Derivatives.</li> <li>7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>8. Other major assets.</li> </ol>	Amendment in accordance with legislation
4	<p>Definitions:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap</li> </ol>	<p>Definitions:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts,</li> </ol>	Amendment in accordance with legislation

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	<p>contracts, and <u>combinations of the above contracts, or composite contracts integrating derivative products or structured products</u>, whose value is derived from <u>specific interest rate, prices of financing tools, merchandize prices</u>, foreign exchange rates, <u>price or fee rate indexes, credit ratings or credit indexes</u> or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3, of the Company Act.</p> <p>3~6 (omitted)</p> <p>7. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>8. <u>Securities exchange: "Domestic securities exchange"</u></p>	<p>and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.</p> <p>3~6 (omitted)</p>	

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	<p><u>refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>9. <u>Over-the-counter venue ("OTC venue", "OTC"):</u>  <u>"Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		
5	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall be compliant with the below provisions:</p> <p>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p>2. <u>May not be a related party or de facto related party of any party to the transaction.</u></p> <p>3. <u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different</u></p>	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>not be a related party of any party to the transaction.</u></p>	<p>Amendment in accordance with legislation</p>

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	<p><u>professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <ul style="list-style-type: none"> <li>i. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></li> <li>ii. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></li> <li>iii. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></li> <li>iv. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></li> </ul>		
6	<p>Establishment of Disposition Procedures</p> <p>The establishment or amendment of or amendment to the procedure for acquisition or disposal of assets shall be approved by the <u>audit committee and the</u> board of directors and submitted to the shareholders meeting for approval. If any director voices any objection with records or written</p>	<p>Establishment of Disposition Procedures</p> <p>The establishment of or amendment to the procedure for acquisition or disposal of assets shall be approved by the board of directors, <u>sent to the audit committee</u> and submitted to the shareholders meeting for approval. If any director voices any objection with records or written</p>	<p>Amendment in accordance with legislation with minor wording changes</p>



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	<p>statement, the Company shall send the information of the director's objection to the audit committee.</p> <p>When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>If approval of more than half of all audit committee members as required is not obtained for the establishment or amendment of the procedure for acquisition or disposal of assets, the procedure may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>statement, the Company shall send the information of the director's objection to the audit committee.</p> <p>When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>when the procedures for the acquisition and disposal of assets are adopted or amended, they <u>shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.</u></p> <p>If the approval by 1/2 or more members of the audit committee is not required under the previous paragraph, it may be approved by 2/3 or more directors. The resolution of the audit committee shall be recorded in the minutes of the board meeting.</p> <p>The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	
9	<p>Procedure for Acquisition or Disposal of Real Property or Equipment: 1~3 (omitted)</p> <p>4. Expert evaluation comment report: Other than transactions with <u>domestic</u> government authorities, mandated construction on self-owned land, mandated construction on leased land or acquisition or disposal of equipment <u>or the right-of-use assets thereof</u> for business use, if the transaction amount of any real property, equipment <u>or the right-of-use assets thereof</u> or disposal acquired or disposed of reaches 20% of the Company's</p>	<p>Procedure for Acquisition or Disposal of Real Property or Equipment: 1~3 (omitted)</p> <p>4. Expert evaluation comment report: Other than transactions with government authorities, mandated construction on self-owned land, mandated construction on leased land or acquisition or disposal of equipment for business use, if the transaction amount of any real property or disposal acquired or disposed of reaches 20% of the Company's paid-in capital or over NT\$300 Million, an appraisal report issued by a professional</p>	Amendment in accordance with legislation

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	<p>paid-in capital or over NT\$300 Million, an appraisal report issued by a professional appraiser shall be acquired before the date of occurrence and the following provisions shall be complied with:</p> <p>i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and <u>the same</u> shall be followed for any <u>subsequent</u> changes to the terms and conditions of the transaction.</p> <p>Following clauses (omitted)</p>	<p>appraiser shall be acquired before the date of occurrence and the following provisions shall be complied with:</p> <p>i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and <u>the same procedure shall be followed</u> for any <u>future</u> changes to the terms and conditions of the transaction.</p> <p>Following clauses (omitted)</p>	
11	<p>Procedure for Acquisition or Disposal of Intangible Assets <u>or the Right-of-Use Assets thereof or Membership</u>:</p> <p>Following clauses (omitted)</p>	<p>Procedure for Acquisition or Disposal of Membership or Intangible Assets:</p> <p>Following clauses (omitted)</p>	Amendment in accordance with legislation
14	<p>In case of acquisition or disposal of real property <u>or the right-of-use assets thereof</u> to or from a related party, or acquisition or disposal of assets other than real property <u>or the right-of-use assets thereof</u> to or from a related party with the transaction amount reaching 20% of the Company's paid-in capital, 10% of total asset or over NT\$300 Million, other than the sale and purchase of corporate bonds, bonds with buy-back or sell-back conditions, subscription to or buy-back of money market funds issued by domestic securities investment and trust enterprises, the following information shall be submitted to the board of directors <u>and the audit committee</u> for approval before the transaction contract can be signed and payment can be made:</p> <p>1~2 (omitted)</p> <p>3. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the</p>	<p>In case of acquisition or disposal of real property to or from a related party, or acquisition or disposal of assets other than real property to or from a related party with the transaction amount reaching 20% of the Company's paid-in capital, 10% of total asset or over NT\$300 Million, other than the sale and purchase of corporate bonds, bonds with buy-back or sell-back conditions, subscription to or buy-back of money market funds issued by domestic securities investment and trust enterprises, the following information shall be submitted to the board of directors for approval <u>and the audit committee for recognition</u> before the transaction contract can be signed and payment can be made:</p> <p>1~2 (omitted)</p> <p>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</p> <p>4~6 (omitted)</p>	Amendment in accordance with legislation with minor wording changes

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	<p>preliminary transaction terms in accordance with Article 15 and Article 16.</p> <p>4~6 (omitted)</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 30, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the <u>audit committee and the board of directors</u> need not be counted toward the transaction amount.</p> <p>For the below transactions between a parent company or subsidiary:</p> <ol style="list-style-type: none"> <li>acquisition or disposal of any equipment <u>or right-of-use assets thereof</u> for business use,</li> <li>acquisition or disposal of any right-of-use asset of real property for business use,</li> </ol> <p>the Chairman is authorized by the board of directors to make decisions in accordance with Article 9 within the limit of 20% of paid-in capital, 10% of total asset or NT\$300 Million, followed by submission to the next board meeting for ratification afterwards.</p> <p>When the acquisition or disposal is submitted to the board of directors for discussion in accordance with the previous paragraph, the opinions of each independent director shall be fully considered. If any independent director has any objection or reservation, it shall be recorded in the minutes of the board meeting.</p> <p>For matters subject to <u>approval by</u> the audit committee and the board of directors under the first paragraph, the <u>third and fourth</u> paragraphs of Article 6 apply mutatis mutandis.</p>	<p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 20, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the <u>board of directors and recognized by the supervisors</u> need not be counted toward the transaction amount.</p> <p>For the acquisition or disposal of any equipment for business use from or to a parent company or subsidiary, the Chairman is authorized by the board of directors to make decisions in accordance with Article 9 within the limit of 20% of paid-in capital, 10% of total asset or NT\$300 Million, followed by submission to the next board meeting for ratification afterwards.</p> <p>When the acquisition or disposal is submitted to the board of directors for discussion in accordance with the previous paragraph, the opinions of each independent director shall be fully considered. If any independent director has any objection or reservation, it shall be recorded in the minutes of the board meeting.</p> <p>Matters subject to recognition by the audit committee under the first paragraph shall first be agreed by <u>1/2 or more of all members of the audit committee, followed by submission to the board of directors for resolution</u>. The fourth and fifth paragraphs of Article 6 apply mutatis mutandis.</p>	
15	To acquire real property <u>or the right-of-use assets thereof</u>	To acquire real property from a related party, the	Amendment in

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	<p>from a related party, the reasonableness of the transaction cost shall be evaluated in the following manner: 1~2 (omitted)</p> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When the real property cost is evaluated in accordance with the first and second paragraphs in relation to the acquisition of real property <u>or the right-of-use assets thereof</u> from a related party, an accountant shall be asked to perform second review and provide a specific opinion.</p> <p>If there is any of the below events in the acquisition of real property <u>or the right-of-use assets thereof</u> from a related party, Article 14 shall apply and the previous three paragraphs are not applicable.</p> <ul style="list-style-type: none"> <li>i. The related party acquired the real property <u>or the right-of-use assets thereof</u> through inheritance or as a gift.</li> <li>ii. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or the right-of-use assets thereof</u> to the signing date for the current transaction.</li> <li>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 rented land.</li> <li>iv. <u>The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or</u></li> </ul>	<p>reasonableness of the transaction cost shall be evaluated in the following manner: 1~2 (omitted)</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When the real property cost is evaluated in accordance with the first and second paragraphs in relation to the acquisition of real property from a related party, an accountant shall be asked to perform second review and provide a specific opinion.</p> <p>If there is any of the below events in the acquisition of real property from a related party, Article 14 shall apply and the previous three paragraphs are not applicable.</p> <ul style="list-style-type: none"> <li>i. The related party acquired the real property through inheritance or as a gift.</li> <li>ii. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>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 rented land.</li> </ul>	<p>accordance with legislation</p>

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	<u>authorized capital.</u>		
16	<p>When the results of a company appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: <ol style="list-style-type: none"> <li>i. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</li> <li>ii. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</li> </ol> </li> <li>2. Where the Company acquiring real property or</li> </ol>	<p>When the results of a company appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: <ol style="list-style-type: none"> <li>i. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</li> <li>ii. <u>Completed</u> transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</li> <li>iii. <u>Completed leasing transactions by unrelated parties</u></li> </ol> </li> </ol>	Amendment in accordance with legislation

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	<p><u>obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions 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 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof</u>.</p>	<p><u>for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>2. Where a company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions <u>completed</u> for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p><u>Completed</u> transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions <u>completed</u> by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	
17	<p>Upon acquisition of real property <u>or the right-of-use assets thereof</u> from a related party, if the evaluation results under Articles 15 and 16 are all lower than the transaction price, the below procedure shall be carried out:</p> <p>1. Special reserve shall be provided in accordance with the first paragraph, Article 41 of the Securities Transaction Act for the amount of difference between the real property <u>or right-of-use assets thereof</u> transaction price and the evaluated cost. Such reserve shall not be used for distribution or capital increase and share allocation. If the target of the Company's investment under equity</p>	<p>Upon acquisition of real property from a related party, if the evaluation results under Articles 15 and 16 are all lower than the transaction price, the below procedure shall be carried out:</p> <p>1. Special reserve shall be provided in accordance with the first paragraph, Article 41 of the Securities Transaction Act for the amount of difference between the real property transaction price and the evaluated cost. Such reserve shall not be used for distribution or capital increase and share allocation. If the target of the Company's investment under equity method is a</p>	Amendment in accordance with legislation

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	<p>method is a publicly listed company, special reserve shall also be provided in accordance with the first paragraph, Article 41 of the Securities Transaction Act in proportion to the shareholding percentage.</p> <p>2. The audit committee shall follow Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>If special reserve is provided in accordance with the previous paragraph, after the loss from price decrease has been recognized for the asset purchased <u>or leased</u> at a high price, or if the asset has been disposed of <u>or the lease has been terminated</u>, or if proper compensation has been provided, or if the original status has been reinstated, or if there is other evidence showing that there is no unreasonableness the special reserve may be used following the approval by the Financial Supervisory Commission.</p> <p>In the acquisition of real property <u>or the right-of-use assets thereof</u> from a related party, if there is other evidence showing that the transaction is no in arm-length, the previous two paragraphs shall apply.</p>	<p>publicly listed company, special reserve shall also be provided in accordance with the first paragraph, Article 41 of the Securities Transaction Act in proportion to the shareholding percentage.</p> <p>2. The audit committee shall follow Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>If special reserve is provided in accordance with the previous paragraph, after the loss from price decrease has been recognized for the asset purchased at a high price, or if the asset has been disposed or, or if proper compensation has been provided, or if the original status has been reinstated, or if there is other evidence showing that there is no unreasonableness the special reserve may be used following the approval by the Financial Supervisory Commission.</p> <p>In the acquisition of real property from a related party, if there is other evidence showing that the transaction is no in arm-length, the previous two paragraphs shall apply.</p>	
20	<p>Information Disclosure:</p> <p>In case of any of the following events in the acquisition or disposal of asset, a public filing of the relevant information shall be made on the website designated by the competent authority in the prescribed format by nature within 2 days from the date of occurrence:</p> <p>1. Acquisition or disposal of real property <u>or the right-of-use assets thereof</u> from or to a related party, or</p>	<p>Information Disclosure:</p> <p>In case of any of the following events in the acquisition or disposal of asset, a public filing of the relevant information shall be made on the website designated by the competent authority in the prescribed format by nature within 2 days from the date of occurrence:</p> <p>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other</p>	Amendment in accordance with legislation

Article	Amended Clauses	Current Provision	Remarks
	<p>acquisition or disposal of assets other than real property <u>or the right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>4. Where the type of asset acquired or disposed is equipment for business use <u>or the right-of-use assets thereof</u>, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>i. The Company's paid-in capital is less than NT\$10 Billion and the transaction amount is over NT\$500 Million.</p> <p>ii. The Company's paid-in capital is over NT\$10 Billion and the transaction amount is over NT\$1 Billion.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property <u>or the right-of-use assets thereof</u> for construction use, where the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million. <u>Among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a</u></p>	<p>than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>i. The Company's paid-in capital is less than NT\$10 Billion and the transaction amount is over NT\$500 Million.</p> <p>ii. The Company's paid-in capital is over NT\$10 Billion and the transaction amount is over NT\$1 Billion.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p>	



Article	Amended Clauses	Current Provision	Remarks
	<p><u>related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u></p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i. Trading of <u>domestic</u> government bonds.</p> <p>ii. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics <u>(excluding subordinated debt)</u> that are offered and issued in the primary market, <u>or subscription or redemption of securities investment trust funds or futures trust funds</u>, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>iii. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money</p>	<p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>i. Trading of government bonds.</p> <p>ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>iii. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p>	

Article	Amended Clauses	Current Provision	Remarks
	<p>market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of real property <u>or the right-of-use assets thereof</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> </ol> <p>Following clauses (omitted)</p>	Following clauses (omitted)	
22	<p>Filing on behalf of Subsidiaries</p> <ol style="list-style-type: none"> <li>1. If a subsidiary is not a publicly listed company and if any acquisition or disposal of asset is subject to public filing under Article 20 or 21, the Company shall make the public filing on behalf of the subsidiary.</li> <li>2. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 20, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches paid-in capital or total assets.</li> </ol>	<p>Filing on behalf of Subsidiaries</p> <ol style="list-style-type: none"> <li>1. If a subsidiary is not a publicly listed company and if any acquisition or disposal of asset is subject to public filing under Article 20 or 21, the Company shall make the public filing on behalf of the subsidiary.</li> <li>2. The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 20, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches <u>20 percent</u> of paid-in capital or <u>10 percent</u> of the total assets.</li> </ol>	Amendment in accordance with legislation

Article	Amended Clauses	Current Provision	Remarks
26	<p>Other important matters:</p> <p>The 10% total asset under these Regulations shall be calculated based on the total asset amount in the latest statutory or individual financial report as required under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. If the shares of the Company is without face value or if the face value is not NT\$10 per share, the transaction amount of 20% paid-in capital under these Regulations shall be calculated based on 10% equity of the parent company. <u>For calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u></p>	<p>Other important matters:</p> <p>The 10% total asset under these Procedures shall be calculated based on the total asset amount in the latest statutory or individual financial report as required under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. If the shares of the Company is without face value or if the face value is not NT\$10 per share, the transaction amount of 20% paid-in capital under these Procedures shall be calculated based on 10% equity of the parent company.</p>	Amendment in accordance with legislation

## Min Aik Precision Industrial Co., Ltd.

### Comparison Table of Amended Clauses of Procedures for the Loaning of Funds

Article	Amended Clauses	Current Provision	Remarks
	<u>5<sup>th</sup> version approved by the shareholders meeting on June 13, 2019</u>	<u>4<sup>th</sup> version approved by the shareholders meeting on April 17, 2014</u>	Version Update
3	<p>Establishment of Procedure: Following approval <u>by more than half of all audit committee members and</u> by the board of directors, this Procedure shall be sent to the audit committee and submitted to the shareholders meeting for approval. If any director voices any objection with records or written statement, the Company shall send such objection together with the procedure to the audit committee and submit them to the shareholders meeting for discussion. The same shall be applicable to any amendment.</p> <p><u>If approval of more than half of all audit committee members as required under the previous paragraph is not obtained, the procedure may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>The terms "all audit committee members" in the previous two paragraphs and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> <p>The company without the intention of loaning funds to others may, after passage by the board of directors, be relieved from the obligation of formulating the Operational Procedures for Loaning Funds to Others. If such a company subsequently intends to loan funds to others, it shall still</p>	<p>Establishment of Procedure: Following approval by the board of directors, this Procedure shall <u>be sent to the audit committee and</u> submitted to the shareholders meeting for approval. If any director voices any objection with records or written statement, the Company shall send such objection together with the procedure to the audit committee and submit them to the shareholders meeting for discussion. The same shall be applicable to any amendment.</p> <p><u>When it submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</u></p> <p>The company without the intention of loaning funds to others may, after passage by the board of directors, be relieved from the obligation of formulating the Operational Procedures for Loaning Funds to Others. If such a company subsequently intends to loan funds to others, it shall still comply with the preceding two paragraphs.</p>	Amendment in accordance with legislation with minor wording changes

Article	Amended Clauses	Current Provision	Remarks
	comply with the preceding two paragraphs.		
4	<p>Targets of the Loaning of Funds:</p> <p>The Company shall not loan funds to its shareholders or any other person unless there is any of the below events:</p> <ol style="list-style-type: none"> <li>1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.</li> <li>2. There is a need for short-term financing between companies or firms. Such invested companies are limited to those with 20% or more equity investment by the Company, or those with less than 20% but in which the Company has a significant influence and are recognized under the equity method.</li> </ol> <p>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</p> <p>The term "financing amount" as used in paragraph 1, subparagraph 2 of this Article means the cumulative balance of the public company's short-term financing.</p> <p>The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between foreign companies in which <u>the Company</u> holds, directly or indirectly, 100% of the voting shares, <u>or the loaning of funds to the Company by a foreign company in which the Company holds, directly or indirectly, 100% of the voting shares.</u></p>	<p>Targets of the Loaning of Funds:</p> <p>The Company shall not loan funds to its shareholders or any other person unless there is any of the below events:</p> <ol style="list-style-type: none"> <li>1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.</li> <li>2. There is a need for short-term financing between companies or firms. Such invested companies are limited to those with 20% or more equity investment by the Company, or those with less than 20% but in which the Company has a significant influence and are recognized under the equity method.</li> </ol> <p>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</p> <p>The term "financing amount" as used in paragraph 1, subparagraph 2 of this Article means the cumulative balance of the public company's short-term financing.</p> <p>The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between foreign companies in which the company holds, directly or indirectly, 100% of the voting shares.</p>	Amendment in accordance with legislation with minor wording changes
6	<p>Total and Individual Loan Limits:</p> <ol style="list-style-type: none"> <li>1. Total amount of loans under business transactions and short-term financing: The total amount of loans shall not exceed 40% of the net work in the latest financial statements. <ol style="list-style-type: none"> <li>i. Business transactions: <ol style="list-style-type: none"> <li>a. Total Amount: For companies or firms having loans under business transactions with the</li> </ol> </li> </ol> </li> </ol>	<p>Total and Individual Loan Limits:</p> <ol style="list-style-type: none"> <li>1. Total amount of loans under business transactions and short-term financing: The total amount of loans shall not exceed 40% of the net work in the latest financial statements. <ol style="list-style-type: none"> <li>i. Business transactions: <ol style="list-style-type: none"> <li>a. Total Amount: For companies or firms having loans under business transactions with the Company, the</li> </ol> </li> </ol> </li> </ol>	Amendment in accordance with legislation with minor wording changes

Article	Amended Clauses	Current Provision	Remarks
	<p>Company, the total amount of loans shall not exceed 30% of the net worth of the Company in the latest accountant certified or audited financial statements.</p> <p>b. Individual Amount: For loaning of funds under business transactions, the amount of individual loans shall not exceed 10% of the net worth of the Company in the latest accountant certified or audited financial statements and shall not exceed 30% of the amount of products purchased or 20% of the products sold by the Company during the latest year or during the current year as of the time of the loaning of funds.</p> <p>ii. Short-term financing respectively:</p> <p>a. Total Amount: In case of short-term financing to other companies or firms, the total amount of loans shall not exceed 20% of the net worth of the Company in the latest accountant certified or audited financial statements.</p> <p>b. Individual Amount: In case of short-term financing to other companies or firms, the amount of individual loans shall not exceed 10% of the net worth of the Company in the latest accountant certified or audited financial statements.</p> <p>2. Loaning of funds to overseas companies in which the Company directly or indirectly holds 100% voting shares, <u>or loaning of funds to the Company by overseas companies in which the Company directly or indirectly holds 100% voting shares:</u></p> <p>i. The total amount of loans shall not exceed 50% of the net worth of the Company in the latest accountant certified or audited financial statements.</p> <p>ii. Individual Amount: The amount of individual loans</p>	<p>total amount of loans shall not exceed 30% of the net worth of the Company in the latest accountant certified or audited financial statements.</p> <p>b. Individual Amount: For loaning of funds under business transactions, the amount of individual loans shall not exceed 10% of the net worth of the Company in the latest accountant certified or audited financial statements and shall not exceed 30% of the amount of products purchased or 20% of the products sold by the Company during the latest year or during the current year as of the time of the loaning of funds.</p> <p>ii. Short-term financing respectively:</p> <p>a. Total Amount: In case of short-term financing to other companies or firms, the total amount of loans shall not exceed 20% of the net worth of the Company in the latest accountant certified or audited financial statements</p> <p>b. Individual Amount: In case of short-term financing to other companies or firms, the amount of individual loans shall not exceed 10% of the net worth of the Company in the latest accountant certified or audited financial statements.</p> <p>2. Loaning of funds to overseas companies in which the Company directly or indirectly holds 100% voting shares:</p> <p>i. Total Amount: <u>For the loaning of funds to overseas companies in which the Company directly or indirectly holds 100% voting shares,</u> the total amount of loans shall not exceed 50% of the net worth of the Company in the latest accountant certified or audited financial statements.</p> <p>ii. Individual Amount: The amount of individual loans</p>	

Article	Amended Clauses	Current Provision	Remarks
	shall not exceed 50% of the net worth of the Company in the latest accountant certified or audited financial statements.	shall not exceed 50% of the net worth of the Company in the latest accountant certified or audited financial statements	
7	<p>Duration of loans and calculation of interest:</p> <p>1. Period and interest accrual for loans under business transactions and short-term financing:</p> <p>i. The loan period shall be determined by board resolutions based on the targets and amounts of individual loans. The period shall not exceed a maximum of 6 months. Upon expiry of such period, the board of directors may grant approval for a 6-month extension as required, up to a maximum of one year.</p> <p>ii. Project loans shall not exceed the project work completion period.</p> <p>iii. Interest rate shall be variable based on the lending rate by financial institutions. Unless there is any special situation, interest shall accrue and be charged on monthly basis.</p> <p>iv. For any overdue debt within 3 months, the interest rate under the previous paragraph shall be increased by 30%. For any overdue debt beyond 3 months, the interest rate under the previous paragraph shall be increased by 50%.</p> <p>2. Period and interest accrual for loans to overseas companies in which the Company directly or indirectly holds 100% voting shares <u>or loaning of funds to the Company by overseas companies in which the Company directly or indirectly holds 100% voting shares:</u></p> <p>i. The loan period shall be determined by board resolutions based on the targets and amounts of individual loans. The period shall not exceed a</p>	<p>Duration of loans and calculation of interest:</p> <p>1. Period and interest accrual for loans under business transactions and short-term financing:</p> <p>i. The loan period shall be determined by board resolutions based on the targets and amounts of individual loans. The period shall not exceed a maximum of 6 months. Upon expiry of such period, the board of directors may grant approval for a 6-month extension as required, up to a maximum of one year.</p> <p>ii. Project loans shall not exceed the project work completion period.</p> <p>iii. Interest rate shall be variable based on the lending rate by financial institutions. Unless there is any special situation, interest shall accrue and be charged on monthly basis.</p> <p>iv. For any overdue debt within 3 months, the interest rate under the previous paragraph shall be increased by 30%. For any overdue debt beyond 3 months, the interest rate under the previous paragraph shall be increased by 50%.</p> <p>2. Period and interest accrual for loans to overseas companies in which the Company directly or indirectly holds 100% voting shares:</p> <p>i. The loan period shall be determined by board resolutions based on the targets and amounts of individual loans. The period shall not exceed a maximum of 3 years. Upon expiry of such period, the board of directors may grant approval for a maximum of 1 year.</p>	Amendment in accordance with legislation with minor wording changes

Article	Amended Clauses	Current Provision	Remarks
	<p>maximum of 3 years. Upon expiry of such period, the board of directors may grant approval for a maximum of 1 year.</p> <p>ii. Interest rate shall be variable based on the lending rate by financial institutions. Unless there is any special situation, interest shall accrue and be charged on monthly basis.</p> <p>iii. For any overdue debt within 3 months, the interest rate under the previous paragraph shall be increased by 30%. For any overdue debt beyond 3 months, the interest rate under the previous paragraph shall be increased by 50%.</p>	<p>ii. Interest rate shall be variable based on the lending rate by financial institutions. Unless there is any special situation, interest shall accrue and be charged on monthly basis.</p> <p>iii. For any overdue debt within 3 months, the interest rate under the previous paragraph shall be increased by 30%. For any overdue debt beyond 3 months, the interest rate under the previous paragraph shall be increased by 50%.</p>	
10	<p>Announcement and reporting:</p> <p>1. The company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>i. The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>ii. The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>iii. The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.</p>	<p>Announcement and reporting:</p> <p>1. The company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>i. The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>ii. The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>iii. The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.</p> <p>3. If a subsidiary is not a domestic publicly listed company,</p>	Amendment in accordance with legislation



Article	Amended Clauses	Current Provision	Remarks
	<p>3. If a subsidiary is not a domestic publicly listed company, the public filings to be made by such subsidiary shall be made by the Company.</p> <p>4. The “date of occurrence” referred to in this Procedure means the date of contract signature, date of payment, date of board resolution or other date on which the <u>recipient of the loan</u> or transaction amount is confirmed, whichever is the earliest.</p>	<p>the public filings to be made by such subsidiary shall be made by the Company.</p> <p>4. The “date of occurrence” referred to in this Procedure means the date of <u>transaction</u> contract signature, date of payment, date of board resolution or other date on which the transaction counterpart or <u>transaction</u> amount is confirmed, whichever is the earliest.</p>	

## Min Aik Precision Industrial Co., Ltd.

### Comparison Table of Amended Clauses of Procedures for Endorsements and Guarantees

Article	Amended Clauses	Current Provision	Remarks
	<u>5<sup>th</sup> version approved by the shareholders meeting on June 13, 2019</u>	<u>4<sup>th</sup> version approved by the shareholders meeting on April 17, 2014</u>	Version Update
3	<p>Establishment of Procedure: When the Company wishes to give an endorsement/guarantee for another person, it shall establish a procedure for endorsements and guarantees. Following approval <u>by more than half of all audit committee members and</u> by the board of directors, such procedure shall be submitted to the shareholders meeting for approval. If any director voices any objection with records or written statement, the Company shall send such objection together with the procedure to each audit committee and submit them to the shareholders meeting for discussion. The same shall be applicable to any amendment. If the total amount of endorsements/guarantees covering the Company and its subsidiaries reaches 50% or more of the Company's net worth, an explanation about its necessity and reasonableness shall also be provided to the shareholders meeting, allowing the shareholders to understand the risk of endorsements/guarantees by publicly listed companies. <u>If approval of more than half of all audit committee members as required under the previous paragraph is not obtained, the procedure may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p>	<p>Establishment of Procedure: When the Company wishes to give an endorsement/guarantee for another person, it shall establish a procedure for endorsements and guarantees. Following approval by the board of directors, such procedure <u>shall be sent to the audit committee and</u> submitted to the shareholders meeting for approval. If any director voices any objection with records or written statement, the Company shall send such objection together with the procedure to each audit committee and submit them to the shareholders meeting for discussion. The same shall be applicable to any amendment. If the total amount of endorsements/guarantees covering the Company and its subsidiaries reaches 50% or more of the Company's net worth, an explanation about its necessity and reasonableness shall also be provided to the shareholders meeting, allowing the shareholders to understand the risk of endorsements/guarantees by publicly listed companies. <u>When the procedure for endorsements and guarantees is submitted to the board of directors for discussion, the opinions of each independent director shall be fully taken into consideration. The specific concurring or dissenting opinions and the grounds for the dissenting opinions shall be included in the records of the board meeting.</u></p>	Amendment in accordance with legislation

Article	Amended Clauses	Current Provision	Remarks
	<p><u>The terms "all audit committee members" in the previous two paragraphs and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> <p>If the Company does not plan to provide any endorsement or guarantee for another person, the establishment of the procedure for endorsements and guarantees may be waived following approval by the board of directors. If the Company wishes to give any endorsement or guarantee subsequently, the previous two paragraphs shall still apply.</p>	<p>If the Company does not plan to provide any endorsement or guarantee for another person, the establishment of the procedure for endorsements and guarantees may be waived following approval by the board of directors. If the Company wishes to give any endorsement or guarantee subsequently, the previous two paragraphs shall still apply.</p>	
11	<p>Announcement and reporting</p> <ol style="list-style-type: none"> <li>1. The Company shall make a public filing about the balance amount of endorsements/guarantees by the Company and its subsidiaries in the previous month before the 10<sup>th</sup> day of each month.</li> <li>2. A company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: <ol style="list-style-type: none"> <li>i. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest financial statement.</li> <li>ii. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest financial statement.</li> <li>iii. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>book amount of investment under equity method</u> in, and balance of loans to, such enterprise reaches 30</li> </ol> </li> </ol>	<p>Announcement and reporting</p> <ol style="list-style-type: none"> <li>1. The Company shall make a public filing about the balance amount of endorsements/guarantees by the Company and its subsidiaries in the previous month before the 10<sup>th</sup> day of each month.</li> <li>2. A company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence: <ol style="list-style-type: none"> <li>i. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest financial statement.</li> <li>ii. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest financial statement.</li> <li>iii. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a <u>long-term</u> nature in, and balance of loans to, such enterprise reaches 30 percent or more</li> </ol> </li> </ol>	

Article	Amended Clauses	Current Provision	Remarks
	<p>percent or more of company's net worth as stated in its latest financial statement.</p> <p>iv. The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.</p> <p>If a subsidiary is not a domestic publicly listed company, the public filings to be made by such subsidiary shall be made by the Company.</p> <p>3. The “date of occurrence” referred to in this Procedure means the date of contract signature, date of payment, date of board resolution or other date on which the <u>recipient of the endorsement or guarantee</u> or transaction amount is confirmed, whichever is the earliest.</p>	<p>of company's net worth as stated in its latest financial statement.</p> <p>iv. The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.</p> <p>If a subsidiary is not a domestic publicly listed company, the public filings to be made by such subsidiary shall be made by the Company.</p> <p>3. The “date of occurrence” referred to in this Procedure means the date of <u>transaction</u> contract signature, date of payment, date of board resolution or other date on which the <u>transaction</u> counterpart or transaction amount is confirmed, whichever is the earliest.</p>	

## **Procedures for Acquisition and Disposal of Assets**

5<sup>th</sup> version approved by shareholders meeting on June 16, 2017

Article 1 These Procedures are established in accordance with the Regulations Governing Acquisition or Disposal of Assets by Public Companies.

Article 2 The Company's acquisition or disposal of assets shall be in accordance with the provisions of these Procedures. Anything that is not provided in these Procedures shall be governed by legislations and considerations shall also be given to other Procedures of the Company.

Article 3 The result of acquisition or disposal of asset referred to in these Procedures shall be submitted to the following board meeting. The scope of application is as follows:

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

Article 4 Definitions:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

#### Article 6 Establishment of Disposition Procedures

The establishment of or amendment to the procedure for acquisition or disposal of assets shall be approved by the board of directors, sent to the audit committee and submitted to the shareholders meeting for approval. If any director voices any objection with records or written statement, the Company shall send the information of the director's objection to the audit committee.

When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If the approval by 1/2 or more members of the audit committee is not required under the previous paragraph, it may be approved by 2/3 or more directors. The resolution of the audit committee shall be recorded in the minutes of the board meeting.

The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

#### Article 7 Prohibited Matters:

The Company shall not engage in any transaction to acquire or dispose of any claim of a financial institution. If the Company wishes to engage in any transaction to acquire or dispose of any claim of a financial institution in the future, the relevant procedure shall be amended in accordance with Article 6.

#### Article 8 Director's Objections:

If the Company's acquisition or disposal of any asset is subject to approval by the board of directors in accordance with these Procedures or other laws and if any director voices any objection with records or written statements, the Company shall send information about the director's objection to the audit committee.

When the procedures for the acquisition and disposal of assets are submitted for discussion

by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5.

#### Article 9 Procedure for Acquisition or Disposal of Real Property or Equipment:

1. Appraisal procedures: When the handling department files an application, it shall first perform an evaluation and complete an evaluation report about the feasibility of acquiring or disposing of real property or equipment. The evaluation report shall include explanations about the reasonableness of the acquisition price and conditions.
2. Operating procedures: After the handling department completes each evaluation report, a submission shall be made to the authorized executive for approval in accordance with the rules of approval authority. The subsequent procedures shall be completed by the relevant departments in accordance with the Company's internal control system and process flow.
3. Approval Authority:
  - i. If the amount per single transaction is below NT\$10 Million (inclusive), it shall be approved by the President.
  - ii. If the amount per single transaction is over NT\$10 Million and below NT\$30 Million (inclusive), it shall be approved by the Chairman.
  - iii. If the amount per single transaction is over NT\$30 Million, it shall be approved by the board of directors.
  - iv. After the accumulated amount of real property or equipment acquired or disposed of by the group in the current accounting year has reached NT\$100 Million, if the amount of each single transaction reaches NT\$3 Million, it shall be submitted to the board of directors for prior review.
4. Expert evaluation comment report: Other than transactions with government authorities, mandated construction on self-owned land, mandated construction on leased land or acquisition or disposal of equipment for business use, if the transaction amount of any real property or disposal acquired or disposed of reaches 20% of the Company's paid-in capital or over NT\$300 Million, an appraisal report issued by a professional appraiser shall be acquired before the date of occurrence and the following provisions shall be complied with:
  - i. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
  - ii. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
  - iii. If the appraisal result by the professional appraiser has any of the below situations, unless the appraisal results of the asset to be acquired are all higher than the transaction amount, or appraisal results of the asset to be disposed of are all lower

than the transaction amount, an accountant shall be asked to provide documents that meet legislative requirements and give a specific opinion about the cause of the differences and the reasonableness of the transaction price:

- a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- iv. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

#### Article 10 Procedure for Acquisition or Disposal of Securities:

1. Appraisal procedures: When the handling department files an application, it shall first perform an evaluation and complete an evaluation report about the feasibility of acquiring or disposing of securities. The evaluation report shall include explanations about the reasonableness of the acquisition price and conditions.
2. Operating procedures: After the handling department completes each evaluation report and submits it to the authorized executive for approval in accordance with the approval authority rules, the relevant department that executes the Company's internal control system and procedure shall complete the subsequent procedures.
3. Approval Authority:
  - i. Approval authority for short-term investment:
    - a. If the balance amount of short-term investment is less than NT\$15 Million (inclusive), it shall be subject to prior approval by the Chairman.
    - b. If the balance amount of short-term investment by the group is over NT\$15 Million, it shall be subject to prior authorization by the board of directors.
  - ii. Acquisition or disposal of long-term investment shall be subject to prior approval by the board of directors.
4. Expert evaluation comment report: To acquire or dispose of securities, the latest financial statements of the Company audited or certified by an accountant before the date of occurrence shall be acquired as reference for evaluation of the transaction price. If the transaction amount reaches 20% of the Company's paid-in capital or over NT\$300 Million, an accountant shall be asked to provide comments about the reasonableness of the transaction price before the date of occurrence and documents about compliance with applicable Procedures shall also be acquired from the accountant, except if there is a public quotation for the securities in an active market or otherwise provided by the competent authority.

#### Article 11 Procedure for Acquisition or Disposal of Membership or Intangible Assets:

1. Appraisal procedures: When the handling department files an application, it shall first perform an evaluation and complete an evaluation report about the feasibility of acquiring or disposing of securities. The evaluation report shall include explanations about the reasonableness of the acquisition price and conditions.
2. Operating procedures: After the handling department completes each evaluation report



and submits it to the authorized executive for approval in accordance with the approval authority rules, the relevant department that executes the Company's internal control system and procedure shall complete the subsequent procedures.

3. Approval Authority:

- i. Approval authority for membership:
  - a. If the total amount of investment in membership is below NT\$10 Million (inclusive), it shall be subject to prior approval by the Chairman.
  - b. If the total amount of investment in membership by the group is over NT\$10 Million, it shall be subject to the prior approval by the board of directors.
- ii. Approval authority for intangible assets:
  - a. If the transaction amount is below NT\$10 Million (inclusive), it shall be subject to prior approval by the Chairman.
  - b. If the accumulated transaction amount by the group per year is over NT\$10 Million, it shall be subject to the prior approval by the board of directors.

4. Expert Evaluation Comment Report

- i. If the transaction amount for the acquisition or disposal of membership or intangible assets reaches 20% of the Company's paid-in capital or over NT\$300 Million, other than transactions with government authorities, an accountant shall be asked to provide comments on the reasonableness of the transaction price and documents about compliance with applicable Procedures shall also be acquired from the accountant

Article 12 The calculation of the transaction amount which requires an expert evaluation comment under the previous three Articles shall be in accordance with the second paragraph, Article 20. "Within one year" means the one-year period preceding the date of occurrence of the transaction. If an appraisal report issued by a professional appraiser or an accountant's opinion has already been acquired in accordance with these Procedures, such portion shall be excluded from the calculation. In case of asset acquisition or disposal through a court auction process, the document of proof issued by the court may be used in lieu of the appraisal report or accountant's opinion.

Article 13 The acquisition or disposal of assets from or to a related party shall be consistent with the procedure for acquisition and disposal for each type of asset and Procedures related to the acquisition or disposal of asset from or to a related party. If the transaction amount reaches 10% or more of the Company's total asset, an appraisal report issued by a professional appraiser or accountant's opinion shall also be acquired in accordance with the procedure for acquisition and disposal for each type of asset.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 12 herein.

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

Article 14 In case of acquisition or disposal of real property to or from a related party, or acquisition or disposal of assets other than real property to or from a related party with the transaction amount reaching 20% of the Company's paid-in capital, 10% of total asset or over NT\$300 Million, other than the sale and purchase of corporate bonds, bonds with buy-

back or sell-back conditions, subscription to or buy-back of money market funds issued by domestic securities investment and trust enterprises, the following information shall be submitted to the board of directors for approval and the audit committee for recognition before the transaction contract can be signed and payment can be made:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  2. The reason for choosing the related party as a trading counterparty.
  3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
  4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
  5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
  6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
  7. Restrictive covenants and other important stipulations associated with the transaction.
- The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 20, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

For the acquisition or disposal of any equipment for business use from or to a parent company or subsidiary, the Chairman is authorized by the board of directors to make decisions in accordance with Article 9 within the limit of 20% of paid-in capital, 10% of total asset or NT\$300 Million, followed by submission to the next board meeting for ratification afterwards.

When the acquisition or disposal is submitted to the board of directors for discussion in accordance with the previous paragraph, the opinions of each independent director shall be fully considered. If any independent director has any objection or reservation, it shall be recorded in the minutes of the board meeting.

Matters subject to recognition by the audit committee under the first paragraph shall first be agreed by 1/2 or more of all members of the audit committee, followed by submission to the board of directors for resolution. The fourth and fifth paragraphs of Article 6 apply mutatis mutandis.

**Article 15** To acquire real property from a related party, the reasonableness of the transaction cost shall be evaluated in the following manner:

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

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

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

When the real property cost is evaluated in accordance with the first and second paragraphs in relation to the acquisition of real property from a related party, an accountant shall be asked to perform second review and provide a specific opinion.

If there is any of the below events in the acquisition of real property from a related party, Article 14 shall apply and the previous three paragraphs are not applicable.

1. The related party acquired the real property through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

Article 16 When the results of a company appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - i. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - ii. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - iii. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where a company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by

unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

Article 17 Upon acquisition of real property from a related party, if the evaluation results under Articles 15 and 16 are all lower than the transaction price, the below procedure shall be carried out:

1. Special reserve shall be provided in accordance with the first paragraph, Article 41 of the Securities Transaction Act for the amount of difference between the real property transaction price and the evaluated cost. Such reserve shall not be used for distribution or capital increase and share allocation. If the target of the Company's investment under equity method is a publicly listed company, special reserve shall also be provided in accordance with the first paragraph, Article 41 of the Securities Transaction Act in proportion to the shareholding percentage.
2. The audit committee shall follow Article 218 of the Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

If special reserve is provided in accordance with the previous paragraph, after the loss from price decrease has been recognized for the asset purchased at a high price, or if the asset has been disposed or, or if proper compensation has been provided, or if the original status has been reinstated, or if there is other evidence showing that there is no unreasonableness the special reserve may be used following the approval by the Financial Supervisory Commission.

In the acquisition of real property from a related party, if there is other evidence showing that the transaction is no in arm-length, the previous two paragraphs shall apply.

Article 18 Procedure for Acquisition or Disposal of Derivatives:

1. Transaction principles and guidelines:
  - i. Type of transaction: Derivatives referred to in these Procedures refer to the transaction contract under Article 3. Matter related to bond margin transactions shall be in accordance with applicable provisions of these Procedures. Bond transactions with buy-back conditions may be carried out without application of the provisions of these Procedures.
  - ii. Operating and hedging strategy: In engaging in derivatives transactions, the Company shall hedge against risks in principle. The currencies of operation shall be limited to payments in foreign currencies generated from the Company's import and export businesses, as well as those required for business hedging purposes. Attempts may be made to eliminate any interest rate risk occurring together with any asset or indebtedness over one year in order to lock in the revenue or cost.
  - iii. Responsible Departments:

- a. The persons that may engage in derivatives trading in the Finance Department shall be designated by the Vice President, Finance. If any trading staff loses or acquires qualifications, the Finance Department shall immediately send a written notice to the relevant trading staff of the counterpart about the date of change of trading staff's qualification before the date of loss or acquisition of qualifications in order to protect the Company's interest.
    - b. The closings and confirmations of transactions shall be done by members of the Finance Department who are not responsible for the trading before closing or relevant fund release may be carried out with the transaction counterpart in accordance with the terms of the transaction. The designation of closing and confirmation staff and the change of their qualifications shall be handled in the same manner as the trading staff.
    - c. Accounting Department: Responsible for the accounting entries for derivatives transactions.
  - iv. Performance Evaluation: The trading staff shall file a report to the Vice President, Finance at least once per week about the Company's position, execution status, current market situation and other related matters. However, the positions held from the trading of hedging products required for business activities shall be calculated twice every month and submitted to the Vice President, Finance for review together with realized and unrealized foreign exchange loss or profit.
  - v. Transaction Limit:
    - a. The total amount of derivatives transaction contracts by the Company shall not exceed the foreign currency requirement of the Company for 4 months in principle.
    - b. The excess of the authorized limit by any authorized trading staff shall be subject to the prior written approval by the person with corresponding authorized amount. To ensure the Company's supervision and management of the trading counterpart, the amount limit and specifications on currency shall be given by written notice. Any amendment to the authorized limit hereunder shall be approved by the Chairman and submitted to the board of directors for records.
  - vi. Overall and individual contract loss limit: Stop loss points shall be established for both hedging and financing transactions to prevent excessive loss. The stop loss point shall not exceed 10% of the amount of transaction contract. If the stop loss target is exceeded, a report shall be filed with the board of directors immediately and necessary corresponding measures shall be undertaken.
2. Risk management measures:
- i. Credit Limit and Level:
  - ii. The daily transaction amount shall be subject to prior approval by the board of directors.
  - iii. Operating procedures:
    - a. When the trading staff is required to engage in derivatives trading based on the change of market prices, the "Derivative Trading Application Form" shall be completed and submitted to the authorized executive for approval before execution.
    - b. After the transaction is closed, the trading staff shall forward the "Derivative Trading Application Form" to the trading confirmation staff and accounting staff

for account entry.

- c. After the trading confirmation staff confirms the details of the transaction with the dealing banks, the type, amount of the derivative trades, the date of board approval and the matters subject to careful evaluation under Article 18 shall be recorded in the register for reference.
  - d. When the Company engages in derivatives trading through authorized staff in accordance with the derivatives trading procedure established by the Company, a report shall be filed with the board of directors afterwards.
- iv. Risk management:
- a. The trading counterparts shall be chosen among companies with good reputation and having dealings with the Company or internationally renowned financial institutions that are able to provide up-to-date reliable professional information.
  - b. The main purpose of trading shall be to prevent impact of market fluctuations on the normal operation and performance of the Company. The principle is to hedge against risks. No financial operation shall be engaged.
  - c. Regular attention shall be paid to timely information such as the market prices and liquidities of the trading targets. Operation shall be done in a conservative manner in principle.
  - d. The trading staff shall comply with the authorized limits and pay attention to the transaction risk and the Company's cash flow in order to ensure that the Company has sufficient working capital.
  - e. The signature of any document with the transaction counterpart shall be subject to prior consultation with the legal professional's opinion in order to protect the Company's rights.
  - f. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
  - g. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
  - h. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
  - i. Accounting treatment of derivative trading: Anything related to foreign exchange shall be in accordance with Financial Accounting Standards No. 14. Before there are clear accounting standards applicable to other derivatives, international accounting practice shall apply.

3. Internal audit system:

The internal audit staff shall regularly understand proper internal control of derivatives trading and shall perform monthly audit on the compliance with derivatives trading procedure by the trading department and prepare audit reports. If any material breach is discovered, a written notice shall be given to the audit committee.

4. Regular evaluation methods:

Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per

month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

5. Handling of irregular circumstances:

Any anomaly in derivatives trading shall be immediately reported to the board of directors and necessary corresponding measures shall be undertaken. Independent directors shall attend the board meeting and voice their opinions.

6. Other Matters:

i. The board of directors shall duly perform supervision and management in accordance with the below principles:

a. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.

b. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

ii. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

a. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures and the procedures for engaging in derivatives trading formulated by the company.

b. If any anomaly is discovered in the supervision of transaction and loss/profit situation, necessary corresponding measures shall be undertaken and a report shall be filed with the board of directors immediately. Independent directors shall attend the board meeting and voice their opinions.

Article 19 Procedure for Merger, Split, Acquisition and Share Transfer:

1. Evaluation and Procedure:

i. In case of merger, split, acquisition or share transfer, a project team shall be organized to study the execution plan together. Before a board resolution is organized, an accountant, attorney or securities underwriter shall be asked to provide an opinion about the reasonableness of the share conversion ratio, acquisition price or distribution of cash or other properties to the shareholders, followed by submission to the board meeting for discussion and approval. However, when the Company merges a subsidiary in which the Company directly or indirectly holds 100% outstanding shares or total capital, or in case of merger among subsidiaries in which the company directly or indirectly holds 100% outstanding shares or total capital, the above expert opinion about reasonableness may be waived.

ii. Key term a and conditions of the merger, split or acquisition and related matters shall be included in a public document to the shareholders before the shareholders meeting is held. Such document shall be submitted to the shareholders, together with the expert opinion under subparagraph 1, first paragraph of this Article and the notice for shareholders meeting, as reference for whether or not to agree to the merger, split or acquisition. However, if a merger, split or acquisition is not subject to shareholder resolution in accordance with other laws, the above shall not apply. Also, if any party that participates in the merger, split or acquisition cannot hold a shareholders meeting or pass a shareholders resolution due to quorum, insufficient voting right or other legal restrictions, or if the proposal is rejected by the shareholders meeting, such

party shall immediately provide a public statement about the cause of the event, the subsequent steps and the estimated date for shareholders meeting.

2. Other Matters:

- i. Unless otherwise provided by law or when there is a special reason, with prior report to and approval by the Financial Supervisory Commission, companies participating in the merger, split or acquisition shall hold the board meetings and shareholders meeting on the same day to approve matters related to the merger, split or acquisition by resolution.

Unless otherwise provided by law or when there is a special reason, with prior report to and approval by the Financial Supervisory Commission, companies participating in the share transfer shall hold board meetings on the same day.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- a. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- b. 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.
- c. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

Any company that participates in the merger, split, acquisition or share transfer whose shares are listed in a stock exchange or over-the-counter market shall make a filing of the information under subparagraphs 1 and 2 of the previous paragraph with the competent authority for records in the prescribed format through the Internet information system within 2 days from the board resolution.

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

- ii. Confidentiality Undertaking: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- iii. Principles for establishment and change of share conversion ratio or acquisition price: No change shall be made to the share conversion ratio or acquisition price unless there is any of the following events. The conditions for change shall be specified in the merger, split, acquisition or share transfer agreement.



- a. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - b. An action, such as a disposal of major assets, that affects the company's financial operations.
  - c. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - d. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - e. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - f. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- iv. Contract provisions:
- The merger, split, acquisition or share transfer agreement shall include the following matters:
- a. Handling of breach of contract.
  - b. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - c. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - d. The manner of handling changes in the number of participating entities or companies.
  - e. Preliminary progress schedule for plan execution, and anticipated completion date.
  - f. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- v. Change of Information: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- vi. If any company participating in the merger, split, acquisition or share transfer is not a publicly listed company, the Company shall sign an agreement with such company and follow subparagraphs 1, 2 and 5, second paragraph of this Article.

#### Article 20 Information Disclosure:

In case of any of the following events in the acquisition or disposal of asset, a public filing of the relevant information shall be made on the website designated by the competent authority in the prescribed format by nature within 2 days from the date of occurrence:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the

transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

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

The amount of transactions above shall be calculated as follows:

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

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

The Company shall key in the derivatives trading performed by the Company and its subsidiaries that are not domestic publicly listed companies as of the end of the previous month in the prescribed format on the information filing website designated by the Financial Supervisory Commission before the 10<sup>th</sup> day of each month.

In case of any error or omission in the public filing made by the Company, a correction shall be made within 2 days from the day of knowledge and the full public filing shall be made again.

When the Company acquires or disposes of assets, the relevant contract, minutes of meetings, registers, evaluation reports, accountant's, attorney's or securities underwriter's opinions shall be maintained in the Company for at least 5 years, unless otherwise provided by other laws.

#### Article 21 Failure to make filings:

If there is any of the below events in relation to any transaction for which the Company has made a public filing in accordance with the previous Article, a public filing shall be made with relevant information on the website designated by the Financial Supervisory Commission within 2 days from the date of occurrence:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

#### Article 22 Filing on behalf of Subsidiaries

1. If a subsidiary is not a publicly listed company and if any acquisition or disposal of asset is subject to public filing under Article 20 or 21, the Company shall make the public filing on behalf of the subsidiary.
2. The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 20, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

#### Article 23 Total amounts of real property and securities acquired by the company and each subsidiary for business use, and limits on individual securities:

1. The total amount of real property other than for business use and short-term investment purchased shall not exceed 30% of the paid-in capital. The total amount of real property other than for business use purchased shall not exceed 20% of the Company's paid-in capital.
2. The total amount of securities purchased shall not exceed the total net worth of the Company in the latest financial statements. The total amount of securities under short-term investment shall not exceed 20% of the paid-in capital.
3. The total amount of individual securities invested shall not exceed 50% of the net worth

of the Company in the latest financial statements. However, if the Company holds 100% of the company's shares, the total amount shall not exceed the net worth of the Company in the latest financial statements.

Article 24 Control procedures for the acquisition and disposal of assets by subsidiaries:

1. The Company shall urge its subsidiaries to establish and execute the "procedure for acquisition or disposal of assets" in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
2. When the subsidiaries establish and execute the procedure for acquisition or disposal of assets, they shall also be urged to act in accordance with and take into consideration the Procedures of the Company and matters related to the procedure.

Article 25 Breach of Procedures:

If any employee breaches these Procedures in the acquisition or disposal of assets, warning, reprimand or dismissal shall be imposed depending on the level of gravity.

Article 26 Other important matters:

The 10% total asset under these Procedures shall be calculated based on the total asset amount in the latest statutory or individual financial report as required under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. If the shares of the Company is without face value or if the face value is not NT\$10 per share, the transaction amount of 20% paid-in capital under these Procedures shall be calculated based on 10% equity of the parent company.

## **Procedures for the Loaning of Funds**

4<sup>th</sup> version approved by the shareholders meeting on April 17, 2014

Article 1 This Procedure is established in accordance with the Regulations Governing Loaning of Funds and Making of endorsements/Guarantees by Public Companies.

Article 2 The loaning of funds by the Company to any other person shall be done in accordance with the provisions of this Procedure. Any matter that is not stipulated in this Procedure shall be in compliance with the legislations. Considerations shall also be made to other regulations of the Company.

Article 3 Establishment of Procedure:

Following approval by the board of directors, this Procedure shall be sent to the audit committee and submitted to the shareholders meeting for approval. If any director voices any objection with records or written statement, the Company shall send such objection together with the procedure to the audit committee and submit them to the shareholders meeting for discussion. The same shall be applicable to any amendment.

When it submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

The company without the intention of loaning funds to others may, after passage by the board of directors, be relieved from the obligation of formulating the Operational Procedures for Loaning Funds to Others. If such a company subsequently intends to loan funds to others, it shall still comply with the preceding two paragraphs.

Article 4 Targets of the Loaning of Funds:

The Company shall not loan funds to its shareholders or any other person unless there is any of the below events:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
2. There is a need for short-term financing between companies or firms. Such invested companies are limited to those with 20% or more equity investment by the Company, or those with less than 20% but in which the Company has a significant influence and are recognized under the equity method.

The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.

The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the public company's short-term financing.

The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between foreign companies in which the company holds, directly or indirectly, 100% of the voting shares.

Article 5 Evaluation standards for loaning funds to others:

The targets of the loaning of funds by the Company and the evaluation standards shall be in accordance with Article 15 of the Company Act. No loans shall be granted to any shareholder or any other person unless there is any of the below events:

1. Business transactions: In the case of loaning of funds under business transactions, the business transactions must have taken place in principle.
2. Short-term financing respectively:
  - i. Required for the repayment of bank loans, purchase of equipment or working capital by any invested company in which the Company holds 20% or more equity or, although the Company's equity is less than 20%, an invested company on which the Company has a significant influence and is recognized under the equity method.
  - ii. In case of short-term financing required for investment in other companies by an invested company in which the Company holds 20% or more equity or, although the Company's equity is less than 20%, an invested company on which the Company has a significant influence and is recognized under the equity method, with the invested business being related to the business operated by the Company and being helpful to the business development of the Company in the future, the reason and situation for the loaning of funds shall be provided.

#### Article 6 Total and Individual Loan Limits:

1. Total amount of loans under business transactions and short-term financing: The total amount of loans shall not exceed 40% of the net work in the latest financial statements.
  - i. Business transactions:
    - a. Total Amount: For companies or firms having loans under business transactions with the Company, the total amount of loans shall not exceed 30% of the net worth of the Company in the latest accountant certified or audited financial statements.
    - b. Individual Amount: For loaning of funds under business transactions, the amount of individual loans shall not exceed 10% of the net worth of the Company in the latest accountant certified or audited financial statements and shall not exceed 30% of the amount of products purchased or 20% of the products sold by the Company during the latest year or during the current year as of the time of the loaning of funds.
  - ii. Short-term financing respectively:
    - a. Total Amount: In case of short-term financing to other companies or firms, the total amount of loans shall not exceed 20% of the net worth of the Company in the latest accountant certified or audited financial statements
    - b. Individual Amount: In case of short-term financing to other companies or firms, the amount of individual loans shall not exceed 10% of the net worth of the Company in the latest accountant certified or audited financial statements.
2. Loaning of funds to overseas companies in which the Company directly or indirectly holds 100% voting shares:
  - i. Total Amount: For the loaning of funds to overseas companies in which the Company directly or indirectly holds 100% voting shares, the total amount of loans shall not exceed 50% of the net worth of the Company in the latest accountant certified or audited financial statements.
  - ii. Individual Amount: The amount of individual loans shall not exceed 50% of the net

worth of the Company in the latest accountant certified or audited financial statements

Article 7 Duration of loans and calculation of interest:

1. Period and interest accrual for loans under business transactions and short-term financing:
  - i. The loan period shall be determined by board resolutions based on the targets and amounts of individual loans. The period shall not exceed a maximum of 6 months. Upon expiry of such period, the board of directors may grant approval for a 6-month extension as required, up to a maximum of one year.
  - ii. Project loans shall not exceed the project work completion period.
  - iii. Interest rate shall be variable based on the lending rate by financial institutions. Unless there is any special situation, interest shall accrue and be charged on monthly basis.
  - iv. For any overdue debt within 3 months, the interest rate under the previous paragraph shall be increased by 30%. For any overdue debt beyond 3 months, the interest rate under the previous paragraph shall be increased by 50%.
2. Period and interest accrual for loans to overseas companies in which the Company directly or indirectly holds 100% voting shares:
  - i. The loan period shall be determined by board resolutions based on the targets and amounts of individual loans. The period shall not exceed a maximum of 3 years. Upon expiry of such period, the board of directors may grant approval for a maximum of 1 year.
  - ii. Interest rate shall be variable based on the lending rate by financial institutions. Unless there is any special situation, interest shall accrue and be charged on monthly basis.
  - iii. For any overdue debt within 3 months, the interest rate under the previous paragraph shall be increased by 30%. For any overdue debt beyond 3 months, the interest rate under the previous paragraph shall be increased by 50%.

Article 8 Procedures for handling loans of funds:

1. The borrower shall file an application form, specifying the purpose and amount of the funds, period, repayment method, collateral or other guarantees, enclosing the basic information and financial statements of the company, for the Finance Department of the Company to conduct credit verification.
2. The Finance Department shall carefully evaluate whether the requirements under the procedure for loaning of funds are satisfied. Following approval by the relevant executive, the proposal shall be submitted together with the results of evaluation under Article 9 to the board of directors for resolution. No delegation of this power shall be made to any other person.
3. For the loaning of funds between the Company and its subsidiaries or between subsidiaries, a submission shall be made to the board of directors for resolution in accordance with the previous paragraph. The Chairman may be authorized to advance loans by stage to or allow revolving drawdowns by the same borrower within a certain limit resolved by the board of directors and within a period of one year.
4. The "certain monetary limit" mentioned in the preceding paragraph shall be in compliance with Article 6. In addition, the authorized limit on loans extended by the

company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company.

5. When it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 9 Detailed review procedures:

1. The necessity of and reasonableness of extending loans to others.
2. Borrower credit status and risk assessment.
3. Impact on the company's business operations, financial condition, and shareholders' equity.
4. Whether collateral must be obtained and appraisal of the value thereof.

Article 10 Announcement and reporting:

1. The company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
2. The company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - i. The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.
  - ii. The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.
  - iii. The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.
3. If a subsidiary is not a domestic publicly listed company, the public filings to be made by such subsidiary shall be made by the Company.
4. The "date of occurrence" referred to in this Procedure means the date of transaction contract signature, date of payment, date of board resolution or other date on which the transaction counterpart or transaction amount is confirmed, whichever is the earliest.

Article 11 Continuous Control Measures:

1. A public company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under paragraph 1 of Article 8.
2. If the target of the loan is inconsistent with the requirements of this Procedure or if the amount exceeds the limit due to change of circumstances, a relevant correction plan shall be submitted to the audit committee and the correction shall be completed in accordance with the planned schedule.
3. If the target of the loan is not a subsidiary 100% held directly or indirectly by the



Company, upon borrowing, real property or securities of equivalent value shall be provided to the Company (with fire insurance coverage for collateral other than land and securities), or a guarantee note shall be issued with the due date being the estimated date of repayment for the Company's custody.

4. The Finance Department shall pay attention the financial, business and credit situation of the borrowing company. If any collateral is provided, attention shall also be paid as to whether there has been a change of the collateral value.

**Article 12 Handling delinquent creditor's rights:**

If the Finance Department or relevant department learns in advance or sees the inability to be repaid the loan, it shall convene relevant departments to study possible measures and make timely reports to the President in order to decide necessary subsequent security measures and debt collection procedure.

**Article 13 Procedures for controlling and managing loans of funds to others by subsidiaries:**

1. When a subsidiary wishes to grant loans to another person, the Company shall procure that such subsidiary establishes a procedure for loaning of funds in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and take into consideration the provisions of this Procedure. The subsidiary shall also proceed in accordance with the procedure that it establishes.
2. The subsidiary shall give timely notice to the Company about information related to all loans given by the subsidiary.
3. The audit staff of the Company may understand about the execution of the procedure for the loaning of funds by the subsidiaries. In case of any anomaly, an audit report shall be prepared and followed up until correction is completed.

**Article 14 Penalty:**

Any breach of this Procedure by any manager or processing staff shall be handled in accordance with the reward and sanction rules depending on the level of gravity.

**Article 15 Other Matters:**

1. The internal audit staff shall conduct at least quarterly audit on the procedure for the loaning of funds and the execution thereof, with written records. If any material breach is discovered, a written notice shall be given to the audit committee immediately.
2. The Company shall evaluate the situation of the loaning of funds and make proper provisions for bad debt in accordance with generally accepted accounting principles. Proper disclosure of relevant information shall be made in the financial report. Relevant information shall be provided to the certifying accounting to carry out necessary audit procedure.
3. "Subsidiary" and "parent company" referred to in this Procedure shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. When the financial reports of the Company are prepared in accordance with international financial reporting standards, "net worth" referred to in this Procedure

means shareholder's equity attributable to the parent company under the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5. If the Company is a foreign company under Article 165-1 of the Securities Transaction Act (hereinafter a "Foreign Company") and gives an endorsement or guarantee for another person, the provisions of this Procedure apply mutatis mutandis.
6. If the Foreign Company does not have a seal, the provisions under this Procedure about the management of seals may be waived.
7. The net worth of the Foreign Company calculated in accordance with this Procedure means the shareholder's equity attributable to the parent company in the balance sheet.
8. "Public filing" referred to in this Procedure means input into the information filing website designated by the Financial Supervisory Commission.

## **Procedures for Endorsements and Guarantees**

4<sup>th</sup> version approved by the shareholders meeting on April 17, 2014

Article 1 This Procedure is established in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Article 2 Any endorsement/guarantee given by the Company shall be in accordance with the provisions of this Procedure. Any matter that is not stipulated in this Procedure shall be in compliance with the legislations. Considerations shall also be made to other regulations of the Company.

Article 3 Establishment of Procedure:

When the Company wishes to give an endorsement/guarantee for another person, it shall establish a procedure for endorsements and guarantees. Following approval by the board of directors, such procedure shall be sent to the audit committee and submitted to the shareholders meeting for approval. If any director voices any objection with records or written statement, the Company shall send such objection together with the procedure to each audit committee and submit them to the shareholders meeting for discussion. The same shall be applicable to any amendment. If the total amount of endorsements/guarantees covering the Company and its subsidiaries reaches 50% or more of the Company's net worth, an explanation about its necessity and reasonableness shall also be provided to the shareholders meeting, allowing the shareholders to understand the risk of endorsements/guarantees by publicly listed companies.

When the procedure for endorsements and guarantees is submitted to the board of directors for discussion, the opinions of each independent director shall be fully taken into consideration. The specific concurring or dissenting opinions and the grounds for the dissenting opinions shall be included in the records of the board meeting.

If the Company does not plan to provide any endorsement or guarantee for another person, the establishment of the procedure for endorsements and guarantees may be waived following approval by the board of directors. If the Company wishes to give any endorsement or guarantee subsequently, the previous two paragraphs shall still apply.

Article 4 Definition of Endorsements/Guarantees:

Endorsements/guarantees refers to the following:

1. Financing endorsements/guarantees, including:

- i. Bill discount financing.
- ii. Endorsement or guarantee made to meet the financing needs of another company.
- iii. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.

2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by a company of a pledge or mortgage on its chattel or real property as

security for the loans of another company shall also comply with these Regulations.

Article 5 Entities for which the company may make endorsements/guarantees:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
4. Companies in which the Company directly or indirectly holds 90% or more voting shares may give endorsements/guarantees to one another.
5. When the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders provide endorsements/guarantees for their jointly invested company in proportion to their shareholder percentages, such endorsements/guarantees may be given without the restrictions under the previous 4 subparagraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the company, or through a company in which the public company holds 100% of the voting shares.

Article 6 Evaluation standards

1. Business Dealing: For endorsements/guarantees given due to business dealings, the business dealings shall have taken place in principle.
2. As required for the Company's repayment of bank loan, purchase of equipment or working capital in accordance with subparagraphs 2 to 5, first paragraph, Article 5.
3. As required for the Company's investment in accordance with subparagraphs 2 to 5, first paragraph, Article 5, provided that the activities of the invested business is related to the Company's business and is helpful to the Company's business development in the future.

Article 7 Limit of Endorsements/Guarantees:

1. Total Amount:
  - i. The total amount of endorsements/guarantees by the Company shall not exceed the net worth of the Company in the latest financial statements.
  - ii. The total amount of endorsements/guarantees given by the Company and its subsidiaries shall not exceed the net worth of the Company in the latest financial statements.
2. Limit per Enterprise:
  - i. Limit per single enterprise given by the Company
    - a. The guarantees given by the Company due to business dealings shall not exceed the amount of product purchase or the amount of product sale with the company, whichever is higher, in the past year, provided that it shall not exceed 10% of the net worth of the Company in the latest financial statements.
    - b. The total amount of endorsements guarantees given by the Company for any single company in which the Company directly or indirectly holds 100% voting rights other than due to business dealings shall not exceed the net worth of the Company in the latest financial statements.

- c. The amount of endorsements/guarantees given by the Company for any single enterprise other than due to business dealings shall not exceed 10% of the net worth of the Company in the latest financial statements.
- ii. Limit per single enterprise given by the Company and its subsidiaries\
  - a. The guarantees given by the Company and its subsidiaries due to business dealings shall not exceed the amount of product purchase or the amount of product sale with the company, whichever is higher, in the past year, provided that it shall not exceed 10% of the net worth of the Company in the latest financial statements.
  - b. The total amount of endorsements guarantees given by the Company and its subsidiaries for any single company in which the Company directly or indirectly holds 100% voting rights other than due to business dealings shall not exceed the net worth of the Company in the latest financial statements.
  - c. The amount of endorsements/guarantees given by the Company and its subsidiaries for any single enterprise other than due to business dealings shall not exceed 10% of the net worth of the Company in the latest financial statements.
- 3. Companies in which the Company directly or indirectly holds 90% or more voting shares may give endorsements/guarantees for one another and the amount shall not exceed 10% of the net worth of the Company. If companies in which the Company directly or indirectly holds 100% voting shares need to give endorsements/guarantees for one another, the amount of endorsements/guarantees shall not exceed 100% of the net worth of the Company.

#### Article 8 Processing Procedure

The guaranteed company shall submit an application form, specifying the subject matter and reason for the guarantee, amount and period and enclosing the basic information and financial statements of the company to the Company's Finance Department for credit verification.

Before making an endorsement/guarantee for others, the company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Regulations and the company's Operational Procedures for Endorsements/Guarantees for Others. The company may make an endorsement/guarantee only after the evaluation results under this paragraph and Article 9 have been submitted to and resolved upon by the board of directors, or approved by the chairman of the board, where empowered by the board of directors under Article 10 to grant endorsements/guarantees within a specific limit, for subsequent submission to and ratification by the next board of directors' meeting.

Before making any endorsement/guarantee pursuant to Article 5-1, paragraph 4, a subsidiary in which the company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the public company's board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.

When it makes endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 9 Detailed review procedures:

1. Necessity and reasonableness of the endorsements/guarantees.
2. Credit verification and risk evaluation of the target for which the endorsements/guarantees are given.
3. Impact on the company's business operations, financial condition, and shareholders' equity.
4. Whether collateral must be obtained and appraisal of the value thereof.

Article 10 Hierarchy of decision-making authority and delegation thereof:

1. The Company and its subsidiaries shall only give endorsements/guarantees after board resolution. However, if endorsements/guarantees are required among companies in which the Company directly or indirectly holds 100% voting shares, the board of directors may first authorize the Chairman to proceed within 50% of the net worth in the latest financial statements, followed by ratification by the board of directors afterwards.
2. Where a company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements/Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit. When it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 11 Announcement and reporting

1. The Company shall make a public filing about the balance amount of endorsements/guarantees by the Company and its subsidiaries in the previous month before the 10<sup>th</sup> day of each month.
2. A company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - i. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest financial statement.
  - ii. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest financial statement.
  - iii. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of company's net worth as stated in its latest financial statement.

- iv. The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.

If a subsidiary is not a domestic publicly listed company, the public filings to be made by such subsidiary shall be made by the Company.

3. The “date of occurrence” referred to in this Procedure means the date of transaction contract signature, date of payment, date of board resolution or other date on which the transaction counterpart or transaction amount is confirmed, whichever is the earliest.

#### Article 12 Continuous Control Measures:

1. A public company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 8.
2. If the target for which an endorsement/guarantee has been given is inconsistent with the requirements of this Procedure or if the amount exceeds the limit due to change of circumstances, a relevant correction plan shall be submitted to the audit committee and the correction shall be completed in accordance with the panned schedule.
3. If an endorsement/guarantee is given for a subsidiary with net worth below 1/2 of the paid-in capital, the relevant subsequent control measures shall be established before or after the occurrence. The Finance Department shall evaluate the operating risk and financial status of such subsidiary and whether it is advisable to continue the endorsement/guarantee every month. Relevant information shall be submitted to the board of directors.
4. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

#### Article 13 Procedures for controlling and managing endorsements/guarantees by subsidiaries:

1. When a subsidiary wishes to give an endorsement/guarantee for another person, the Company shall procure that such subsidiary establishes a procedure for endorsements and guarantees in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and take into consideration the provisions of this Procedure. The subsidiary shall also proceed in accordance with the procedure that it establishes.
2. The subsidiary shall give timely notice to the Company about information related to all endorsements and guarantees given by the subsidiary.
3. The audit staff of the Company may understand about the execution of the procedure of endorsements and guarantees by the subsidiaries. In case of any anomaly, an audit report shall be prepared and followed up until correction is completed.

#### Article 14 Procedures for use and custody of corporate chops:

1. The company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the

custody of a designated person approved by the board of directors and may be used to seal or issue negotiable instruments only in prescribed procedures.

2. When making a guarantee for a foreign company, a public company shall have the Guarantee Agreement signed by a person authorized by the board of directors.

#### Article 15 Penalty:

Any breach of this Procedure by any manager or processing staff shall be handled in accordance with the reward and sanction rules depending on the level of gravity.

#### Article 16 Other Matters:

1. The internal audit staff shall conduct at least quarterly audit on the procedure of endorsements and guarantees and the execution thereof, with written records. If any material breach is discovered, a written notice shall be given to the audit committee immediately.
2. The Company shall evaluate or make provisions for contingent losses from endorsements and guarantees in accordance with Financial Accounting Standard No. 9 and make proper disclosure of information about endorsements and guarantees in the financial report. Relevant information shall be provided to the certifying accountant to perform necessary audit procedure.
3. “Subsidiary” and “parent company” referred to in this Procedure shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. When the financial reports of the Company are prepared in accordance with international financial reporting standards, “net worth” referred to in this Procedure means shareholder’s equity attributable to the parent company under the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
5. If the Company is a foreign company under Article 165-1 of the Securities Transaction Act (hereinafter a “Foreign Company”) and gives an endorsement or guarantee for another person, the provisions of this Procedure apply mutatis mutandis.
6. If the Foreign Company does not have a seal, the provisions under this Procedure about the management of seals may be waived.
7. The net worth of the Foreign Company calculated in accordance with this Procedure means the shareholder’s equity attributable to the parent company in the balance sheet.
8. “Public filing” referred to in this Procedure means input into the information filing website designated by the Financial Supervisory Commission.



## **Articles of Incorporation**

### **Chapter 1: General Provisions**

- Article 1      The Company is incorporated pursuant to the regulations of the Company Act and is named "銘鈺精密工業股份有限公司" in Chinese and Min Aik Precision Industrial Co., Ltd. in English.
- Article 2      The Company's business items are as follows:  
1.C805050 Industrial Plastic Products Manufacturing  
2.C805010 Plastic Sheets, Pipes and Tubes Manufacturing  
3.C805030 Plastic Made Grocery Manufacturing  
4.CA02010 Metal Architectural Components Manufacturing  
5.CA02020 Aluminum and Copper Manufacturing  
6.CA04010 Metal Surface Treating  
7.CA01050 Iron and Steel Rolling, Drawing, and Extruding  
8.CN01010 Furniture and Fixtures Manufacturing  
9.F401030 Manufacturing Export  
10.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article2-1     The total amount of investment by the Company in other limited liability companies is not limited to the restrictions under Article 13 of the Company Act.
- Article2-2     The company may provide any entity with a guarantee.
- Article 3      The Company has its headquarters in Taoyuan City and may establish domestic and overseas branches as required through board resolutions.
- Article 4      The company's public announcements shall be handled in accordance with the Company Act.

### **Chapter 2: Shares**

- Article 5      The Company's total capital is NT\$1 Billion, divided into 100,000,000 shares, at NT\$10 per share, which may be issued through several issuances.
- Article 6      Deleted.
- Article 7      All of the Company's shares are registered shares and shall be affixed with the signatures and seals of three or more directors and issued after legal certification. There is no obligation to print share certificates for the shares of the Company. However, registration shall be made with a securities custodian organization. The same shall be applicable to other securities.

Article 8 Share transfer shall be suspended during the period of 60 days before any general shareholders meeting, 30 days before any special shareholders meeting or 5 days before the record date for the distribution of dividend, bonus or other benefit by the Company.

### **Chapter 3: Shareholders' Meeting**

Article 9 Shareholders meetings are divided into regular meetings and special meetings. Regular meetings are held once a year by the board of directors within 6 months from the end of each accounting year. Special meetings are held in accordance with the law as required.

Article 10 Any shareholder who cannot attend a shareholders meeting for any reason may issue a proxy printed by the Company, specifying the scope of authorization and affixed with its signature and seal, to designate a representative to attend the meeting on its behalf.  
After the Company issues shares to the public, the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies shall apply.

Article 11 Each shareholder of the Company is entitled to one voting right, except restricted shares or shares without voting rights in accordance with the second paragraph, Article 179 of the Company Act.

Article 11-1 After the shares of the Company is listed in a stock exchange (over-the-counter market), the shareholders shall be allowed to exercise their voting rights in an electronic manner.

Article 12 Unless otherwise provided in the Company Act, shareholder resolutions shall be approved by shareholders representing the majority of voting rights attending a meeting that is attended by shareholders representing the majority of all outstanding shares.  
Shareholder resolutions shall be recorded in minutes, with the signature or seal of the chairman of the meeting affixed thereon and Article 183 of the Company Act shall apply.

Article 12-1 If the Company wishes to issue its shares publicly, it shall make a proposal for shareholders resolution. This clause shall not be amended during the listing period in the over-the-counter market and the stock exchange.

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

Article 13 The Company has 7 to 9 directors, to be elected from a list of candidates by the shareholders meeting under the system of candidate nomination system. Directors serve terms of 3 years and may be re-elected upon expiry of the term. The percentage of shares held by all directors shall be determined in accordance with the Company Act and the regulations of the securities competent authority.

- Article13-1 Among the number of directors under the previous Article, there shall be no less than 3 independent directors. The number of independent directors shall be no less than 1/5 of the total number of directors.  
The professional qualifications, shareholding, restriction on serving other jobs, nomination and election manners and other compliance matters related to independent directors shall be in accordance with applicable regulations of the securities competent authority.
- Article13-2 The Company has an audit committee in accordance with Article 14-4 of the Securities Transaction Act, which is composed of all independent directors, to perform the duties of the supervisors in accordance with the Company Act, the Securities Transaction Act and other legislations.
- Article 14 The board of directors is organized by directors. A chairman shall be elected by the directors from among themselves to act as the Company's representative through the approval of the majority of directors attending a meeting that is attended by 2/3 of all directors.
- Article14-1 To convene a board meeting, a notice shall be given to each director 7 days in advance, with the agenda specified. However, in case of emergencies, board meetings may be held at any time.  
The notice under the previous paragraph may be given in writing, by fax or by email.
- Article 15 When the chairman is on leave or cannot exercise his duties due to any reason, the representation shall be in accordance with Article 208 of the Company Act.
- Article15-1 Any director who cannot attend a board meeting for any reason may issue a proxy, specifying the scope of authorization, to designate another director to attend the meeting on his/her behalf. Each person shall act as the representative of no more than one other person.  
Board meetings may be held through video conferences. Any director participating in a meeting through video conference shall be deemed to have attended the meeting in person.
- Article 16 The board of directors is authorized to determine the remuneration for the directors of the Company in accordance with level of directors' contribution to the operation of the Company and the common standard in the same industry.
- Article16-1 The Company may purchase liability insurance for the directors in order to protect the directors from potential legal liabilities that may occur in the course of performance of the directors' duties.

## **Chapter 5: Manager**

- Article 17      The company shall have managers whose appointment, dismissal, and remuneration shall be handled according to Article 29 of the Company Act.

## **Chapter 6: Accounting**

- Article 18      The board of directors shall prepare the following statements upon the completion of each accounting year:
1. Business reports;
  2. Financial statements; and
  3. Surplus distribution or loss off-setting proposals.
- And submit them to the generation shareholders meeting for approval in accordance with the law.
- Article 19      If the Company has profit in the year, 3% to 9% shall be provided as employees' compensation and no more than 3% as directors' compensation. However, if the Company has accumulated losses, the amount of compensation shall first be provided.
- The employees entitled to shares or cash as remuneration under the previous paragraph shall include employees of the subsidiaries who meet certain conditions.
- Article 20      The net profit of the Company after yearly closing shall, other than paying the income tax payable by law, first be used to compensate losses from the past years. Then 10% of the balance amount shall be provided as legal reserve (unless the amount of legal reserve has reached the total amount of capital). Special reserve shall also be provided in accordance with the law as required. The rest shall be used to distribute dividend. If there is any profit remaining, it shall be combined with the undistributed profit in the beginning of the period, subject to a dividend distribution proposal to be prepared by the board of directors and submitted to the shareholders meeting for resolution for distribution.
- To pursue long-term shareholder interest and achieve the target of stable operating performance, the Company adopts the policy of balanced dividend, provided that cash dividend shall not be less than 10% of total dividend.
- Article20-1      Deleted.

## **Chapter 7: Supplementary Provisions**

- Article 21      Matters not provided for in these Articles of Incorporation shall be handled in accordance with the Company Act.

Article 22      These Articles of Incorporation were set up on January 9, 2001.  
The 1st amendment was made on June 30, 2002.  
The 2nd amendment was made on May 9, 2003.  
The 3rd amendment was made on July 2, 2003.  
The 4th amendment was made on March 19, 2004.  
The 5th amendment was made on March 19, 2004.  
The 6th amendment was made on June 30, 2005.  
The 7th amendment was made on March 22, 2006.  
The 8th amendment was made on November 29, 2007.  
The 9th amendment was made on June 7, 2011.  
The 10st amendment was made on February 17, 2012.  
The 11th amendment was made on November 16, 2012.  
The 11th amendment was made on April 17, 2014.  
The 11th amendment was made on May 20, 2015.  
The 14th amendment was made on May 31, 2016.

## **Rules of Procedure for Shareholders Meetings**

3<sup>rd</sup> version approved by shareholders meeting on May 31, 2016

- Article 1 To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
- Article 2 The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
- Article 3 Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.  
Notice and public announcement of shareholders meetings shall be in accordance with the Company Act, the Securities Transaction Act and applicable regulations.
- Article 4 For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.  
A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.  
After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
- Article 5 The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.
- Article 6 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.  
When the Company holds a shareholders meeting, voting rights shall be exercised in an electronic manner and may also be exercised in the written manner. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting

rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Votes shall be calculated in public on the site of the shareholders meeting. Voting results shall be reported on the site and recorded.

Article 7 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors

or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 8      The Company shall make full audio or video recordings of shareholder meetings and keep such recordings for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9      Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

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

Article 10     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 proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation



on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance 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.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 12 Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

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

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that

percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

Unless otherwise provided in the Company Act or the articles of association of the Company, voted resolutions shall be approved by shareholder representing the majority of voting rights in the meeting. At the time of voting, if the chairman seeks opinions and if there is no objection, it shall have the same effect as voting.

When a proposal is amended or substituted, the chairman shall combine the amended or substituted proposal into the original proposal to determine the order of voting. If one proposal is already approved, the other proposals shall be deemed rejected and there is no need for further voting.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Votes shall be calculated in public on the site of the shareholders meeting. Voting results shall be reported on the site and recorded.

Article 14 The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. 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 conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Corporation.

Article 16 On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders 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 Taipei Exchange regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

## **Status of Shares Held by Directors**

1. Minimum number of shares to be held by all directors, and such number of shares held as recorded in the roster of shareholders

Title	Number of shares supposed to be held	Number of shares held at present
All directors	6,160,000	52,949,695

Note: The Company has issued 77,000,000 shares.

2. List of Number of Shares Held by Each Director

Title	Name	Number of shares held at present
Chairman	Beacon Investments Limited Representative: Jin, Bor-Shi	25,375,763
Director	Beacon Investments Limited Representative: Kuo, Yao-Wen	
Director	Fang, Kuang-Yi	591,022
Director	Min Aik Technology Co., Ltd. Representative: Chia, Kin-Heng	26,982,910
Independent Director	Liu, Chin-Tang	0
Independent Director	Kung, Tien-Hsing	0
Independent Director	Chen, John-Sea	0

Note: Period of cease of transfer: From April 15, 2019 to June 13, 2019