



U.D. Electronic Corp.

# Handbook for the 2019 Annual Meeting of Shareholders

Meeting Time: June 18, 2019

Meeting Place: No.108, Sec. 1, Nankan Rd., Luzhu  
Dist., Taoyuan City  
(Monarch Skyline Hotel)

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U.D. Electronic Corp.  
Procedure for the 2019 Shareholders' Meeting

Meeting Time: 9:00 AM on Tuesday, June 18, 2019

Meeting Place: No.108, Sec. 1, Nankan Rd., Luzhu Dist., Taoyuan City (Monarch Skyline Hotel)

1. Call the meeting to order (report the number of shares in attendance)
2. Chairperson remarks
3. Reporting Matters
  - (1) 2018 Business Report
  - (2) 2018 Supervisors Audit Report
  - (3) 2018 profit distribution of employees' bonus and compensation of directors and supervisors
  - (4) Second Domestic Issuance of Secured Convertible Bond
4. Adoption Matters
  - (1) Adoption of the 2018 Business Report and Financial Statements
  - (2) Adoption of the Proposal for Distribution of 2018 Profits
5. Discussion Matters
  - (1) Partial Amendment of the Company's "Articles of Incorporation".
  - (2) Partial Amendment of the Company's "Procedures for Acquisition and disposal".
  - (3) Partial Amendment of the Company's "Management of Loans to Others".
  - (4) Partial Amendment of the Company's "Management of Endorsement and Guarantees".
6. Motions
7. Adjournment

## Reporting Matters

1. 2018 Business Report. Please review.

Explanation: 2018 Business Report, please refer to Page 6 (Appendix 1) for details.

2. 2018 supervisors audit report, please review.

Explanation: 2018 supervisors audit report, please refer to Page 9 (Appendix 2) for details.

3. 2018 distribution of employees' bonus and compensation of directors and supervisors. Please review.

Explanation: (1) Based on Article 20 of the Articles of Incorporation of the Company, when the Company has profits during the current year (earnings defined as the profits before tax prior to subtracting the distribution of employees' bonus and compensation of directors and supervisors), the Company shall appropriate 3% to 15% of the profit as the bonus for employees and no more than 3% of such profit as the compensation for directors and supervisors.

(2) The Company's earnings in 2018, i.e. the profit before tax prior to subtracting the distribution of employees' bonus and compensation of directors and supervisors, are \$122,467,507. We propose to appropriate 7.81% or \$9,570,000 to the employees' bonus, and 2.34% or \$2,870,000 to the compensation of directors and supervisors. Both appropriations are in cash dividends.

4. Second Domestic Issuance of Secured Convertible Bond. Please review.

Corporate Bond	Second Domestic Issuance of Secured Convertible Bond
Complement authority approval number	Financial Supervisory Commission Letter Jin-Guan-Zheng-Fa-Zi No. 10600514271
Issue date	February 5 <sup>th</sup> , 2018
Denomination	NT\$ 100,000
Issuance and trading	Taipei Exchange (Gre Tai Securities Market)
Issuing price	Full denomination issuance
Total amount	NT\$ 300,000,000
Interest rate	0%
Tenure	3 years, due date February 5, 2021
Reason of offering	Payback of the loan to the bank
Guarantee agency	Far Eastern International Bank
Trustee	CTBC Bank Co., Ltd
Underwriter	President Securities Corp.
Attorney	Esq. Chiu Ya-Wen
CPA	Chen Chao-Mei, CPA and Chen Chung-Cheng, CPA Deloitte & Touche

Repayment		Except for the conversion specified in the conversion regulations, earlier redemption by the Company, or exercise of the put option by the bondholder, repayment is made in full by cash payment upon maturity.
Redemption or early repayment		Please refer to issuance and conversion regulations
Covenant		Please refer to issuance and conversion regulations
Credit rating agency, rating date, rating result		Not applicable
Issuance and Conversion		Please refer to the issuance information in the credit investigation section of the Market Observation Post System
Converted Info. up to February 28th	Shares converted	0
	Amount converted	0
	Converted into common share	0
	Outstanding shares	0
	Shares not converted	3 thousand
	Outstanding Balance	NT\$ 300,000,000

## Adoption Matters

Report No. 1 Proposed by the Board of Directors

Proposal: Adoption of the 2018 Business Report and Financial Statements. Please adopt.

Explanation:

- (1) The Company's consolidated financial statements and its subsidiaries in 2018 were audited by independent auditors, Yu Cheng-Chuan, CPA, and Chen Jung-Cheng, CPAs, of Deloitte and Touche. In addition, the supervisors have examined the Business Report and an Audit Report has been issued.
- (2) The Business Report, independent auditors' audit report, and the aforementioned financial statements are attached in the meeting handbook, Page 5 (Appendix 1) and Page 8 (Appendix 3).
- (3) Please adopt.

Resolution:

Report No. 2 Proposed by the Board of Directors.

Proposal: Proposal for the Distribution of 2018 Profits. Please adopt.

- Explanation: (1) The 2018 profit distribution is proposed to be \$1.2 per share as cash dividends. The cash dividend is rounded off to the nearest dollar without any decimals, the total amount of decimals is then distributed in a descending order of the decimal balance with account numbers from top to bottom until the total amount tallies with the proposed cash dividend total. Upon approval at the shareholders' meeting, the Chairperson is authorized to set the ex-dividend date, ex-rights date and other relevant issues.
- (2) If the Company's change of capital has an impact on the outstanding shares, causing an amendment to the shareholders' dividend ratio, the Chairperson has full authority to handle such issues as proposed at the shareholder's meeting.
  - (3) The amount of the 2018 profit takes priority in the distribution of profits.
  - (4) Please refer to the 2018 Profit Distribution Table in Page 29 (Appendix 4) for details.
  - (5) Please adopt.

Resolution:

## **Discussion Matters**

Report No. 1 Proposed by the Board of Directors

Proposal: Partial Amendment of the Company's "Articles of Incorporation" Please discuss.

- Explanation: (1) The Company's "Articles of Incorporation" are partially amended in consideration of the management's practice principles requirements.
- (2) Please refer to Page 30 (Appendix 5) for the comparison list before and after amendment of the company's "Articles of Incorporation".
  - (3) Please discuss.

Resolution:

Report No. 2 Proposed by the Board of Directors

Proposal: Partial Amendment of the Company's "Procedures for Acquisition and disposal.". Please discuss.

- Explanation: (1) Amend the provisions of the "Procedures for Acquisition and disposal." in conjunction with the application of the International Accounting Standards and the enhancement of information disclosure quality.
- (2) Please refer to Page 34 (Appendix 6) for the comparison list before and after amendment of the company's "Procedures for Acquisition and disposal.".
  - (3) Please discuss.

Resolution:

Report No. 3 Proposed by the Board of Directors

Proposal: Partial Amendment of the Company's "Management of Loans to Others".

Please discuss.

Explanation: (1) To cope with the statutory requirements and consider the operational development needs of the Company, to amend some of the provisions of the "Management of Loans to Others".

(2) Please refer to Page 47 (Appendix 7) for the comparison list before and after amendment of the company's "Management of Loans to Others."

(3) Please discuss.

Resolution:

Report No. 4 Proposed by the Board of Directors

Proposal: Partial Amendment of the Company's "Management of Endorsement and Guarantees." Please discuss.

Explanation: (1) To cope with the statutory requirements and consider the operational development needs of the Company, the provisions of the "Management of Endorsement and Guarantees." are amended.

(2) Please refer to Page 51 (Appendix 8) for the comparison list before and after amendment of the company's "Management of Endorsement and Guarantees."

(3) Please discuss.

Resolution:

## **Motions**

## **Adjournment**

## 2018 Business Report

### 1. 2018 Operating Results

#### (1) Operating Plan results

The Company's operating revenue was \$4,219,770 thousand in 2018, a increase of 6% of the revenue of \$3,970,651 thousand in 2017. The net income was \$120,188 thousand, a decrease of 51% of the income of \$243,484 thousand in 2017. The decrease was mainly due to increased operating costs of subsidiaries of the annual transfer investment company, so the net profit for the year was relatively reduced.

(2) Budget achievement: No budget achievement is deemed necessary, as our 2018 financial projection was not offered to the public.

#### (3) Financial Income and Profitability Analysis

			Unit: %; Dollars	
Item			2017	2018
Financial Structure	Liability to Asset ratio (%)		41.10	47.60
Solvency	Current ratio (%)		85.17	85.16
Profitability	To paid-in capital ratio (%)	Operating Profit	7.87	(2.25)
		Profit before tax	36.38	15.79
	Net Profit Margin (%)		6.13	2.85
	Earnings per share (Dollar)		3.49	1.72

The Company's financial structure and debt paying ability in 2018 worse than in 2017, The main reason was that the CB NT\$300 million issued in 2018 had not been converted into additional liabilities and the depreciation expenses increased due to the unsatisfactory progress of the new product trial production in 2018. Benefits accounted for a decline in the ratio of paid-in capital, and the operating costs of overseas subsidiaries increased less than expected. Therefore, the profitability index was lower than in 2017 recession, and there was no abnormal change.

#### (4) R&D

The Company continues deepening the related techniques of high-frequency high-speed magnetic materials to increase the transmitting speed of our products to meet the market demands. We are also in the process of simplifying our product design to effectively reduce the production process. With the excellence in our efficiency and capability in customization, we can provide better services and solutions and build reliable and long-term customer relationships.



## 2. 2019 Operating Plan Summary

### (1) Business Policy

Looking forward in 2019, we expect the labor rate in China to continue to rise. Therefore, other than speeding up the process of moving the assembly line further inland to diversify workers to address the shortage of labor force in the coastal cities, we also redesigned the structures of the products and introduced smart automatic production process to achieve the goals of reducing labor cost, quicken the delivery, and shorten inventory turnover. In addition, a breakthrough in the expansion of the high-end network connection products is expected. We expect that our leading techniques can help the Company in building a solid foundation in production management and marketplace and experiencing a steady growth along with the expansion of new clients in the high-end network market.

### (2) Sales expectation and basis

We expect 2019 sales to be stable based on actual 2018 sales, recent orders, and industry information.

### (3) Important Production and Sales Policy

#### A. Production Policy

All of the Company's factories are 100% indirect investment companies. The production policies expectations are as follows:

- (a) Introduce smart factory operations through robot production to achieve the goals of reducing labor cost and shortening delivery time.
- (b) Effectively reduce inventory through changes of product design and the introduction of automation.

#### B. Marketing Strategies

Adapt the growing trend in new applications expansion and adding high-end product customers to the client base; solidify business relationships with major domestic and international clients.

## 3. The Company's Future Development Strategy.

To better respond to future developments, the Company will continue deepening the technology in high-frequency high-speed, magnetic materials, and developing related products. We also plan to build an automated factory for filter element production in Taiwan, introduce a smart automated factory in 100% indirect investment factories to increase automation capabilities, reduce labor costs, inventory management costs and shorten delivery time. We are also actively expanding international markets to maximize profits.

#### 4. The Impacts of Outside Competitions, Regulatory and Macroeconomic Operating Environments

Due to the rise in labor force costs in China, along with the extreme scarcity of labor forces in coastal cities, the Company, despite its attempts to increase the employees' salary in the Company's 100% indirect investment in factories, is under tremendous pressure from deteriorating issues such as rising labor costs and labor force shortages. The Company expects to reduce the labor force demand and lower the impacts of outside competition as well as regulatory, and macroeconomic operating environments by introducing a smart automated factory and expanding the production capability scale in the Sichuan production base.

Chairman: Gary Chen

General Manager: Chris Chen

Accounting Manager: Elton Wu

## U.D. Electronic Corp. SUPERVISORS AUDIT REPORT

The Board of Directors has prepared the Consolidated Financial Statements of U.D. Electronic Corp. (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) for the year ended 2018 (from January 1, 2018 to December 31, 2018). Yu Cheng-Chuan, CPA, and Chen Jung-Cheng, CPAs, of Deloitte & Touche audited and certified the Group's Financial Statements and an audit report, the above-mentioned financial statement together with the business report and distribution proposal of the remaining surplus have been issued. The Financial Statements have been reviewed and considered to comply with relevant rules by the undersigned, the supervisor of the Company. According to Article 219 of the Company Law, we hereby submit this report.

To  
2019 Shareholders’ Meeting

U.D. Electronic Corp.

Supervisor: Changchun Chien

Supervisor: Chun Feng Capital Inc.  
-Terchang Yao

Supervisor: Shihyi Kuo

March 07, 2019

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
U.D. ELECTRONIC CORP.

### **Opinion**

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

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 years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

The Group is a manufacturer of electronic connectors with diverse mass production . The amount of revenue was \$4,477,826 thousand for the year ended 2018. Due to various applications of

their products, the Group transacts with a large number of unrelated customers. The amount of sales to some customers was significant, which accounted for 33.63% of the Group's total sales for the current period because sales in 2017 was 28.24% of the Group's total sales; therefore, revenue recognition with above mentioned customers is considered a key audit matter. Refer to Note 4(m). to the consolidated financial statements for detailed information on revenue recognition. For our overall opinion to the consolidated financial statements please refer to the opinion section.

The audit procedures are the followings:

1. We understood and tested the design and operating effectiveness of the key control over revenue recognition.
2. We sampled from the sales listing of customers whose sales amount increased significantly to verify the occurrence of sales transactions. We inspected invoices, export declarations and receipts with signature, etc. and examined the remittance entity and receipt procedure. In addition, we examined and tested significant subsequent sales returns and allowances.

### **Other Matter**

We have also audited the parent company only financial statements of U.D. Electronic Corp. 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including supervisors) are responsible for overseeing the Group's financial reporting process.

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

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

decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chuan Yu and Chung-Chen Chen.

Deloitte &  
Touche Taipei,  
Taiwan Republic  
of China

March 7, 2019

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 976,471	18	\$ 818,005	17
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	401	-	-	-
Notes receivable (Notes 4 and 10)	3,159	-	9,096	-
Trade receivables (Notes 4, 5 and 10)	1,356,278	25	1,193,366	24
Other receivables (Note 4 and 10)	52,030	1	199,446	4
Current tax assets (Notes 4 and 25)	3,654	-	-	-
Inventories (Notes 4, 5 and 11)	1,088,945	20	984,370	20
Other current assets (Notes 4, 16, 17 and 33)	<u>166,535</u>	<u>3</u>	<u>133,177</u>	<u>3</u>
Total current assets	<u>3,647,473</u>	<u>67</u>	<u>3,337,460</u>	<u>68</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	89,345	2	-	-
Financial assets measured at cost - non-current (Notes 4 and 9)	-	-	92,796	2
Property, plant and equipment (Notes 4, 13, 32 and 33)	1,162,758	21	1,144,765	23
Other intangible assets (Notes 4 and 15)	8,515	-	8,923	-
Goodwill (Notes 4, 14 and 27)	12,322	-	6,103	-
Deferred tax assets (Notes 4 and 25)	63,814	1	39,407	1
Long-term prepayments for lease (Note 16)	57,455	1	59,890	1
Other non-current assets (Notes 4, 17 and 33)	<u>407,654</u>	<u>8</u>	<u>215,827</u>	<u>5</u>
Total non-current assets	<u>1,801,863</u>	<u>33</u>	<u>1,567,711</u>	<u>32</u>
<b>TOTAL</b>	<u>\$ 5,449,336</u>	<u>100</u>	<u>\$ 4,905,171</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 18)	\$ 1,047,834	19	\$ 907,000	19
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,290	-	-	-
Contract liabilities - current (Notes 4 and 23)	14,429	-	-	-
Trade payables	465,388	9	471,713	10
Other payables (Note 20)	597,035	11	504,721	10
Current tax liabilities (Notes 4 and 25)	23,350	-	12,062	-
Current portion of long-term borrowings (Notes 4, 18 and 33)	29,450	1	-	-
Other current liabilities (Note 20)	<u>8,118</u>	<u>-</u>	<u>23,853</u>	<u>-</u>
Total current liabilities	<u>2,186,894</u>	<u>40</u>	<u>1,919,349</u>	<u>39</u>
<b>NON-CURRENT LIABILITIES</b>				
Bond payables (Notes 4, 19 and 33)	287,265	5	-	-
Long-term borrowings (Notes 18 and 33)	265,050	5	231,000	5
Deferred tax liabilities (Notes 4 and 25)	4,386	-	6,056	-
Guarantee deposit received	<u>740</u>	<u>-</u>	<u>902</u>	<u>-</u>
Total non-current liabilities	<u>557,441</u>	<u>10</u>	<u>237,958</u>	<u>5</u>
Total liabilities	<u>2,744,335</u>	<u>50</u>	<u>2,157,307</u>	<u>44</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP (Note 22)</b>				
Share capital				
Ordinary shares	<u>696,758</u>	<u>13</u>	<u>696,758</u>	<u>14</u>
Capital surplus	<u>737,456</u>	<u>13</u>	<u>728,457</u>	<u>15</u>
Retained earnings				
Legal reserve	302,055	6	277,707	5
Special reserve	147,131	3	87,468	2
Unappropriated earnings	<u>897,460</u>	<u>16</u>	<u>1,021,537</u>	<u>21</u>
Total retained earnings	<u>1,346,646</u>	<u>25</u>	<u>1,386,712</u>	<u>28</u>
Other equity	<u>(154,427)</u>	<u>(3)</u>	<u>(147,131)</u>	<u>(3)</u>
Total equity attributable to owners of the Group	2,626,433	48	2,664,796	54
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<u>78,568</u>	<u>2</u>	<u>83,068</u>	<u>2</u>
Total equity	<u>2,705,001</u>	<u>50</u>	<u>2,747,864</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 5,449,336</u>	<u>100</u>	<u>\$ 4,905,171</u>	<u>100</u>

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



# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 23 and 32)	\$ 4,477,826	100	\$ 4,289,020	100
OPERATING COSTS				
Cost of goods sold (Notes 11, 24 and 32)	<u>(3,639,029)</u>	<u>(81)</u>	<u>(3,380,698)</u>	<u>(79)</u>
GROSS PROFIT	<u>838,797</u>	<u>19</u>	<u>908,322</u>	<u>21</u>
OPERATING EXPENSES (Notes 15 and 24)				
Selling and marketing expenses	(190,658)	(5)	(165,331)	(4)
General and administrative expenses	(356,464)	(8)	(301,573)	(7)
Research and development expenses	(227,081)	(5)	(210,400)	(5)
Expected credit loss (Notes 4 and 10)	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(774,236)</u>	<u>(18)</u>	<u>(677,304)</u>	<u>(16)</u>
PROFIT FROM OPERATIONS	<u>64,561</u>	<u>1</u>	<u>231,018</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	44,279	1	36,760	1
Other gains and losses (Notes 4 and 24)	18,622	1	4,969	-
Finance costs (Notes 4, 19 and 24)	<u>(26,882)</u>	<u>(1)</u>	<u>(16,369)</u>	<u>-</u>
Total non-operating income and expenses	<u>36,019</u>	<u>1</u>	<u>25,360</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	100,580	2	256,378	6
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(22,987)</u>	<u>-</u>	<u>(32,505)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>77,593</u>	<u>2</u>	<u>223,873</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	11,047	-	-	-
Income tax related to items that would not be reclassified subsequently to profit or loss	(2,697)	-	-	-

(Continued)

# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (23,361)	-	\$ (71,874)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>9,754</u>	<u>-</u>	<u>12,406</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(5,257)</u>	<u>-</u>	<u>(59,468)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 72,336</u>	<u>2</u>	<u>\$ 164,405</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Group	\$ 120,188	3	\$ 243,484	6
Non-controlling interests	<u>(42,595)</u>	<u>(1)</u>	<u>(19,611)</u>	<u>(1)</u>
	<u>\$ 77,593</u>	<u>2</u>	<u>\$ 223,873</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Group	\$ 115,099	3	\$ 183,821	4
Non-controlling interests	<u>(42,763)</u>	<u>(1)</u>	<u>(19,416)</u>	<u>-</u>
	<u>\$ 72,336</u>	<u>2</u>	<u>\$ 164,405</u>	<u>4</u>
EARNINGS PER SHARE (NTD; Note 26)				
Basic	<u>\$ 1.72</u>		<u>\$ 3.49</u>	
Diluted	<u>\$ 1.67</u>		<u>\$ 3.47</u>	

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

(Concluded)

# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent						Other Equity		Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Retained Earnings			Exchange Differences on Translating the Financial Statement of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2017	\$ 696,758	\$ 726,551	\$ 258,686	\$ 7,778	\$ 988,245	\$ (87,468)	\$ -	\$ 23,137	\$ 2,613,687	
Appropriation of the 2016 earnings (Note 22)										
Legal reserve	-	-	19,021	-	(19,021)	-	-	-	-	
Special reserve	-	-	-	79,690	(79,690)	-	-	-	-	
Cash dividends	-	-	-	-	(111,481)	-	-	-	(111,481)	
Changes in ownerships and interests of subsidiaries (Notes 22 and 28)	-	1,906	-	-	-	-	-	(10,537)	(8,631)	
Net profit for the year ended December 31, 2017	-	-	-	-	243,484	-	-	(19,611)	223,873	
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax (Note 22)	-	-	-	-	-	(59,663)	-	195	(59,468)	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	243,484	(59,663)	-	(19,416)	164,405	
Non-controlling interests (Notes 22 and 27)	-	-	-	-	-	-	-	89,884	89,884	
BALANCE, DECEMBER 31, 2017	696,758	728,457	277,707	87,468	1,021,537	(147,131)	-	83,068	2,747,864	
Effect of retrospective application (Note 3)	-	-	-	-	-	-	(2,207)	-	(2,207)	
BALANCE AT JANUARY 1, 2018 AS RESTATED	696,758	728,457	277,707	87,468	1,021,537	(147,131)	(2,207)	83,068	2,745,657	
Appropriation of the 2017 earnings (Note 22)										
Legal reserve	-	-	24,348	-	(24,348)	-	-	-	-	
Special reserve	-	-	-	59,663	(59,663)	-	-	-	-	
Cash dividends	-	-	-	-	(160,254)	-	-	-	(160,254)	
Other changes in capital surplus										
Equity component of convertible bonds issued by the Group (Notes 19 and 22)	-	8,999	-	-	-	-	-	-	8,999	
Net profit for the year ended December 31, 2018	-	-	-	-	120,188	-	-	(42,595)	77,593	
Other comprehensive income for the year ended December 31, 2018, net of income tax (Note 22)	-	-	-	-	-	(13,439)	8,350	(168)	(5,257)	
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	120,188	(13,439)	8,350	(42,763)	72,336	
Non-controlling interests (Notes 22 and 27)	-	-	-	-	-	-	-	38,263	38,263	
BALANCE, DECEMBER 31, 2018	\$ 696,758	\$ 737,456	\$ 302,055	\$ 147,131	\$ 897,460	\$ (160,570)	\$ 6,143	\$ 78,568	\$ 2,705,001	

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

# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 100,580	\$ 256,378
Adjustments for:		
Depreciation expenses	288,297	237,423
Amortization expenses	7,178	7,077
Amortization of prepayments for leases	2,460	1,401
Expected credit loss recognized on trade receivables	33	-
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(739)	(2,461)
Finance costs	26,882	16,369
Interest income	(12,666)	(7,952)
Dividend income	(2,387)	(1,719)
Write-down of inventories	2,486	59
Loss on disposal of property, plant and equipment	1,237	666
Net (gain) loss on foreign currency exchange	(5,312)	9,809
Changes in operating assets and liabilities		
Financial assets held for trading	-	2,461
Financial assets mandatorily classified as at fair value through profit or loss	2,157	-
Notes receivable	5,937	6,322
Trade receivables	(157,425)	6,551
Trade receivables from related parties	-	7,614
Other receivables	(32,452)	9,590
Inventories	(123,199)	144,322
Other current assets	(39,187)	46,008
Contract liabilities	6,948	-
Trade payables	(154)	19,676
Trade payables to related parties	-	(2,649)
Other payables	100,204	(6,546)
Other current liabilities	(10,387)	6,499
Cash generated from operations	160,491	756,898
Interest received	12,431	7,805
Dividend received	2,387	1,719
Interest paid	(21,093)	(16,206)
Income tax paid	(31,800)	(28,608)
Net cash generated from operating activities	<u>122,416</u>	<u>721,608</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

Return of funds to financial assets at fair value through other comprehensive income	12,570	-
Net cash flow inflow on acquisition of subsidiaries (Note 27)	17,366	-
Payments for property, plant and equipment	(242,403)	(350,873)
Proceeds from disposal of property, plant and equipment	7,175	23,991
Increase in other receivables	-	(177,841)

(Continued)

# U.D. ELECTRONIC CORP. AND SUBSIDIARIES

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

	2018	2017
Decrease in other receivables	\$ 181,311	\$ -
Payments for intangible assets	(6,827)	(6,893)
Increase in other financial assets	(57,270)	(8,368)
Decrease in refundable deposits	3,221	5,320
Decrease in other non-current assets	262	55,037
Increase in prepayments for equipment	<u>(218,440)</u>	<u>(15,386)</u>
Net cash used in investing activities	<u>(303,035)</u>	<u>(475,013)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	127,042	88,395
Proceeds from issuance of convertible bonds	287,890	-
Proceeds from long-term borrowings	63,500	231,000
Decrease in guarantee deposits received	(150)	(3,995)
Cash dividends	(160,254)	(111,481)
Changing of non-controlling interests	<u>24,500</u>	<u>81,253</u>
Net cash generated from financing activities	<u>342,528</u>	<u>285,172</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(3,443)</u>	<u>(74,542)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	158,466	457,225
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>818,005</u>	<u>360,780</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 976,471</u>	<u>\$ 818,005</u>

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

(Concluded)

U.D. Electronic Corp.  
2018 Profit Distribution Table

Item	Unit: NTD Amount
Unappropriated earnings – beginning of the year	777,271,206
Add: 2018 net income after tax	120,187,678
Subtract: Legal reserve	(12,018,768)
Subtract: Special reserve	(7,294,079)
Accumulated unappropriated earnings	878,146,037
Cash dividends (NT\$1.2/share)	(83,610,968)
Unappropriated earnings – end of the year	794,545,069

Chairman & CEO:      General Manager:      Accounting manager:

**U.D. Electronic Corp.**  
**Comparison List before and after Amendment of the “Articles of Incorporation”**

Appendix 5

Article	Before the amendment	After the amendment	Reason for amendment
Article 1	This Company, organized under the Company Act as a company limited by shares, shall be named U.D.Electronic Corp. (hereinafter referred to as "the Company").	This Company, organized under the Company Act as a company limited by shares, shall be named U.D.Electronic Corp. (hereinafter referred to as "the Company"). <u>The company's English name is U.D.ELECTRONIC CORP.</u>	Amendment pursuant to Articles 392-1 of the Company Act
Article 14	<p>The Company shall have five to nine directors and two to three supervisors. The term of office is three years, and they may continue in office if re-elected. The independent directors shall not be less than two or one-fifth of the total seats of the Board of Directors.</p> <p>The election of the Company's director and supervisors shall be subject to the candidate nomination system and be elected at the shareholders' meeting from among the candidate list.</p> <p>Directors and supervisors shall be elected by the cumulative voting system. Each share has the same voting rights equal to the number of Directors and Supervisors to be elected, and a shareholder may cast all his/her votes for one candidate or among several candidates. Those candidates receiving more voting rights shall be elected as Director or Supervisor.</p>	<p>The Company shall have five to nine directors and two to three supervisors. The term of office is three years, and they may continue in office if re-elected. The independent directors shall not be less than two or one-fifth of the total seats of the Board of Directors.</p> <p>The election of the Company's director and supervisors shall be subject to the candidate nomination system and be elected at the shareholders' meeting from among the candidate list.</p> <p>Directors and supervisors shall be elected by the cumulative voting system. Each share has the same voting rights equal to the number of Directors and Supervisors to be elected, and a shareholder may cast all his/her votes for one candidate or among several candidates.</p>	Cooperate with the company's operational needs.

	<p>If such system needs to be amended, other than compliance with the regulation requirements as set out in Article 172 of the Company Act, the Company shall include the matter in the notice as the reason for calling a meeting.</p> <p>The Board of Directors of the Company may establish a Remuneration Committee or other functional committees as needed by normal operation.</p>	<p>Those candidates receiving more voting rights shall be elected as Director or Supervisor. <del>If such system needs to be amended, other than compliance with the regulation requirements as set out in Article 172 of the Company Act, the Company shall include the matter in the notice as the reason for calling a meeting.</del></p> <p>The Board of Directors of the Company may establish a Remuneration Committee or other functional committees as needed by normal operation.</p>	
Article 16.1	<p>The Board of Directors meeting is called on a quarterly basis. Each director and supervisor shall be given at least seven (7) days advance notice of the convening of the meeting and shall specify the reasons for convening. In emergency circumstances; however, a meeting may be called on shorter notice. The notice of the meeting shall be, with the consent of the members, made by e-mail, or by facsimile.</p>	<p>The Board of Directors meeting is called on a quarterly basis. Each director and supervisor shall be given at least seven (7) days advance notice of the convening of the meeting and shall specify the reasons for convening. In emergency circumstances; however, a meeting may be called on shorter notice. The notice of the meeting shall be, with the consent of the members, made by <u>written</u>, e-mail, or by facsimile.</p>	Cooperate with the company's operational needs.
Article 20	<p>If the Company makes a profit during the current year (profit is defined as the profit before tax prior to subtract the distribution of employees' bonus and compensation of directors and supervisors), the Company shall appropriate 3% to 15% of the profit as the employees' bonus in stock or cash dividend, as resolved by the Board of Directors. The employees to receive bonuses may include employees serving with affiliates who meet specific requirements.</p> <p>The Company may also appropriate no more than 3% of the aforementioned profit as the compensation for</p>	<p>If the Company makes a profit during the current year (profit is defined as the profit before tax prior to subtract the distribution of employees' bonus and compensation of directors and supervisors), the Company shall appropriate 3% to 15% of the profit as the employees' bonus in stock or cash dividend, as resolved by the Board of Directors. The employees to receive bonuses may include employees serving with <u>controlling</u> and affiliates who meet specific requirements.</p> <p>The Company may also appropriate no more than 3%</p>	Amendment pursuant to Articles 235-1 of the Company Act



	<p>directors and supervisors, as resolved by the Board of Directors.</p> <p>However, if the Company has accumulate losses, the Company may reserve the profit equals to the accumulated losses and then appropriate the remaining profit based on the aforementioned appropriations of employees' bonus and compensation of directors and supervisors.</p>	<p>of the aforementioned profit as the compensation for directors and supervisors, as resolved by the Board of Directors.</p> <p>However, if the Company has accumulate losses, the Company may reserve the profit equals to the accumulated losses and then appropriate the remaining profit based on the aforementioned appropriations of employees' bonus and compensation of directors and supervisors.</p>	
Article 20.1	This article is added.	<p><u>The object of the treasury share transfer, employee stock option certificate or employee rights reserve new shares and new shares issued by the company law may include the control or subordinate company employees who meet certain conditions, and the conditions and distribution methods authorize the board of directors to decide.</u></p>	Amendment pursuant to Articles 167-1, 4, 167-2, 3, 267, 7 and 11 of the Company Act
Article 21	<p>If the Company has profit after tax during the current fiscal year, it shall be allocated first to cover accumulated losses, if any, followed by an appropriation of 10% legal reserve unless the total legal reserve accumulated has already reached the Company's authorized paid-in capital cap. Then to recognize or reverse special reserve in</p> <p>accordance with the regulations.</p> <p>The Board of Directors shall propose the profit distribution proposal of the remaining surplus, if any,</p>	<p>If the Company has profit after tax during the current fiscal year, it shall be allocated first to cover accumulated losses, if any, followed by an appropriation of 10% legal reserve unless the total legal reserve accumulated has already reached the Company's authorized paid-in capital cap. Then to recognize or reverse special reserve in</p> <p>accordance with the regulations.</p> <p>The Board of Directors shall propose the profit distribution proposal of the remaining surplus, if any,</p>	Amendment pursuant to Articles 240 of the Company Act

	<p>and accumulated unappropriated earnings and submit a shareholders dividend proposal to the shareholders meeting for a resolution.</p> <p>The Company's dividend policy is determined in the aspects of its financial, business and operation status. The Company is currently experiencing growth and has a steady increase in profit and healthy financial structure.</p> <p>Therefore, the Company has adopted the dividend policy by distributing no less than 10% of the profit, cash, or stock dividend. Of the distribution, the cash dividend shall not be lower than 10% of total shareholders' dividends.</p>	<p>and accumulated unappropriated earnings and submit a shareholders dividend proposal to the shareholders meeting for a resolution, <u>by way of issuing new shares. In addition to the attendance of more than two-thirds of the directors of the board of directors and the resolution of more than half of the directors, all or one of the dividends to be distributed shall be distributed in cash and reported to the shareholders' meeting.</u></p> <p>The Company's dividend policy is determined in the aspects of its financial, business and operation status. The Company is currently experiencing growth and has a steady increase in profit and healthy financial structure.</p> <p>Therefore, the Company has adopted the dividend policy by distributing no less than 10% of the profit, cash, or stock dividend. Of the distribution, the cash dividend shall not be lower than 10% of total shareholders' dividends.</p>	
Article 24	<p>These Articles of Incorporation were adopted on March 4, 2005.</p> <p>The 1th amendment was made on February 1, 2007.</p> <p>The 2th amendment was made on August 7, 2007.</p> <p>The 3th amendment was made on December 24, 2007.</p> <p>The 4th amendment was made on May 28, 2008.</p> <p>The 5th amendment was made on June 30, 2008</p> <p>The 6th amendment was made on June 30, 2009.</p>	<p>These Articles of Incorporation were adopted on March 4, 2005.</p> <p>The 1th amendment was made on February 1, 2007.</p> <p>The 2th amendment was made on August 7, 2007.</p> <p>The 3th amendment was made on December 24, 2007.</p> <p>The 4th amendment was made on May 28, 2008.</p> <p>The 5th amendment was made on June 30, 2008</p> <p>The 6th amendment was made on June 30, 2009.</p>	Additional amendment date and times

	<p>The 7th amendment was made on June 30, 2010.</p> <p>The 8th amendment was made on June 17, 2011.</p> <p>The 9th amendment was made on November 17, 2011.</p> <p>The 10th amendment was made on June 21, 2012.</p> <p>The 11th amendment was made on June 17, 2015.</p> <p>The 12th amendment was made on June 16, 2016.</p> <p>The 13th amendment was made on June 14, 2018.</p> <p><u>Additional amendment</u></p>	<p>The 7th amendment was made on June 30, 2010.</p> <p>The 8th amendment was made on June 17, 2011.</p> <p>The 9th amendment was made on November 17, 2011.</p> <p>The 10th amendment was made on June 21, 2012.</p> <p>The 11th amendment was made on June 17, 2015.</p> <p>The 12th amendment was made on June 16, 2016.</p> <p>The 13th amendment was made on June 14, 2018.</p> <p>The 14th amendment was made on June 18, 2019.</p>	
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**U.D. Electronic Corp.**

Appendix 6

**Comparison List before and after Amendment of the “Procedure for Acquisition and Disposal of Assets”**

Article	Before the amendment	After the amendment	Reason for amendment
Article 3	<p>Scope of assets</p> <p>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.</p> <p>2. Real properties (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.</p> <p>3. Memberships</p> <p>4. Intangible assets including patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>6. Derivatives.</p> <p>7. Assets acquired or disposed in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws.</p> <p>8. Other major assets.</p>	<p>Scope of assets</p> <p>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.</p> <p>2. Real properties (including land, houses and buildings, investment property, <del>rights to use land,</del> and construction enterprise inventory) and equipment.</p> <p>3. Memberships</p> <p>4. Intangible assets including patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p><u>5.</u> Right-of-use assets</p> <p><u>6.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>7.</u> Derivatives.</p> <p><u>8.</u> Assets acquired or disposed in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws.</p> <p><u>9.</u> Other major assets.</p>	<p>1. In accordance with the provisions of the International Financial Accounting Reporting Standard No. 16 Lease Bulletin, add a fifth paragraph to expand the scope of the right to use assets and move the current second land</p>

			<p>use right to the fifth paragraph.</p> <p>2.</p> <p>Paragraphs 5 through 9 of the first paragraph are moved to paragraphs 6 through 9.</p>
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Article 4	<p>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.</p> <p>2. Assets acquired or disposed in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws: Assets acquired or disposed through merger, demerger, or acquisition 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 referred to as the "transfer of shares") under Article 156, Paragraph 8 of the Company Act.</p>	<p>1. Derivatives: forward contracts, options contracts, futures contracts, leveraged contracts <u>and swap contracts, and composite contracts combined with the above products, whose value comes from specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit Rating or credit index or other variables.</u> The term "forward contract" does not include insurance contracts, performance contracts, after-sales services contracts, long-term lease contracts or long-term purchase (sales) agreements.</p> <p>2. Assets acquired or disposed in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws: Assets acquired or disposed through merger, demerger, or acquisition 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 referred to as the "transfer of shares") under Article <u>156-3</u> of the Company Act.</p>	<p>1. In accordance with the definition of Financial Instruments No. 9 of the International Financial Accounting Reporting Standards, amend the scope of the first derivative financial products and make discretionary amendments .</p> <p>2. To correct the company's law.</p>
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Article 5	<p>Restrictions on investment in real properties for non-business use and securities</p> <p>In addition to the assets for business use, the company and any of its subsidiaries may invest in real properties for non-business use and securities under the following restrictions:</p> <p>1. The total amount of the real property for non-business use shall not exceed 15 percent of the net value indicated on the latest financial statement of the company.</p>	<p>Restrictions on investment in real properties for non-business use and <u>right-of-use assets or securities</u></p> <p>In addition to the assets for business use, the company and any of its subsidiaries may invest in real properties for non-business use and <u>right-of-use assets or securities</u> under the following restrictions:</p> <p>1. The total amount of the real property for non-business use <u>and right-of-use assets</u> shall not exceed 15 percent of the net value indicated on the latest financial statement of the company.</p>	<p>Coordinate with the applicable International Financial Accounting Reporting Standard No. 16 Lease Bulletin.</p>
Article 6	<p>Restrictions on identity</p> <p>Professional appraisers and their officer, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports or respective opinions as well as the trading parties shall not be a related party.</p>	<p>Restrictions on identity</p> <p>Professional appraisers and their officer, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports or respective opinions <u>should meet the following requirements:</u></p> <p><u>1. No violation of this Law, company law, banking law, insurance law, financial holding company law, commercial accounting law, or fraud, breach of trust, encroachment, forgery of documents or business crimes, subject to more than one year imprisonment determine. However, if the execution is completed, the probation period expires or the pardon has been completed for three years, this is not the limit.</u></p> <p><u>2. The situation in which the party to the transaction is not a connected person or has a substantive relationship.</u></p> <p><u>3. If the company should obtain the valuation report of more than two professional valuers, different professional valuers or appraisers may not be related to each other or have substantive relationships.</u></p> <p><u>When issuing the appraisal report or submission, the personnel of the preceding paragraph shall handle the following matters:</u></p> <p><u>(1) Before undertaking a case, it should carefully assess</u></p>	<p>1. Identify the relevant experts' negative capital and abolish the previous disclosure order.</p> <p>2. Clarify the external expert responsibility and relevant experts to issue assessment, verification and</p>

		<p><u>its professional competence, practical experience and independence.</u></p> <p><u>(2) When checking the case, the appropriate operational procedures should be properly planned and implemented to form a conclusion and a report or opinion should be issued accordingly; and the procedures, data collected and conclusions to be carried out are detailed in the working paper of the case.</u></p> <p><u>(3) The completeness, correctness and reasonableness of the data sources, parameters and information used shall be evaluated on a case-by-case basis as the basis for the issuance of valuation reports or opinions.</u></p> <p><u>(4) The matters of declaration shall include the professionalism and independence of the relevant personnel, the information used for evaluation shall be reasonable and correct, and the relevant laws and regulations shall be followed.</u></p>	<p>declaration of valuation reports or opinions.</p>
Article 7	<p>Procedure for acquisition and disposal of properties or other fixed assets</p> <p>1. Assessment and implementation procedures The company acquires or disposes real properties and other fixed assets according to the fixed asset cycling procedure under the internal control system of the company.</p> <p>2. Procedure for determining the transaction terms and degree of authorization (1) Real properties shall be acquired or disposed with reference to the publicly announced current value, appraised value, and actual transaction price of the neighboring real properties to determine the transaction terms and prices and analysis reports shall be prepared. The transaction to the amount of less than NT\$50 million shall be submitted to the Chairman for approval, while the transaction to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction can start.</p>	<p>Procedure for acquisition and disposal of properties , other fixed assets <u>or right-of-use assets</u></p> <p>1. Assessment and implementation procedures The company acquires or disposes real properties ,other fixed assets <u>or right-of-use assets</u> according to the fixed asset <u>or right-of-use assets</u> cycling procedure under the internal control system of the company.</p> <p>2. Procedure for determining the transaction terms and degree of authorization (1) Real properties <u>or right-of-use assets</u> shall be acquired or disposed with reference to the publicly announced current value, appraised value, and actual transaction price of the neighboring real properties to determine the transaction terms and prices and analysis reports shall be prepared. The transaction to the amount of less than NT\$50 million shall be submitted to the Chairman for approval, while the transaction to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction</p>	<p>Coordinate with the applicable International Financial Accounting Reporting Standard No. 16 Lease Bulletin and make discretionary amendments .</p>



	<p>(2) Fixed assets shall be acquired or disposed via price inquiry, comparison, negotiation or tender. The transaction to the amount of less than NT\$50 million (incl.) shall be submitted upward on a level-by-level basis ,while the transaction to the amount of more than NT\$50 million (incl.) shall be submitted to the Chairman for review and forwarded to the Board of Directors for approval before the transaction can start.</p> <p>3. Implementation department After having been approved on a level-to-level basis referred to in the preceding paragraph, the using department and administration unit shall implement the acquisition or disposal of real properties or other fixes assets for the company.</p> <p>4. Appraisal report of properties or other fixed assets</p> <p>In acquiring or disposing of any real property or equipment and the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report from a professional appraiser beforehand and shall further comply with the following provisions:</p> <p>(1) 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 to the Board of Directors for approval in advance. The same procedure shall be followed for any future changes to the terms and conditions of the transaction</p>	<p>can start.</p> <p>(2) Fixed assets <u>or right-of-use assets</u> shall be acquired or disposed via price inquiry, comparison, negotiation or tender. The transaction to the amount of less than NT\$50 million (incl.) shall be submitted upward on a level-by-level basis ,while the transaction to the amount of more than NT\$50 million (incl.) shall be submitted to the Chairman for review and forwarded to the Board of Directors for approval before the transaction can start.</p> <p>3. Implementation department After having been approved on a level-to-level basis referred to in the preceding paragraph, the using department and administration unit shall implement the acquisition or disposal of real properties ,other fixes assets <u>or right-of-use assets</u> for the company.</p> <p>4. Appraisal report of properties ,other fixed assets <u>or right-of-use assets</u></p> <p>In acquiring or disposing of any real property , equipment <u>or right-of-use assets</u> and the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report from a professional appraiser beforehand and shall further comply with the following provisions:</p> <p>(1) 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 to the Board of Directors for approval in advance. <u>The same is true when there are trading conditions changed.</u></p>	
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Article	Before the amendment	After the amendment	Reason for amendment
Article 9	<p>Procedure for acquisition of real properties from a related party</p> <p>1. When the company engages in any acquisition or disposal of assets with a related party, in addition to following the procedure in Article 7 for acquisition of real properties, ensuring that the necessary resolutions are adopted and the</p> <p>reasonableness of the transaction terms is assessed as referred to in the following provisions, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.</p> <p>The amount of the transaction referred to in the preceding paragraph shall be calculated according to Article 8-1.</p> <p>When judging whether a trading counterpart is a related party, the substantial relationship shall be taken into account in addition to legal formalities.</p> <p>2. Evaluation and operation procedure</p> <p>When acquiring real properties from a related party, the company shall submit the following information to the Board of Directors for approval and to the supervisors for recognition before carrying out the acquisition:</p> <p>(1) The purpose, necessity and anticipated benefit of</p>	<p>Procedure for acquisition of real properties <u>or right-of-use assets</u> from a related party</p> <p>1. When the company engages in any acquisition or disposal of assets with a related party, in addition to following the procedure in Article 7 for acquisition of real properties, ensuring that the necessary resolutions are adopted and the</p> <p>reasonableness of the transaction terms is assessed as referred to in the following provisions, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.</p> <p>The amount of the transaction referred to in the preceding paragraph shall be calculated according to Article 8-1.</p> <p>When judging whether a trading counterpart is a related party, the substantial relationship shall be taken into account in addition to legal formalities.</p> <p>2. Evaluation and operation procedure</p> <p>When acquiring real properties <u>or right-of-use assets</u> from a related party, the company shall submit the following information to the Board of Directors for approval and to the supervisors for recognition before carrying out the acquisition:</p> <p>(1) The purpose, necessity and anticipated benefit of</p>	<p>Coordinate with the applicable International Financial Accounting Reporting Standard No. 16 Lease Bulletin and make discretionary amendments.</p>

	<p>the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as the trading counterpart.</p> <p>(3) With respect to the acquisition of an real property from a related party, information regarding appraisal of the reasonableness of the intended transaction terms in accordance with Paragraphs 3, Subparagraph 1 and 4 of this Article.</p> <p>(4) The date one which the related party acquired the real property, the price at which the real property was acquired, the original trading counterpart, and that relationship of the counterpart with the related party.</p> <p>(5) The monthly cash flow forecasts for the year after the month in which the contract will be expectedly entered into, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.</p> <p>(6) The appraisal report from a professional appraiser or the opinion of a CPA in line with the preceding article.</p> <p>(7) Restrictive terms and other important agreements associated with the transaction.</p> <p>Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to Paragraph 1, the Board of Directors shall adequately take into consideration the opinions of each</p>	<p>the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as the trading counterpart.</p> <p>(3) With respect to the acquisition of an real property from a related party, information regarding appraisal of the reasonableness of the intended transaction terms in accordance with Paragraphs 3, Subparagraph 1 and 4 of this Article.</p> <p>(4) The date one which the related party acquired the real property, the price at which the real property was acquired, the original trading counterpart, and that relationship of the counterpart with the related party.</p> <p>(5) The monthly cash flow forecasts for the year after the month in which the contract will be expectedly entered into, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.</p> <p>(6) The appraisal report from a professional appraiser or the opinion of a CPA in line with the preceding article.</p> <p>(7) Restrictive terms and other important agreements associated with the transaction.</p> <p>Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to Paragraph 1, the Board of Directors shall adequately take into consideration the opinions of each independent director. If an independent director makes any</p>	
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	<p>independent director. If an independent director makes any</p> <p>objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting. The amount of the transaction referred to in the preceding paragraph shall be calculated according to Paragraph 1 of Article 14. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs. The part that has been approved by the Board of Directors and recognized by the supervisors according to the Procedure does not need to be incorporated in the transaction amount.</p> <p>In case of acquisition or disposal of equipment for operation of the business between the company and the parent company, the Board of Directors may pursuant to Article 7, Paragraph 2 delegate the Chairman to decide transaction matters within an amount up to NTD 50 million beforehand and have the them subsequently submitted to the next Board meeting for ratification.</p> <p>Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall adequately take into consideration the opinions of each independent director. If an independent director makes any objection or expresses any</p>	<p>objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting. The amount of the transaction referred to in the preceding paragraph shall be calculated according to Paragraph 1 of Article 14. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs. The part that has been approved by the Board of Directors and recognized by the supervisors according to the Procedure does not need to be incorporated in the transaction amount.</p> <p>In case of acquisition or disposal of equipment for operation of the business between the company ,the parent company <u>or subsidiaries that directly or indirectly hold 100% of the issued shares or total capital engaged in the following transactions with each other</u>, the Board of Directors may pursuant to Article 7, Paragraph 2 delegate the Chairman to decide transaction matters within an amount up to NTD 50 million beforehand and have the them subsequently submitted to the next Board meeting for ratification:</p> <p><u>1. Obtain or dispose of equipment or use rights assets for business use.</u></p> <p><u>2. Acquire or dispose of the right to use real estate for business use.</u></p> <p>Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to the</p>	
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	<p>reservation about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3. Reasonableness of the transaction cost</p> <p>(1) When acquiring real properties from a related party, the company shall assess the reasonableness of the transaction costs by the following means:</p> <p>i. The transaction cost shall be assessed 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 the loan in the year the company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>ii. 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, however, that 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 counterparts.</p> <p>(2) Where land and structures thereupon are combined as a single property purchased in one transaction, the</p>	<p>preceding paragraph, the Board of Directors shall adequately take into consideration the opinions of each independent director. If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3. Reasonableness of the transaction cost</p> <p>(1) When acquiring real properties from a related party, the company shall assess the reasonableness of the transaction costs by the following means:</p> <p>i. The transaction cost shall be assessed 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 the loan in the year the company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>ii. 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, however, that 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</p>	
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<p>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>(3) When acquiring any real property from a related party, the company shall appraise the cost of the real property in accordance with Paragraph 3, Subparagraph 1 and 2 of this article and engage a CPA to check the appraisal and give a specific opinion.</p> <p>(4) When the company acquires any real property from a related party and all the results of the appraisals conducted in accordance with Paragraph 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the matter shall be handled in compliance with Paragraph 3, Subparagraph 5 of this article. However, the preceding sentence shall not apply if 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:</p> <p>i. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>The undeveloped land is appraised in accordance with Article 3, Subparagraph 1, 2 and 3 of this article, the structures is appraised based on the related party's construction cost plus reasonable construction profit, and the aggregation of both is in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit</p>	<p>counterparts.</p> <p>(2) Where land and structures thereupon are combined as a single property purchased <u>or lease</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>(3) When acquiring any real property <u>or right-of-use assets</u> from a related party, the company shall appraise the cost of the real property in accordance with Paragraph 3, Subparagraph 1 and 2 of this article and engage a CPA to check the appraisal and give a specific opinion.</p> <p>(4) When the company acquires any real property <u>or right-of-use assets</u> from a related party and all the results of the appraisals conducted in accordance with Paragraph 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the matter shall be handled in compliance with Paragraph 3, Subparagraph 5 of this article. However, the preceding sentence shall not apply if 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:</p> <p>i. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>The undeveloped land is appraised in accordance with Article 3, Subparagraph 1, 2 and 3 of this article, the structures is appraised based on the related party's</p>	
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	<p>margin of the related party's construction division over the most recent 3 years or the gross profit margin of the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>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 differences among floors or areas in accordance with standard property market practices.</p> <p>Completed leasing transactions by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price differences among floors in accordance with standard property leasing market practices.</p> <p>ii. Where the 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 with 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 in the same or an adjacent block and within a distance of no more than 500 meters or parcels close to</p>	<p>construction cost plus reasonable construction profit, and the aggregation of both is 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 of the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>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 differences among floors or areas in accordance with standard property market practices.</p> <p>Completed leasing transactions by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price differences among floors in accordance with standard property leasing market practices.</p> <p>ii. Where the company acquiring <u>or lease</u> 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 with a similar size by unrelated parties within the preceding year. Completed transactions</p>	
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	<p>publicly announced current value; transaction for similarly sized parcels in principle refers to the 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.</p> <p>(5) Where the company acquires real property from a related party and all the results of appraisals conducted in accordance with Article 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the following steps shall be taken:</p> <p>i. The company shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and shall distribute it or use it for capital increase or issuance of bonus shares. Where an investor of the company using the equity method for appraisal is a public company, it shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Security and Exchange Act in proportion to the special reserve set aside according to the preceding sentence.</p> <p>ii. Supervisors shall comply with Article 218 of the Company Act.</p> <p>iii. Actions taken pursuant to Article 3, Subparagraph 5, Item 1 and 2 of this article shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any</p>	<p>for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels in the same or an adjacent block and within a distance of no more than 500 meters or parcels close to publicly announced current value; transaction for similarly sized parcels in principle refers to the 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 right-of-use assets</u>.</p> <p>(5) Where the company acquires real property <u>or right-of-use assets</u> from a related party and all the results of appraisals conducted in accordance with Article 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the following steps shall be taken:</p> <p>i. The company shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use assets</u> transaction price and the appraised cost, and shall distribute it or use it for capital increase or issuance of bonus shares. Where an investor of the company using the equity method for appraisal is a public company, it shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Security and Exchange Act in proportion to the special reserve set aside according to the preceding sentence.</p> <p>ii. Supervisors shall comply with Article 218 of the Company Act.</p>	
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	<p>investment prospectus.</p> <p>(6) Where the company acquires real properties from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 1 and 2 of this article regarding the Assessment and implementation procedures rather than Article 3, Subparagraph 1, 2 and 3 of this article regarding the reasonableness of the transaction cost.</p> <p>i. The related party acquired the real property through inheritance or as a gift.</p> <p>ii. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>iii. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own or leased land.</p> <p>iv. This article is added.</p> <p>(7) The company and the public company as an investor of the company using the equity method for appraisal that have set aside a special reserve under the preceding paragraphs may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority has given its consent.</p>	<p>iii. Actions taken pursuant to Article 3, Subparagraph 5, Item 1 and 2 of this article shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>(6) Where the company acquires real properties <u>or right-of-use assets</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 1 and 2 of this article regarding the Assessment and implementation procedures rather than Article 3, Subparagraph 1, 2 and 3 of this article regarding the reasonableness of the transaction cost.</p> <p>i. The related party acquired the real property <u>or right-of-use assets</u> through inheritance or as a gift.</p> <p>ii. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets</u> to the signing date for the current transaction.</p> <p>iii. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own or leased land.</p> <p><u>iv. The public issuance company and its parent company, its subsidiaries, or its subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, acquire the real estate use right assets for business use.</u></p> <p>(7) The company and the public company as an</p>	
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	<p>(8) When the company obtains real property from a related party, it shall also comply Paragraph 3, Subparagraph 5 of this article if any other evidence indicating that the acquisition was not an arms length transaction</p>	<p>investor of the company using the equity method for appraisal that have set aside a special reserve under the preceding paragraphs may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or lease</u> at a premium, or they have been disposed of <u>terminate the lease</u> or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority has given its consent.</p> <p>(8) When the company obtains real property <u>or right-of-use assets</u> from a related party, it shall also comply Paragraph 3, Subparagraph 5 of this article if any other evidence indicating that the acquisition was not an arms length transaction</p>	
Article 10	<p>Procedure for acquisition or disposal of memberships or intangible assets</p> <p>1. Assessment and implementation procedures The company acquires or disposes memberships or intangible assets according to the fixes asset cycling procedure under the internal control system of the company.</p> <p>2. Procedure for determining the transaction terms and degree of authorization</p> <p>(1) Memberships shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less than NT\$5 million shall be submitted to the Chairman</p>	<p>Procedure for acquisition or disposal of memberships , <u>right-of-use assets</u> or intangible assets</p> <p>1. Assessment and implementation procedures The company acquires or disposes memberships , <u>right-of-use assets</u> or intangible assets according to <u>property, plant and equipment right-of-use assets</u> cycling procedure under the internal control system of the company.</p> <p>2. Procedure for determining the transaction terms and degree of authorization</p> <p>(1) Memberships shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less</p>	<p>Coordinate with the applicable International Financial Accounting Reporting Standard No. 16 Lease Bulletin and make discretionary amendments.</p>

<p>for approval, while the transaction price to the amount of more than NT\$5 million shall be submitted to the Board of Directors for approval before the transaction is started.</p> <p>(2) Intangible assets shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less than 10 percent of the paid-in capital or NT\$50 million shall be submitted to the Chairman for approval, while the transaction price to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction is started.</p> <p>3. Implementation department After having been approved on a level-to-level basis, the using department and the financial or administration unit shall implement the acquisition or disposal of memberships or intangible assets for the company.</p> <p>4. Expert's evaluation opinions and reports on memberships or intangible assets</p> <p>(1) Where the company acquires or disposes memberships and the transaction amount reaches at least 1 percent of the company's paid-in capital or NT\$5 million, an appraisal report from a professional appraiser shall be required.</p> <p>(2) Where the company acquires or disposes intangible assets and the transaction amount reaches at</p>	<p>than NT\$5 million shall be submitted to the Chairman for approval, while the transaction price to the amount of more than NT\$5 million shall be submitted to the Board of Directors for approval before the transaction is started.</p> <p>(2) <u>Right-of-use assets</u> or Intangible assets shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less than 10 percent of the paid-in capital or NT\$50 million shall be submitted to the Chairman for approval, while the transaction price to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction is started.</p> <p>3. Implementation department After having been approved on a level-to-level basis, the using department and the financial or administration unit shall implement the acquisition or disposal of memberships <u>right-of-use assets</u> or intangible assets for the company.</p> <p>4. Expert's evaluation opinions and reports on memberships <u>right-of-use assets</u> or intangible assets</p> <p>(1) Where the company acquires or disposes memberships and the transaction amount reaches at least 1 percent of the company's paid-in capital or NT\$5 million, an appraisal report from a professional appraiser shall be required.</p>	
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	<p>least 10 percent of the company's paid-in capital or NT\$50 million, an appraisal report from a professional appraiser shall be required.</p> <p>(3) In case of acquiring or disposing memberships or intangible assets with an transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million, except in transactions with a government agency the company shall engage a certified public accountant to give opinions on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>(2) Where the company acquires or disposes <u>right-of-use assets</u> or intangible assets and the transaction amount reaches at least 10 percent of the company's paid-in capital or NT\$50 million, an appraisal report from a professional appraiser shall be required.</p> <p>(3) In case of acquiring or disposing memberships <u>right-of-use assets</u> or intangible assets with an transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million, except in transactions with a <u>domestic</u> government agency the company shall engage a certified public accountant to give opinions on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	
Article 12	<p>Procedure for acquisition or disposal of derivatives.</p> <p>1. (omitted)</p> <p>2. (omitted)</p> <p>(1) (omitted)</p> <p>(2) (omitted)</p> <p>(3) (omitted)</p> <p>(4) (omitted)</p> <p>(5) Operational risk management</p> <p>i. (omitted)</p> <p>ii. (omitted)</p> <p>iii. (omitted)</p> <p>iv. The department held by the derivative commodity exchange shall be assessed at least once a week, but if the risk-averse</p>	<p>Procedure for acquisition or disposal of derivatives.</p> <p>1. (omitted)</p> <p>2. (omitted)</p> <p>(1)(omitted)</p> <p>(2)(omitted)</p> <p>(3)(omitted)</p> <p>(4)(omitted)</p> <p>(5)Operational risk management</p> <p>i.(omitted)</p> <p>ii.(omitted)</p> <p>iii.(omitted)</p> <p>iv.The department held by the derivative commodity exchange shall be assessed at</p>	Additional date and times of amendment

	<p>transaction required for the business is to be assessed at least twice a month, the evaluation report shall be submitted to the senior executive authorized by the board of directors.</p>	<p>least once a week, but if the risk-averse transaction required for the business is to be assessed at least twice a month, the evaluation report shall be submitted to the senior executive authorized by the board of directors.</p>	
Article 14	<p>Procedure for disclosure of information after public issue of shares.</p> <p>1. Required public announcements and reports and their criteria</p> <p>(1) The trade is related to an acquisition of real properties from a related party or disposal thereof, or acquisition of assets other than real properties from a related party of disposal thereof and the transaction amount reaches 20 percent or more of the company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more Provided, however, that this provision shall not apply to the trading of govern bonds and bonds under repurchase and resale conditions.</p> <p>(2) (omitted)</p> <p>(3) (omitted)</p> <p>(4) The types of assets acquired or disposed of are equipment for business use, and the transaction objects are not related parties, and the transaction amount is NT\$500 million or more.</p> <p>(5) Real estate acquisition by means of local committee construction, land lease committee construction, joint housing construction, joint construction, and joint construction. The company expects the transaction</p>	<p>Procedure for disclosure of information after public issue of shares.</p> <p>1. Required public announcements and reports and their criteria</p> <p>(1) The trade is related to an acquisition of real properties <u>or right-of-use assets</u> from a related party or disposal thereof, or acquisition of assets other than real properties <u>or right-of-use assets</u> from a related party of disposal thereof and the transaction amount reaches 20 percent or more of the company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more Provided, however, that this provision shall not apply to the trading of domestic govern bonds and bonds under repurchase and resale conditions.</p> <p>(2) (omitted)</p> <p>(3) (omitted)</p> <p>(4) The types of assets acquired or disposed of are equipment <u>or right-to-use assets</u> for business use, and the transaction objects are not related parties, and the transaction amount is NT\$500 million or more.</p> <p>(5) Real estate acquisition by means of local committee construction, land lease committee construction, joint housing construction, joint construction, and joint construction, <u>and the transaction object is not related to</u></p>	<p>Coordinate with the applicable International Financial Accounting Reporting Standard No. 16 Lease Bulletin and make discretionary amendments.</p>

	<p>amount to reach NTD. More than 500 million yuan.</p> <p>(6) Asset transactions other than the first five paragraphs, financial institutions disposing of creditor's rights or investing in mainland China, the transaction amount of which is 20% of the company's paid-in capital or NT\$300 million. However, the following situations are not limited to this:</p> <ol style="list-style-type: none"> <li>1. Buying and selling government bonds.</li> <li>2. (omitted)</li> </ol> <p>.(7) The transaction amounts referred to in the preceding Subparagraphs (1)~(6) shall be calculated as follows. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.</p> <ol style="list-style-type: none"> <li>i. (omitted)</li> <li>ii. (omitted)</li> <li>iii. The amount of accumulated acquisition or disposal (acquisition and disposal) for the same development plan for real estate within one year.</li> <li>iv. (Omitted)</li> </ol> <p>(Omitted)</p>	<p><u>the person</u>. The company expects the transaction amount to reach NTD. More than 500 million yuan.</p> <p>(6) Asset transactions other than the first five paragraphs, financial institutions disposing of creditor's rights or investing in mainland China, the transaction amount of which is 20% of the company's paid-in capital or NT\$300 million. However, the following situations are not limited to this:</p> <ol style="list-style-type: none"> <li>1. Buying and selling <u>domestic</u> government bonds.</li> <li>2. (omitted)</li> </ol> <p>.(7) The transaction amounts referred to in the preceding Subparagraphs (1)~(6) shall be calculated as follows. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.</p> <ol style="list-style-type: none"> <li>i. (omitted)</li> <li>ii. (omitted)</li> <li>iii. The amount of accumulated acquisition or disposal (acquisition and disposal) for the same development plan for real estate <u>or right-of-use assets</u> within one year.</li> <li>iv. (Omitted)</li> </ol> <p>(Omitted)</p>	
Article 19	<p>This Procedure was adopted on June 30, 2009</p> <p>The 1th amendment was made on June 17, 2011</p> <p>The 2nd amendment was made on November 17, 2011</p> <p>The 3rd amendment was made on June 21, 2012</p> <p>The 4th amendment was made on June 20, 2013</p>	<p>This Procedure was adopted on June 30, 2009</p> <p>The 1th amendment was made on June 17, 2011</p> <p>The 2nd amendment was made on November 17, 2011</p> <p>The 3rd amendment was made on June 21, 2012</p>	Date and times of amendments

	<p>The 5th amendment was made on June 13, 2014</p> <p>The 6th amendment was made on June 15, 2017</p>	<p>The 4th amendment was made on June 20, 2013</p> <p>The 5th amendment was made on June 13, 2014</p> <p>The 6th amendment was made on June 15, 2017</p> <p><u>The 7th amendment was made on June 18, 2019</u></p>	
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**U.D. Electronic Corp.**  
**Comparison List before and after Amendment of the “Management of Loans to Others”**

**Appendix 7**

Article	Before the amendment	After the amendment	Reason for amendment
Article 1	<p><b>Purpose</b></p> <p>In order to meet the needs of the business and comply with the relevant laws and regulations, so that the loan of funds and other people's operations have been followed, the specific procedures are set ◦</p>	<p><b>Purpose</b></p> <p>In order to meet the needs of the business and comply with the relevant laws and regulations, so that the loan of funds and other people's operations are followed, the specific procedures are set ◦ <u>However, if the financial related laws and regulations are otherwise provided, the provisions shall prevail ◦</u></p>	<p>Priority should be given to the relevant laws and regulations of the industry, and textual amendments should be considered. ◦</p>
Article 3	<p><b>Loan and object</b></p> <p>In accordance with the provisions of Article 15 of the Company Law, the company shall not lend to shareholders or any other person except for the following circumstances :</p> <p>1 、 Business contacts between companies or between lines ◦</p> <p>2 、 There is a need for short-term financing between companies or between lines. (Below)</p>	<p><b>Loan and object</b></p> <p>In accordance with the provisions of Article 15 of the Company Law, the company shall not lend to shareholders or any other person except for the following circumstances. :</p> <p>1 、 Business contacts between companies or between lines ◦</p> <p>2 、 Necessary for short-term financing between companies or between lines ◦ <u>The amount of financing shall not exceed 40% of the net value of the loan and the enterprise.</u> (Below)</p>	<p>Clearly specify the relevant amount ◦</p>
The fifth	<p><b>Capital loan and total and individual target limits</b></p> <p>一 、 Business contacts</p> <p>(Below)</p>	<p><b>Capital loan and total and individual target limits</b></p> <p>一 、 Business contacts <u>， the fund loans and total amount of the parent and subsidiary of the Group are limited to not more than 50% of the net value of the financial statements audited or reviewed by the most</u></p>	<p>1. Clear order group fund loan and total cap</p>



Article	Before the amendment	After the amendment	Reason for amendment
	<p>二、Those who have short-term financing (Below)</p> <p><u>三、New</u></p>	<p><u>recent account of the Company.</u> (Below)</p> <p>二、Those who have short-term financing  <u>、the fund loans and total amount of the parent and subsidiary of the Group are limited to 40% of the net value of the financial statements audited or reviewed by the most recent account of the Company .</u></p> <p>(Below)</p> <p><u>三、The company directly and indirectly holds 100% of the voting shares of foreign companies engaged in capital loans, or the company directly and indirectly holds 100% of the voting shares of foreign companies engaged in the company's funds, still subject to the first and second Restrictions, but the capital loan and the foreign company's net value may be calculated according to the owner's equity of the parent company in accordance with Article 4, paragraph 3. .</u></p>	<p>2.Foreign company inter-company fund loans and limits with 100% voting rights .</p>
Article 6	<p>Loan and operating procedures</p> <p>一、Application :</p> <p>(一)~(三)(slightly)</p> <p>(四) The loan between the Company and its parent company or its subsidiaries, or its subsidiaries, shall be subject to the resolutions of the Board of Directors in accordance with the provisions of the preceding paragraph, and may authorize the Chairman to a certain amount of the same loan and object resolutions of the Board of Directors and no more than one year. Disbursement or recurring use during the period .</p>	<p>Loan and operating procedures</p> <p>一、Application :</p> <p>(一)~(三) (slightly)</p> <p>(四) The loan between the Company and its parent company or its subsidiaries, or its subsidiaries, shall be subject to the resolutions of the Board of Directors in accordance with the provisions of the preceding paragraph, and may authorize the Chairman to a certain amount of the same loan and object resolutions of the Board of Directors and no more than one year. Disbursement or recurring use during the period . <u>In addition to the above-mentioned</u></p>	<p>Clear order authorized chairman to score a sub-lending or circular usage limit .</p>

Article	Before the amendment	After the amendment	Reason for amendment
	<p>(五)( slightly) 二、~六(slightly)</p> <p>七、Authorization scope :</p> <p>The company handles the loan and matters of the funds. After the credit is collected by the financial unit of the company, it is approved by the chairman of the board of directors and submitted to the board of directors for approval. The other party may not be authorized to decide .</p> <p>The loan between the Company and its parent company or its subsidiaries or its subsidiaries shall be subject to the resolutions of the Board of Directors and shall authorize the Chairman to a certain amount of the same loan and object resolutions of the Board of Directors and no more than one year. Internal lending or revolving . The opinions of the independent directors should be fully considered and the reasons for their consent or objection and the reasons for their objection should be included in the record of the board of directors .</p>	<p><u>certain amount, in addition to the provisions of Paragraph 3 of Paragraph 1, Article 5, the credit limit of the company or its subsidiaries for a single enterprise shall not exceed 10% of the net value of the latest financial statements of the Company .</u></p> <p>(五)( slightly) 二、~六(slightly)</p> <p>七、Authorization scope :</p> <p>The company handles the loan and matters of the funds. After the credit is collected by the financial unit of the company, it is approved by the chairman of the board of directors and submitted to the board of directors for approval. The other party may not be authorized to decide. . The loan between the Company and its parent company or its subsidiaries or its subsidiaries shall be subject to the resolutions of the Board of Directors and shall authorize the Chairman to a certain amount of the same loan and object resolutions of the Board of Directors and no more than one year. Intra-distributed loans or cyclical use.</p> <p><u>In addition to the above-mentioned certain amount, in addition to the provisions of Paragraph 3 of Paragraph 1, Article 5, the credit limit of the company or its subsidiaries for a single enterprise shall not exceed 10% of the net value of the latest financial statements of the Company .</u></p> <p>The opinions of the independent directors should be fully</p>	

Article	Before the amendment	After the amendment	Reason for amendment
		considered and the reasons for their consent or objection and the reasons for their objection should be included in the record of the board of directors. °	
Article 11	<p>Public disclosure of information after public release 一、~二、(slightly)</p> <p>The subsidiary of the company is not a domestic public issuance company. The subsidiary has the third paragraph of the preceding paragraph that should be announced and declared by the company °</p> <p>The date of occurrence of the facts referred to in this operating procedure refers to the date on which the transaction is signed, the date of payment, the resolution date of the board of directors, or other date on which the transaction object and the transaction amount are determined °</p>	<p>Public disclosure of information after public release 一、~二、(slightly)</p> <p>The subsidiary of the company is not a domestic public issuance company. The subsidiary has the third paragraph of the preceding paragraph that should be announced and declared by the company °</p> <p>The date of the occurrence of this operating procedure , Means the signing date of the <del>transaction</del> 、 Payment date 、 The date of the resolution of the board of directors or other sufficient date to determine the date of the <u>loan and the <del>transaction</del></u> object and the transaction amount °</p>	It is not a transactional nature to consider the loan of funds °
Article 15	<p>Effective and revised</p> <p>The company has set up a fund loan and other people's operating procedures. After passing the board of directors, it will be sent to the supervisors and submitted to the shareholders' meeting for approval. If a director expresses dissent and has a record or written statement, the company shall send the objection to each supervisor. The person will report to the shareholders meeting and the amendment will be the same °</p> <p>When the company has set up independent directors, it should fully consider the opinions of the independent directors when submitting the operating procedures to the</p>	<p>Effective and revised</p> <p>The company has set up a fund loan and other people's operating procedures. After passing the board of directors, it will be sent to the supervisors and submitted to the shareholders' meeting for approval. If a director expresses dissent and has a record or written statement, the company shall send the objection to each supervisor. The person will report to the shareholders meeting and the amendment will be the same °</p> <p>When the company has set up independent directors, it should fully consider the opinions of the independent directors when submitting the operating procedures to the</p>	According to regulations and discretionary text corrections °

Article	Before the amendment	After the amendment	Reason for amendment
	board of directors for discussion according to the provisions of the preceding paragraph , And include the clear opinions and objections of their consent or objection in the records of the board .	board of directors for discussion according to the provisions of the preceding paragraph , <u>If an independent director has objections or reservations, it should be stated in the proceedings of the board of directors. .</u>	
Article 16	<p>This procedure was established on June 30, 1997 .</p> <p>First revised on June 30, 1999 .</p> <p>The second revision was on June 30, 1999 .</p> <p>The third amendment was made on June 17, 2000 .</p> <p>The fourth amendment was on June 20, 2002 .</p>	<p>This procedure was established on June 30, 1997 .</p> <p>First revised on June 30, 1999 .</p> <p>The second revision was on June 30, 1999 .</p> <p>The third amendment was made on June 17, 2000 .</p> <p>The fourth amendment was on June 20, 2002 .</p> <p><u>The fifth amendment was made on June 18, 2008 .</u></p>	Add revision date and number of times .

**U.D. Electronic Corp.**  
**Comparison List before and after Amendment of the “Management of Endorsement and Guarantee”**

**Appendix 8**

Article	Before the amendment	After the amendment	Reason for amendment
Article 1	<p>Purpose</p> <p>In order to comply with the company's external endorsement guarantees, the operating procedures are specified. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.</p>	<p>Purpose</p> <p>In order to comply with the company's external endorsement guarantees, the operating procedures are specified. <del>Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.</del></p>	<p>Priority should be given to the relevant laws and regulations of the industry, and textual amendments should be considered.</p>
Article 4	<p>The amount of endorsement/guarantee provided by the Company is subject to the following limits:</p> <p>一、(omitted)</p> <p>二、The company directly and indirectly holds more than 50% of the shares with voting rights</p> <p>(一) The company directly and indirectly holds more than 90% of the shares with voting rights</p> <p>The total endorsement of the company guarantees that the total amount does not exceed 10% of the company's most recent financial statements, and the limit for a single enterprise does not exceed 10% of the company's most recent financial statement.</p> <p>(二) The company directly and indirectly holds 100% of the voting shares</p> <p>The total amount of endorsements guaranteed by the</p>	<p>The amount of endorsement/guarantee provided by the Company is subject to the following limits:</p> <p>一、(omitted)</p> <p>二、The company directly and indirectly holds more than 50% of the shares with voting rights</p> <p>(一) The company directly and indirectly holds more than 100% of the shares with voting rights</p> <p>The total amount of endorsements guaranteed by the company shall not exceed 100% of the net value of the latest financial statements of the company, and the limit for a single enterprise shall not exceed 100% of the net value of the latest financial statements of the company.</p> <p>(二) The company directly and indirectly holds more than 50% of the shares with less than 100% of the voting rights.</p> <p>The total endorsement of the company guarantees that the</p>	<p>Adjusted to meet the needs of the company.</p>

Article	Before the amendment	After the amendment	Reason for amendment
	<p>company shall not exceed 100% of the net value of the latest financial statements of the company, and the limit for a single enterprise shall not exceed 100% of the net value of the latest financial statements of the company.</p> <p>三、(omitted)</p>	<p>total amount does not exceed 40% of the company's most recent financial statements, and the limit for a single enterprise does not exceed 20% of the company's most recent financial statements.</p> <p>(三)The company directly and indirectly holds voting rights between companies</p> <p>1. The 100% intercompany endorsement guarantee of the shares with voting rights shall not exceed 100% of the net value of the latest financial statements of the Company, and the limit for a single enterprise shall not exceed 100% of the net value of the latest financial statements of the Company.</p> <p>2. The company's direct and indirect voting rights over 90% of the company's endorsement guarantees do not exceed 10% of the company's most recent financial statements, and the limit for a single enterprise does not exceed The company's most recent financial statements have a net value of 10%.三、(omitted)</p>	
Article 5	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>一、When the Company makes any endorsement and/or guaranteeshall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution. However, for companies that directly and indirectly hold 100% of the voting shares of the company, due to the</p>	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>一、When the Company makes any endorsement and/or guaranteeshall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution. However, for companies that directly and indirectly hold 100% of the voting shares of</p>	<p>Terms are updated.</p>

Article	Before the amendment	After the amendment	Reason for amendment
	<p>endorsement of the financing loan demand, A pre-determined limit may be delegated to the Chairperson by the Board of Directors to facilitate execution and such endorsement /guarantee shall be reported to the most coming Board of Directors' Meeting for ratification. Within the limits of the second paragraph of Article 4, paragraph 2 of these Measures</p> <p>二、(omitted)</p>	<p>the company, due to the endorsement of the financing loan demand, A pre-determined limit may be delegated to the Chairperson by the Board of Directors to facilitate execution and such endorsement /guarantee shall be reported to the most coming Board of Directors' Meeting for ratification. Within the limits of the second paragraph of Article 4, paragraph 1 of these Measures</p> <p>二、(omitted)</p>	
Article 6	<p>Procedures for handling endorsement/guarantee</p> <p>一、~二、(omitted)</p> <p>三、Any endorsement/guarantee to be provided by the Company shall be examined, evaluated, with a comment made, by the Finance Unit. ' If the balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise doesn't reaches 20% of the Company's net worth as stated in its latest financial statement. ' After the request of the chairman of the board of directors for review, the report will be submitted to the next board for ratification. ; A publicly-issued company that directly or indirectly holds more than 90% of the voting shares is required to endorse the guarantees in accordance with the third paragraph of Article 3, and shall report it to the board of directors of the public issuing company. However, the public issuance company directly and indirectly holds 100% of the voting rights of the company.</p> <p>If the balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as</p>	<p>Procedures for handling endorsement/guarantee</p> <p>一、~二、(omitted)</p> <p>三、Any endorsement/guarantee to be provided by the Company shall be examined, evaluated, with a comment made, by the Finance Unit. ' If the balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise dosen't reaches 20% of the Company's net worth as stated in its latest financial statement. ' After the request of the chairman of the board of directors for review, the report will be submitted to the next board for ratification. ; The company that directly or indirectly holds more than 90% of the voting shares is required to endorse the guarantees in accordance with the third paragraph of Article 3, and shall report it to the board of directors of the company. However, the company directly and indirectly holds 100% of the voting rights of the company.</p> <p>If the balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as</p>	Terms are updated.

Article	Before the amendment	After the amendment	Reason for amendment
	<p>stated in its latest financial statement, to the Board of Directors for approval.</p> <p>四、~七、(omitted)</p>	<p>stated in its latest financial statement, to the Board of Directors for approval.</p> <p>四、~七、(omitted)</p>	
Article 9	<p>Internal control</p> <p>一、Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee and the Supervisor.</p> <p>二、If the public offering company changes its circumstances, the endorsement guarantee object does not meet the requirements of this operating procedure or the amount exceeds the limit.If there is any default or deficiency, remedies should be applied and a written tracking report should be submitted to the Supervisor and Independent director.And complete the improvement according to the schedule.</p> <p>(omitted)</p>	<p>Internal control</p> <p>一、Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee and the Supervisor and Independent director.</p> <p>二、If the public offering company changes its circumstances, the endorsement guarantee object does not meet the requirements of this operating procedure or the amount exceeds the limit.If there is any default or deficiency, remedies should be applied and a written tracking report should be submitted to the Supervisor. And complete the improvement according to the schedule.</p> <p>(omitted)</p>	Strengthen corporate governance updates.
Article 10	<p>Announcement and Reporting Procedures</p> <p>一、(omitted)</p> <p>二、The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such an event within two days commencing immediately from the date of occurrence of the fact:</p> <p>1. The aggregate balance of endorsements/guarantees by the</p>	<p>Announcement and Reporting Procedures</p> <p>一、(omitted)</p> <p>二、The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such an event within two days commencing immediately from the date of occurrence of the fact:</p> <p>1. The aggregate balance of endorsements/guarantees by</p>	



Article	Before the amendment	After the amendment	Reason for amendment
	<p>Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement</p> <p>2.The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement</p> <p>3. The balance of endorsements / guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements / guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements or guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement</p> <p>三、~四、(omitted)</p> <p>The date of occurrence of the facts referred to in this operating procedure refers to the date on which the transaction signing date, payment date, board resolution date, or other date on which the transaction object and transaction amount are fully determined.</p>	<p>the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement</p> <p>2.The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement</p> <p>3. The balance of endorsements / guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements / guarantees for, The book value of investment in equity method, and balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.</p> <p>4. The amount of new endorsements or guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement</p> <p>三、~四、(omitted)</p> <p>The date of occurrence of the facts referred to in this operating procedure refers to the date on which the signing date, payment date, board resolution date, or other date on which the transaction object and transaction amount are fully determined.</p>	<p>Revise long-term investment definitions.</p> <p>It is not a transactional nature to consider the loan of funds.</p>
Article 13	<p>Implementation and modification</p> <p>After passing the approval of the board of directors, the procedure shall be sent to the supervisors and submitted to the shareholders' meeting for approval. If any director</p>	<p>Implementation and modification</p> <p>After passing the approval of the board of directors, the procedure shall be sent to the supervisors and submitted to the shareholders' meeting for approval. If any director</p>	

Article	Before the amendment	After the amendment	Reason for amendment
	expresses objection and has a record or written statement, the company shall send the objection to the supervisors and report to the shareholders meeting for discussion and amendment. The same shall apply to any amendments to the Procedures. When the Company has set up independent directors, it shall fully consider the opinions of the independent directors when submitting the operating procedures to the board of directors for discussion in accordance with the provisions of the preceding paragraph, and include the reasons for their express opinions and objections to the board of directors.	expresses objection and has a record or written statement, the company shall send the objection to the supervisors and report to the shareholders meeting for discussion and amendment. The same shall apply to any amendments to the Procedures. When the company has set up independent directors, the opinions of the independent directors should be fully considered when submitting the operating procedures to the board of directors for discussion according to the provisions of the preceding paragraph. If an independent director has objections or reservations, it should be stated in the proceedings of the board of directors.	According to regulations and discretionary text corrections.
Article 14	<p>This procedure was concluded on June 30, 1997.</p> <p>The first amendment was on June 30, the Republic of China.</p> <p>The second revision was on June 30, 1999.</p> <p>The third amendment was made on June 17, 2000.</p> <p>The fourth amendment was on June 20, 2002.</p>	<p>This procedure was concluded on June 30, 1997.</p> <p>The first amendment was on June 30, the Republic of China.</p> <p>The second revision was on June 30, 1999.</p> <p>The third amendment was made on June 17, 2000.</p> <p>The fourth amendment was on June 20, 2002.</p> <p><b>The fifth amendment was made on June 18, 2008.</b></p>	Add the date and number of revisions.

# U.D Electronic Corp.

## Articles of Incorporation

### Chapter I General Provisions

#### Article 1:

This Company, organized under the Company Act as a company limited by shares, shall be named U.D. Electronic Corp. (hereinafter referred to as "the Company").

#### Article 2:

The scope of business of the Company is as follows:

1. F219010: Retail Sale of Electronic Materials
2. F401010: International trade
3. ZZ99999: Other than the business, which requires special approval, this Corporation, may conduct any business that is not prohibited or restricted by any law or regulations.

#### Article 3:

The head office of this Corporation shall be in Tao Yuan, Taiwan. Pursuant to the resolutions adopted by the Board of Directors, this Corporation may, if necessary, set up branches or factories within and outside the R.O.C.

#### Article 4:

Deleted

### Chapter II Shares

#### Article 5:

The total authorized capital of the Corporation is One Billion New Taiwan Dollars (NT\$1,000,000,000), divided into One Hundred Million (100,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10). The Board of Directors is authorized to issue the un-issued shares in installments, of which Ten Million New Taiwan Dollars (NT\$10,000,000) with One Million (1,000,000) shares are reserved for issuance of employee stock options.

After the Company's public offering, the exercise price of the employee stock options issued in emerging, non-exchange-listed, or on an over-the-counter (OTC) markets may be lower than the most recent price per shares as audited by the Company's auditor. The exercise price of the employee stock options issued after the Company's stocks are listed or traded on OTC may be lower than the closing price of the Company's common stock at issuance. The Company may grant the aforementioned options, by over two-thirds of the votes in the shareholders' meeting attended by a majority of shares

represented by the shareholders present at the meeting.

**Article 6:**

All share certificates of the Corporation shall be issued in registered form after being signed by and affixed with the seals of at least three directors, sequentially numbered and authenticated by the competent authority or an institution approved by the competent authority. This Corporation may issue registered stock without printing share certificates or may combine and print multiple shares in one share certificate, provided that any shares shall be recorded by a centralized securities custodian or placed under the custody of such custodian.

**Article 7:**

Transfer of shares cannot be executed or be transferred to competitors without registering the name or the corporate, and the address of the assignee.

All entries in the shareholders register due to share transfers shall be suspended for 30 days prior to an ordinary shareholders meeting, or for 15 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

After the Company's public offering, all entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting.

The aforementioned periods are effective as of the date of the committee meeting or the reference date, whichever is earlier.

**Article 8:**

Upon the Company's public offering, all stock transaction conducted by shareholders of the Corporation shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

## **Chapter III Shareholders Meeting**

**Article 9:**

There are two kinds of Company shareholders meetings: Ordinary shareholders meetings and extraordinary shareholders meetings. The ordinary shareholders meeting is convened by Board of Directors once per year within six months from the closing of the fiscal year. Extraordinary shareholders meetings may be convened in accordance with applicable laws and regulations whenever necessary.

**Article 10:**

When a shareholder cannot attend the shareholders' meeting in person, he/she may produce the letter of authorization, subject to Article 177 of the Company Act, signed or sealed for authorizing a representative to be present in the Meeting, stating the area of authorization.

**Article 11:**

Each shareholder of the Company is entitled to one vote per share, except under circumstances in which shares have no voting power as set out in Paragraph 2 of Article 179 of the Company Act.

**Article 12:**

Unless otherwise provided by applicable law or regulation, a resolution of the shareholders meeting shall be adopted by consent of a majority of the votes represented by those in attendance at a meeting attended, in person or by proxy, by shareholders who represent a majority of the total issued shares.

**Article 12.1:**

When a shareholders' meeting is convened by the Board of Directors, the Chairman should preside as the Chairman of the shareholders' meeting. If the Chairman, for any reason, is unavailable or unable to exercise his duties, he or she shall appoint an representative from the directors. If no appointee is assigned, the directors shall elect a Chair among themselves. Unless otherwise provided by applicable law or regulation, the shareholders' meeting is proceeded as set out in the Company's Rules of Procedure for Shareholders' Meeting.

**Article 12.2:**

A resolution of the shareholders meeting shall be documented in the minutes as set out in Article 183 of the Company Act.

**Article 13:**

Deleted.

The Company shall have five to nine directors and two to three supervisors. The term of office is three years, and they may continue in office if re-elected. The independent directors shall not be less than two or one-fifth of the total seats of the Board of Directors.

The election of the Company's director and supervisors shall be subject to the candidate nomination system and be elected at the shareholders' meeting from among the candidate list.

## **Chapter IV Directors and Supervisors**

**Article 14:**

The Company shall have five to nine directors and two to three supervisors. The term of office is three years, and they may continue in office if re-elected.

The independent directors shall not be less than two or one-fifth of the total seats of the Board of Directors.

The election of the Company's director and supervisors shall be subject to the candidate nomination system and be elected at the shareholders' meeting from among the candidate list.

Directors and supervisors shall be elected by adopting cumulative voting system. Each share has the same voting rights equal to the number of Directors and Supervisors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates. Those candidates receiving more voting rights shall be elected as Directors or Supervisor. If such system needs to be amended, other than complies with the regulation requirements as set out in Article 172 of the

Company Act, the Company shall include the matter in the notice as the reason for calling a meeting.

The Board of Directors of the Company may establish a Remuneration Committee or other functional committees as a need of normal operation.

**Article 14.1:**

The Company may acquire liability insurance for all directors, supervisors, and key employees.

**Article 14.2:**

When the directors are short of one-third or the supervisors are dismissed, the board of directors shall convene a by-election of the shareholders' temporary meeting within 60 days, and the term of office shall be limited to the period of replenishment of the original term.

**Article 15:**

The Board of Directors shall consist of the directors of the company, and the Chairman of the Board of Directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The Chairman of the Board of Directors shall represent the Company in external matters.

**Article 16:**

If the Chairman is on leave or cannot exercise powers or perform duties for any reason, an acting Chairman shall be designated in accordance with Article 208 of the Company Act.

**Article 16.1:**

The Board of Directors meeting is called on a quarterly basis. Each director and supervisor shall be given at least seven (7) days advance notice of the convening of the meeting and shall specify the reasons for convening. In emergency circumstances; however, a meeting may be called on shorter notice. The notice of the meeting shall be, with the consent of the members, made by e-mail, or by facsimile.

**Article 16.2:**

Unless otherwise provided by applicable law or regulation, the majority of the directors should attend the Board of Directors meeting. If a director is unavailable to attend a meeting in person, the director may issue a power of attorney for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting. In the event that a Board of Directors meeting is held through video conference, a director who participates in the meeting by means of video system shall be deemed to have attended in person.

**Article 17:**

When the Company's directors and supervisors perform Company duties, the Company may pay remuneration regardless of whether the Company operates at a profit or loss. The Board of Directors is authorized with powers to resolve the rates of such remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry.

## **Chapter V Managerial Officers**

### **Article 18:**

The Company may have managerial officers, whose appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.

## **Chapter VI Accounting**

### **Article 19:**

At the end of each fiscal year, the Board of Directors shall prepare the following documents, which shall be submitted to the supervisors for auditing 30 days prior to the ordinary shareholders meeting, and submitted to the shareholders' meeting for approval:

1. Business report;
2. Financial report; and
3. Proposal for allocating profit or covering loss.

Article 20: If the Company makes a profit during the current year (profit is defined as the profit before tax prior to subtract the distribution of employees' bonus and compensation of directors and supervisors), the Company shall appropriate 3% to 15% of the profit as the employees' bonus in stock or cash dividend, as resolved by the Board of Directors. The employees to receive bonuses may include employees serving with affiliates who meet specific requirements. The Company may also appropriate no more than 3% of the aforementioned profit as the compensation for directors and supervisors, as resolved by the Board of Directors. However, if the Company has accumulate losses, the Company may reserve the profit equals to the accumulated losses and then appropriate the remaining profit based on the aforementioned appropriations of employees' bonus and compensation of directors and supervisors.

Article 21: If the Company has profit after tax during the current fiscal year, it shall be allocated first to cover accumulated losses, if any, followed by an appropriation of 10% legal reserve unless the total legal reserve accumulated has already reached the Company's authorized paid-in capital cap. Then to recognize or reverse special reserve in

accordance with the regulations.

The Board of Directors shall propose the profit distribution proposal of the remaining surplus, if any, and accumulated unappropriated earnings and submit a shareholders dividend proposal to the shareholders meeting for a resolution.

The Company's dividend policy is determined in the aspects of its financial, business and operation status.

The Company is currently experiencing growth and has a steady increase in profit and healthy financial structure.

Therefore, the Company has adopted the dividend policy by distributing no less than 10% of the profit, cash, or stock dividend. Of the distribution, the cash dividend shall not be lower than 10% of total shareholders' dividends.

## **Chapter VII Supplementary Provisions**

### **Article 22:**

The Company may issue external guarantee and reinvest in other businesses based on the operating needs. The total of the investment may exceed 40% of the Company's paid-in capital and authorize the board of director to execute.

### **Article 22.1:**

If the Company wishes to revoke its public offered stock after the Company's public offering, the proposal shall be presented to the shareholders' meeting for a resolution. The Article may not be rectified during the periods when the Company is listed as emerging stocks, registered stocks, or general stocks.

### **Article 23:**

Any matters insufficiently provided for in these Articles of Incorporation shall be handled in accordance with the Company Act.

### **Article 24:**

These Articles of Incorporation were adopted on March 4, 2005.

The 1th amendment was made on February 1, 2007.

The 2th amendment was made on August 7, 2007.

The 3th amendment was made on December 24, 2007.

The 4th amendment was made on May 28, 2008.

The 5th amendment was made on June 30, 2008



The 6th amendment was made on June 30, 2009.

The 7th amendment was made on June 30, 2010.

The 8th amendment was made on June 17, 2011.

The 9th amendment was made on November 17, 2011.

The 10th amendment was made on June 21, 2012.

The 11th amendment was made on June 17, 2015.

The 12th amendment was made on June 16, 2016.

The 13th amendment was made on June 14, 2018.

**U.D.Electronic Corp.**

**Chairman: Gary Chen**

**U.D. Electronic Corp.**  
**Procedure for Acquisition and disposal of assets**

**Article 1 Purpose**

The Procedure is established to protect the assets and implement public disclosure of information.

**Article 2 Legal basis**

The Procedure is established in accordance with Article 36-1 of the “Securities and Exchange Act” and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

**Article 3 Scope of assets**

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 properties (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Memberships
4. Intangible assets including 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 in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws.
8. Other major assets.

**Article 4 Terminologies and 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 in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws: Assets acquired or disposed through merger, demerger, or acquisition 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 referred to as the "transfer of shares") under Article 156, Paragraph 8 of the Company Act.

3. Related party and subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Subsidiary: As defined in the Statement of Auditing Standards No. 5 and 7 published by the ARDF.
5. Professional appraiser: The real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
6. Date of occurrence: 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, however, that 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.
7. Mainland China area investment: Investments in the Mainland China area approved by the Investment Commission, MOEA, or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
8. Latest financial statement: The financial statement of the company that has been certified or reviewed by a certified public accountant and immediately before the the company acquires or disposes the assets.

#### Article 5 Restrictions on investment in real properties for non-business use and securities

In addition to the assets for business use, the company and any of its subsidiaries may invest in real properties for non-business use and securities under the following restrictions:

1. The total amount of the real property for non-business use shall not exceed 15 percent of the net value indicated on the latest financial statement of the company.
2. The total amount of the securities shall not exceed 50 percent of the net value indicated on the latest financial statement of the company.
3. The amount of the investment in individual securities shall not exceed 20 percent of the net value indicated on the latest financial statement of the company.
4. The shares that the company acquires from the invested company in the process of capital increase with surpluses or reserves shall be incorporated in the calculated of the total investment amount referred to in this article.

The preceding provisions shall not apply to the investment in the securities of the enterprise whose shares are fully held by the company.

The company shall not waive the increase of capitals for Global Connection(Samoa)Holding Inc.(hereinafter referred to "GCH") in the coming years;

GHC shall not waive the increase of capitals for Sunderland Inc.(hereinafter referred to as "SDI"), San Francisco Inc.(hereinafter referred to as SFI), Orient Express Int'l Co., Ltd (hereinafter referred to as "OEI") and All First Int'l Co., Ltd. (hereinafter referred to as "AFI") in the coming years; SDI and SFI shall not waive the increase of capitals for Dong Guan Jianguan Plastic + Rubber Electronic Co. Ltd. (Hereinafter referred to as Dong Guan Jianguan) and U.D. (Zhong Jiang) Electronic Corp. (hereafter referred to as Zhong Jian Electronic) in the coming years. Where the company, in consideration of any strategic alliance or other matters approved by Taipei Exchange, must waive the increase of capitals for the previously mentioned companies or dispose their shares, the waiver or disposal must be approved at the Board meeting via special resolutions.

#### Article 6 Restrictions on identity

Professional appraisers and their officer, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports or respective opinions as well as the trading parties shall not be a related party.

#### Article 7 Procedure for acquisition and disposal of properties or other fixed assets

##### 1. Assessment and implementation procedures

The company acquires or disposes real properties and other fixed assets according to the fixes asset cycling procedure under the internal control system of the company.

##### 2. Procedure for determining the transaction terms and degree of authorization

(1) Real properties shall be acquired or disposed with reference to the publicly announced current value, appraised value, and actual transaction price of the neighboring real properties to determine the transaction terms and prices and analysis reports shall be prepared. The transaction to the amount of less than NT\$50 million shall be submitted to the Chairman for approval, while the transaction to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction can start.

(2) Fixed assets shall be acquired or disposed via price inquiry, comparison, negotiation or tender. The transaction to the amount of less than NT\$50 million (incl.) shall be submitted upward on a level-by-level basis ,while the transaction to the amount of more than NT\$50 million (incl.) shall be submitted to the Chairman for review and forwarded to the Board of Directors for approval before the transaction can start.

##### 3. Implementation department

After having been approved on a level-to-level basis referred to in the preceding paragraph, the using department and administration unit shall implement the acquisition or disposal of real properties or other fixes assets for the company.

##### 4. Appraisal report of properties or other fixed assets

In acquiring or disposing of any real property or equipment and the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report from a professional appraiser beforehand and shall further comply with the following provisions:

- (1) 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 to the Board of Directors for approval in advance. The same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (2) Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and give a specific opinion regarding the reason for the deviation and the appropriateness of the transaction price:
  - i. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - ii. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) Where appraisal is conducted before the contract is entered into, no more than 3 months may elapse between the issue date of the appraisal report and the contract date; provided, however, 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.
- (5) Where the company acquires or disposes assets through the court auction procedure, the evidential documentation issued by the court may be used as a substitute for the appraisal report or CPA's opinion.

#### Article 8 Investment procedure for acquisition or disposal of securities

##### 1. Assessment and implementation procedures

The company purchases and sells securities according to the investment cycling procedure under the internal control system of the company.

2. Procedure for determining the transaction terms and degree of authorization

When acquiring or disposing securities, the company shall, prior to the date of occurrence of the event, obtain the most recent financial statements of the issuing company that have been certified or reviewed

by a certified public accountant for reference in appraising the transaction price.

The actual transaction price shall be judged and determined by the responsible unit with reference to the market quotation. The amount of the transaction price shall be submitted upwards on a level-to-level basis, and a report on the unrealized gains and losses of the securities must be submitted. Where the dollar amount of the transaction reaches up to 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide opinions regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

The requirements in the previous paragraph are not applicable to the investment firm that is, directly or indirectly, wholly owned by the company and needs to increase the capital for business operation purpose.

3. Implementation department

After having been approved on a level-to-level basis, the financial unit shall implement the investment in or disposal of securities for the the company.

4. Where the company acquires or disposes assets through the court auction procedure, the evidential documentation issued by the court may be used as a substitute for the appraisal report or CPA's opinion.

Article 8-1 The amount of the transaction referred to in Article 7, 8, and 10 shall be calculated according to the requirements of Article 14, Paragraph 1 and Subparagraph 5. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs. The part for which an appraisal report from a professional appraiser or the opinion from a CRA according to the Procedure has been acquired does not need to be incorporated in the transaction amount.

Article 9 Procedure for acquisition of real properties from a related party

1. When the company engages in any acquisition or disposal of assets with a related party, in addition to following the procedure in Article 7 for acquisition of real properties, ensuring that the necessary resolutions are adopted and the

reasonableness of the transaction terms is assessed as referred to in the following provisions, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The amount of the transaction referred to in the preceding paragraph shall be calculated according to Article 8-1.

When judging whether a trading counterpart is a related party, the substantial relationship shall be taken into account in addition to legal formalities.

## 2 Evaluation and operation procedure

When acquiring real properties from a related party, the company shall submit the following information to the Board of Directors for approval and to the supervisors for recognition before carrying out the acquisition:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as the trading counterpart.
- (3) With respect to the acquisition of an real property from a related party, information regarding appraisal of the reasonableness of the intended transaction terms in accordance with Paragraphs 3, Subparagraph 1 and 4 of this Article.
- (4) The date one which the related party acquired the real property, the price at which the real property was acquired, the original trading counterpart, and that relationship of the counterpart with the related party.
- (5) The monthly cash flow forecasts for the year after the month in which the contract will be expectedly entered into, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.
- (6) The appraisal report from a professional appraiser or the opinion of a CPA in line with the preceding article.
- (7) Restrictive terms and other important agreements associated with the transaction.

Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to Paragraph 1, the Board of Directors shall adequately take into consideration the opinions of each independent director.

If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.

The amount of the transaction referred to in the preceding paragraph shall be

calculated according to Paragraph 1 of Article 14, "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.

The part that has been approved by the Board of Directors and recognized by the supervisors according to the Procedure does not need to be incorporated in the transaction amount.

Pursuant to Article 7, Paragraph 2, in cases of acquisition or disposal of equipment for operation of the business between the company and the parent company, the Board of Directors may delegate the Chairman to decide transaction matters within an amount up to NTD 50 million beforehand and have them subsequently submitted to the next Board meeting for ratification.

Where the company submits the transaction matters to the Board of Directors for discussion pursuant to the preceding paragraph,

the Board of Directors shall adequately take into consideration the opinions of each independent director.

If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.

Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to Paragraph 1, the Board of Directors shall adequately take into consideration the opinions of each independent director. If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.

The amount of the transaction referred to in the preceding paragraph shall be calculated according to Paragraph 1 of Article 14. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs. The part that has been approved by the Board of Directors and recognized by the supervisors according to the Procedure does not need to be incorporated in the transaction amount.

In case of acquisition or disposal of equipment for operation of the business between the company and the parent company, the Board of Directors may pursuant to Article 7, Paragraph 2 delegate the Chairman to decide transaction matters within an amount up to NTD 50 million beforehand and have them subsequently submitted to the next Board meeting for ratification.

Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to the



preceding paragraph, the Board of Directors shall adequately take into consideration the opinions of each independent director. If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.

### 3. Reasonableness of the transaction cost

- (1) When acquiring real properties from a related party, the company shall assess the reasonableness of the transaction costs by the following means:
  - i. The transaction cost shall be assessed 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 the loan in the year the company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - ii. 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, however, that 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 counterparts.
- (2) 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.
- (3) When acquiring any real property from a related party, the company shall appraise the cost of the real property in accordance with Paragraph 3, Subparagraph 1 and 2 of this article and engage a CPA to check the appraisal and give a specific opinion.
- (4) When the company acquires any real property from a related party and all the results of the appraisals conducted in accordance with Paragraph 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the matter shall be handled in compliance with Paragraph 3, Subparagraph 5 of this article. However, the preceding sentence shall not apply if 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:

- i. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

The undeveloped land is appraised in accordance with Article 3, Subparagraph 1, 2 and 3 of this article, the structures is appraised based on the related party's construction cost plus reasonable construction profit, and the aggregation of both is 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 of the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

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 differences among floors or areas in accordance with standard property market practices.

Completed leasing transactions by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price differences among floors in accordance with standard property leasing market practices.

- ii. Where the 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 with 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 in the same or an adjacent block and within a distance of no more than 500 meters or parcels close to publicly announced current value; transaction for similarly sized parcels in principle refers to the 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.

- (5) Where the company acquires real property from a related party and all the results of appraisals conducted in accordance with Article 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the following steps shall be taken:

- i. The company shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference

between the real property transaction price and the appraised cost, and shall distribute it or use it for capital increase or issuance of bonus shares. Where an investor of the company using the equity method for appraisal is a public company, it shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Security and Exchange Act in proportion to the special reserve set aside according to the preceding sentence.

ii. Supervisors shall comply with Article 218 of the Company Act.

iii. Actions taken pursuant to Article 3, Subparagraph 5, Item 1 and 2 of this article shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

(6) Where the company acquires real properties from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 1 and 2 of this article regarding the Assessment and implementation procedures rather than Article 3, Subparagraph 1, 2 and 3 of this article regarding the reasonableness of the transaction cost.

i. The related party acquired the real property through inheritance or as a gift.

ii. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.

iii. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own or leased land.

(7) The company and the public company as an investor of the company using the equity method for appraisal that have set aside a special reserve under the preceding paragraphs may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority has given its consent.

(8) When the company obtains real property from a related party, it shall also comply Paragraph 3, Subparagraph 5 of this article if any other evidence indicating that the acquisition was not an arms length transaction.

## Article 10 Procedure for acquisition or disposal of memberships or intangible assets

### 1. Assessment and implementation procedures

The company acquires or disposes memberships or intangible assets according to the fixes asset cycling procedure under the internal control system of the company.

## 2. Procedure for determining the transaction terms and degree of authorization

- (1) Memberships shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less than NT\$5 million shall be submitted to the Chairman for approval, while the transaction price to the amount of more than NT\$5 million shall be submitted to the Board of Directors for approval before the transaction is started.
- (2) Intangible assets shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less than 10 percent of the paid-in capital or NT\$50 million shall be submitted to the Chairman for approval, while the transaction price to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction is started.

## 3. Implementation department

After having been approved on a level-to-level basis, the using department and the financial or administration unit shall implement the acquisition or disposal of memberships or intangible assets for the company.

## 4. Expert's evaluation opinions and reports on memberships or intangible assets

- (1) Where the company acquires or disposes memberships and the transaction amount reaches at least 1 percent of the company's paid-in capital or NT\$5 million, an appraisal report from a professional appraiser shall be required.
- (2) Where the company acquires or disposes intangible assets and the transaction amount reaches at least 10 percent of the company's paid-in capital or NT\$50 million, an appraisal report from a professional appraiser shall be required.
- (3) In case of acquiring or disposing memberships or intangible assets with a transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million, except in transactions with a government agency the company shall engage a certified public accountant to give opinions on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

## Article 11 Procedure for acquisition or disposal claims of financial institutions

Basically, the company is not engaged in the transactions involving acquisition or disposal of financial institution's claims. Where the company is intended to be engaged in such transaction, it shall be submitted to the Board of Directors for approval and the assessment and implementation procedure must be established accordingly.

## Article 12 Procedure for acquisition or disposal of derivatives

## 1. Transaction principles and guidelines

### (1) Transaction types

- i. The derivatives in which the company is engaged refer to the transaction contracts (such as forward contracts, options contracts, futures contracts, interest or exchange rate, swap contracts, and compound contracts combining the above products) whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests.
- ii. The term "forward contracts" referred to in this Procedure does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- iii. Matters about the transaction of bond deposits shall be subject to this Procedure. The bond transactions with repurchase conditions may not be subject to this Procedure.

### (2) Operating (hedging) strategies

The company shall be engaged in transaction of derivatives for hedging purpose. The products for the transaction shall be selected for avoidance of the risks that may occur during operation of the company. The currencies held must be in line with the needs of the company for export transactions, and shall basically be balanced via internal positions (i.e. revenues and expenses of foreign currencies) of the company to minimize the overall exchange risk of the company and reduce the exchange operation costs. Transactions for other purposes shall be assessed carefully and submitted to the Board of Directors for approval.

### (3) Responsibility and authority

#### i. Financial department

Acquisition of market information, judgment of trends and ~~its~~ understanding of financial products and relevant laws and operating techniques; conduct transactions within the the instructions and authorizations of the responsible supervisors to avoid the risk of market price fluctuation.

Regular assessment.

Provision of information on the positions exposed to the risk.

Measurement, monitoring, and control of transaction risks.

Public announcements and reports according to the regulations of ~~the~~ competent authority.

#### ii. Accounting department

Confirmation, transfer, and registration of transactions.

Keeping accounts and preparing financial statement in accordance with GAAP.

iii. Audit department

The audit department shall understand the appropriateness of the internal controls related to transaction of derivatives, and shall check the compliance of the transaction department with the procedures. It shall also analyze transaction cycles, prepare audit reports, and submit the audit items to the supervisors for review before the end of the next month after they are finished. Where any significant in violations or any matters that may bring about significant losses to the company, the internal auditors shall immediately prepare a report and inform the supervisors.

iv. Where acquisition or disposal of assets must be submitted to the Board of Directors for approval according to relevant procedures or laws, and the objections of the directors, if any, have been recorded or documented, the company shall submit these objections to the supervisors. Where the company has independent directors and the acquisition or disposal transaction of assets is submitted to the Board of Directors for discussion according to relevant procedures, the Board of Directors shall adequately take into consideration the opinions of each independent director, and shall record the consents and objections of the independent directors in the minutes of the Board meeting.

(4) Performance evaluation

- i. The size of the position, determination of gains/loss objectives, regular review.
- ii. Performance shall be evaluated against the preset criteria on the evaluation date. The result of the evaluation shall be used as a reference for decision making in the future.

(5) Total contract prices and allowable losses

i. Total contract price

The total contract price of a hedging transaction shall not exceed the amount of the foreign currencies that the company needs for import and export trades or the balance of the loan, whichever is higher.

The total contract price of the transactions of other derivatives shall not exceed US\$ 2 million or other equivalent currencies.

ii. Allowable losses

Since the cost is calculated during conclusion of the contract in a hedging transaction, the upper limit of the losses is not taken into account.

The total loss of a speculative transaction shall not exceed 1 percent

of the paid-in capital; the loss of each transaction shall not exceed US\$100 thousand or other equivalent currency.

## 2. Risk management measures

- (1) Credit risk management: The counterpart of the transaction is limited to the financial institutions doing business with the company.
- (2) Market risk management: Hedging transactions are the major means for the risk management.
- (3) Liquidity risk management: To ensure liquidity, it shall be confirmed before the transaction that the transaction limit will not bring about inadequate liquidity.
- (4) Cash flow risk management: To ensure the stability of the cash turnover for the business, the source of the funds for the company to engage in derivative transactions shall be the own funds, and the needs for the funds reflected in the cash revenue/expense forecast of the upcoming three years shall be taken into account when operating the funds.
- (5) Operational risk management:
  - i. The authorized limit and operation process of the company shall be observed strictly and incorporated in the internal audit to avoid operational risk.
  - ii. Personnel engaged in derivative transaction may not serve concurrently in other operations such as confirmation and settlement.
  - iii. 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.
  - iv. 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.
- (6) Legal risk management: All the documents involved in a bank shall be signed only after they have been reviewed by the professional legal adviser to avoid legal risk.
- (7) Product risk management: Trading personnel shall have full professional competence in the trading of financial products and shall request corresponding banks to disclose information to enhance mutual communication, avoid gaps of understanding, and minimize possible losses.

## 3. Internal audit system

- (1) Internal audit personnel shall periodically make a determination of the

appropriateness of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.

- (2) Internal audit personnel shall announce the audit report together with the contents of the annual internal audits according to the instructions of the competent authority before the end of February in the next year. They shall make improvement for the nonconformities at latest at the end of May in the next year and make a public announcement according to the instructions of the competent authority.

#### 4. Regular assessment and handling of nonconformities

- (1) The Board of Directors shall authorize senior management personnel to conduct regular monitoring and assessment to make sure that all the derivative transactions comply with the procedures of the company and the risks are assumed within the allowable scope. Where any abnormality is identified in the market value assessment report, the Board of Directors shall be informed immediately and appropriate measures shall be taken.
- (2) 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. Principles of the Board of Directors for monitoring and management of derivative transactions

- (1) The Board of Directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. The management principles are prescribed below.
  - i. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the procedures of the company for engaging in derivatives transactions.
  - ii. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors. Where the company has independent directors, an independent director shall be present at the meeting and express an opinion.
- (2) The Board of Directors shall 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.

- (3) When engaging in derivative transactions, the company shall report to the next Board meeting after it authorizes the relevant personnel to handle derivative transactions in accordance with relevant derivative transaction procedures.
- (4) When engaging in derivatives transactions, the company shall establish a log book in which details of the types and amounts of derivatives transactions engaged in, board of directors approval dates, and the matters required to be carefully evaluated under Paragraph 4, Subparagraph 2, Paragraph 5, Subparagraph 1 and 2 of this article shall be recorded in detail in the log book.

Article 13 Procedure for merger, splitting, acquisition, or transfer of shares

1. Assessment and implementation procedures

- (1) When conducting merger, splitting, acquisition, or transfer of shares, the company may engage attorneys, CPAs and securities underwriters to discuss the schedule for legal procedures, and may organize a task force to implement such procedure. The company, prior to convening the Board meeting for resolution, shall engage CPAs, attorneys, or securities underwriters to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other properties to shareholders, and submit their opinions to the board meeting for discussion and approval.

The opinions of the experts on the reasonableness referred to in the preceding sentence are not required in case that the target of the merger is a subsidiary with its entire issued shares or capital held directly or indirectly by the company or the merger occurs between the subsidiaries with their entire issued shares or capital held directly or indirectly by the company.

- (2) The company shall prepare a public report to shareholders detailing important contractual contents and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Paragraph 1 of the preceding Article when sending shareholders notification of the shareholders' meeting as a reference for deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

## 2. Other notices

- (1) Date of the Board and shareholders' meetings: The company participating in a merger, demerger, or acquisition shall convene a Board meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified beforehand in extraordinary circumstances and grants consent. The company participating in a transfer of shares shall call a Board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified beforehand in extraordinary circumstances and grants consent.

Where the company participates in a merger, demerger, acquisition, or transfer of shares involving in a company listed on an exchange or has its shares traded on an OTC market or a company neither listed on an exchange nor has its shares traded on an OTC market, the company shall sign an agreement with such company and prepare a full written record of the following information and retain it for 5 years for reference:

- i. 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.
  - ii. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board meeting.
  - iii. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board meetings.
- (2) Prior undertaking of confidentiality: 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.
  - (3) Principles for determination and change of the share exchange ratio or acquisition price: The company participating in a merger, demerger, acquisition, or transfer of shares shall, prior to convening the Board meetings on both sides, engage CPAs, attorneys or securities underwriters to give opinions on the reasonableness of the share exchange ratio, acquisition price,

or distribution of cash or other properties and report their opinions to the shareholders' meeting. The share exchange ratio or acquisition price shall not be changed unless the conditions for the change has been provided in the contract and made public. The conditions for change of the share exchange ratio or acquisition price are prescribed below:

- i. 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.
  - ii. An action, such as a disposal of major assets, that affects the company's financial operations.
  - iii. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - iv. Buy-back of treasury stocks as an adjustment made by any of the companies participating in the merger, demerger, acquisition, or transfer of shares.
  - v. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - vi. Other conditions for the change that have been provided in the contract and made public.
- (4) Agreements in the contract: The contract for participation of the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- i. Handling of breach of contract.
  - ii. Principles for the handling of equity-type securities previously issued or treasury stocks previously bought back by any company that is extinguished in a merger or that is demerged.
  - iii. 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.
  - iv. The manner of handling changes in the number of participating entities or companies.
  - v. Preliminary progress schedule for plan execution, and anticipated completion date.
  - vi. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

- (5) 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 transfer of shares with another company, all of the participating companies shall carry out a new the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; provided, however, 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.
- (6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with such company and act according to Article 2, Subparagraph 1 (date of the Board meeting), Subparagraph 2 (prior undertaking of confidentiality), Subparagraph 5 (change of the companies participating in merger, demerger, acquisition, or transfer of shares)

#### Article 14 Procedure for disclosure of information after public issue of shares

##### 1. Required public announcements and reports and their criteria

- (1) The trade is related to an acquisition of real properties from a related party or disposal thereof, or acquisition of assets other than real properties from a related party of disposal thereof and the transaction amount reaches 20 percent or more of the company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more. Provided, however, that this provision shall not apply to the trading of govern bonds and bonds under repurchase and resale conditions, or subscription or redemption of any money market funds issued by a domestic securities investment trust business.
- (2) Merger, demerger, acquisition, or transfer of shares is engaged.
- (3) Losses from derivatives trading reach the limits of the aggregate losses set out in relevant procedures or the losses specified in individual contracts.
- (4) The type of assets acquired or disposed is equipment or machinery for business use, the trading counterpart is not a related party, and the transaction amount is less than NT\$500 million.
- (5) The real property is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than

NT\$500 million.

- (6) An asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment made in Mainland China area with a transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million provided, however, that this provision shall not apply to the following circumstances:
  - i. Trading of government bonds.
  - ii. Trading of government bonds, bonds under repurchase and resale conditions, or subscription or redemption of any money market funds issued by a domestic securities investment trust business.
- (7) The transaction amounts referred to in the preceding Subparagraphs (1)~(6) shall be calculated as follows. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.
  - i. The amount of each transaction.
  - ii. The cumulative transaction amount for acquiring or disposing the assets of same nature with the same trading counterpart within the preceding year.
  - iii. The cumulative transaction amount of acquisition or disposal (cumulative acquisitions and disposals, respectively) of the real properties in the same development project within the preceding year.
  - iv. The cumulative transaction amount of acquisition or disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

## 2. Time frame of public announcement

The company shall conduct public announcement within two days after the date on which the transaction occurs if the assets acquired or disposed by the company are subject to the announcement and reporting requirements referred to in Paragraph 1 and the transaction amount meets the criteria for public announcement specified in this article.

## 3. Public announcement procedure

- (1) The company shall publicly announce and report relevant information on the FSC's designated website.
- (2) The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC before the 10th day of each month.

- (3) When the company at the time of public announcement makes an error or omission in any items required by regulations to be publicly announced and shall make correction accordingly, all the items shall be publicly announced and reported again within two days after the date on which the company knows such error or omission.
- (4) The company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPAs, attorneys, and securities underwriters at the company, and shall retain them for 5 years except as otherwise specified by laws or regulations.
- (5) Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, public announcement and reporting of relevant information shall be made on the website designated by the FSC within 2 days after the date on which the event occurs:
  - i. The contract signed with regard to the original transaction is changed, terminated or revoked.
  - ii. The merger, demerger, acquisition, or transfer of shares is not completed before the scheduled date set forth in the contract.
  - iii. The originally publicly announced and reported information is changed.

- Article 15      The subsidiaries of the company shall be subject to the following requirements:
1. The subsidiaries shall establish the “Procedure for Acquisition or Disposal Assets” according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.
  2. The subsidiaries shall acquire or dispose assets in accordance with the procedures of the company.
  3. Where any subsidiary is not a public company and acquires or disposes assets to the extent of the public announcement and reporting criteria specified in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the company shall make public announcement and reporting on behalf of the subsidiary.
  4. The 20 percent of the paid-in capital or 10 percent of the total assets specified in the public announcement and reporting criteria applicable to the subsidiaries refer to the paid-in capital of the company.

- Article 16      Penalty
- The personnel of the company in charge of acquisition or disposal of assets and acting in violation of relevant procedures of the company shall be reported according to the personnel regulations of the company and punished depending on the severity of the violation.

Article 17      Enforcement and amendment

The “Procedure for Acquisition or Disposal Assets” of the company shall be approved by the Board of Directors, sent to the supervisors, and submitted to the shareholders’ meeting for final approval. The same procedure is applicable to the amendment. Where any objections of the directors are raised and recorded or documented, the company shall submit them to the supervisors.

Where independent directors are appointed and the Procedure for Acquisition or Disposal Assets”are submitted to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall adequately take into consideration the opinions of each independent director, and shall record the consents and objections of the independent directors in the minutes of the Board meeting.

Article 18      Supplemental provisions

All the matters not covered in this Procedure shall be subject to relevant laws and regulations.

Article 19      This procedure was adopted on June 30, 2009

The 1th amendment was made on June 17, 2011

The 2nd amendment was made on November 17, 2011

The 3rd amendment was made on June 21, 2012

The 4th amendment was made on June 20, 2013

The 5th amendment was made on June 13, 2014

The 6th amendment was made on June 15, 2017

## U.D. Electronic Corp. Management of Loans to Others

- Article 1 Purpose  
In order to meet the needs of the business and comply with the relevant laws and regulations, so that the loan of funds and other people's operations are followed, the specific procedures are set °
- Article 2 Range  
When the company funds and others, the procedures for the loan and operation of the funds are handled in accordance with the provisions of this operating procedure °
- Article 3 Loan and object  
In accordance with the provisions of Article 15 of the Company Law, the company shall not lend to shareholders or any other person except for the following circumstances :  
 一、Business contacts between companies or between lines °  
 二、Necessary for short-term financing between companies or between lines °  
 The short term referred to in the preceding paragraph refers to one year. However, if the company's business cycle is longer than one year, the business cycle shall prevail °  
 The amount of financing referred to in the second paragraph of the first paragraph refers to the accumulated balance of the short-term financing of the public issuing company. However, the limits and deadlines for the loan of funds should still be determined in accordance with Articles 5 and 7 °
- Article 4 The reasons and necessity of capital loans and others  
 If the company engages in financial loans with its company or line number due to its business relationship, it shall comply with the provisions of Paragraph 2 of Article 5; for those who have the necessary funds to borrow funds for short-term financing, the following circumstances shall be limited. :  
 一、The company's subsidiaries are necessary for short-term financing due to business needs °  
 二、The necessary amount of short-term financing for his company or line number due to purchase or operational turnover needs °  
 三、Others approved by the board of directors of the company °  
 The 「 subsidiaries and parent companies 」 referred to in this operating procedure shall be determined in accordance with the provisions of the securities issuer's financial reporting standards. °  
 The financial statements of the publicly issued company are prepared in accordance with the International Financial Reporting Standards. The net value referred to in this operating procedure refers to the equity of the securities issuer's financial report preparation standards attributable to the owners of the parent company °  
 The term 「 recent financial statements 」 as used in this operating procedure refers to the financial statements of the company that have been verified by an accountant or verified by the most recent period before the fund is loaned to others °
- Article 5 Capital loan and total and individual target limits  
 一、Business contacts  
 (一) The company directly and indirectly holds 100% of the voting shares of the company. The total amount of funds and loans is not more than 50% of the net value of the financial statements audited or reviewed by the most recent account of the company. The limit of individual objects is not more than the latest of the company. 50% of the net financial statement checked or reviewed by the °  
 (二) The Company does not directly and indirectly hold 100% of the voting shares. The total loan amount and the amount shall not exceed 40% of the net value of the financial statements audited or reviewed by the most recent account of the Company. The limit of individual objects shall not exceed the Company. The net value of the financial statements checked or reviewed by the most recent accountant is 20% °  
 二、Those who have short-term financing  
 (一) The company directly and indirectly holds 100% of the voting shares of the company. The total amount of funds and loans is no more than 40% of the net value of the financial



statements audited or reviewed by the most recent account of the company. The limit of individual objects is not more than the latest of the company. 40% of the net financial statement checked or reviewed by the accountant °

- (二) The Company does not directly and indirectly hold 100% of the voting shares. The total loan amount and the amount shall not exceed 20% of the net value of the financial statements audited or reviewed by the most recent account of the Company. The limit of individual objects shall not exceed the Company. The net value of the financial statements checked or reviewed by the most recent °

#### Article 6      Loan and operating procedures

##### 一、Application :

- (一) The Borrower shall provide basic information and financial information, and fill in an application form stating the purpose of the funds, the period of the loan and the amount, and submit it in writing to the financial unit of the Company for the financing °
- (二) The application letter should be reviewed by the top supervisor of the Finance Department :
1. Loan qualification review, and measure the necessity and rationality of loan °
  2. Whether the accumulated loan and the amount are within the limit °
  3. Credit and risk assessment of loans and objects ° The company has 100% of the shares with direct and indirect voting rights , the funds are not loaned for credit °
  4. Impact on the company's operational risk, financial position and shareholders' equity °
  5. Whether the valuation value of collateral and collateral should be taken °
- (三) If the business relationship is engaged in fund lending, the financial unit handling personnel of the Company shall assess whether the loan amount and the amount of the business transaction are equal; if the short-term financing is necessary, the reasons and circumstances of the loan and the fund shall be listed, and In the case of the above two cases, the relevant information and the proposed loan conditions must be reported to the head of the financial unit and the chairman of the board of directors and submitted to the board of directors for approval. The other party may not be authorized to decide °
- (四) The loan between the Company and its parent company or its subsidiaries, or its subsidiaries, shall be subject to the resolutions of the Board of Directors in accordance with the provisions of the preceding paragraph, and may authorize the Chairman to a certain amount of the same loan and object resolutions of the Board of Directors and no more than one year. Disbursement or recurring use during the period °
- (五) The Company has set up independent directors who will lend funds to others and should fully consider the opinions of each independent director and include the reasons for their express or dissenting opinions and objections in the Board of Directors °

##### 二、Credit :

- (一) For the initial borrower, the borrower should provide basic information and financial information for the credit investigation °
- (二) In the case of continuing borrowers, in principle, the credit investigation should be re-applied when the renewed loan is proposed. If it is a major or an emergency, it will be handled at any time as needed °
- (三) If the borrower's financial position is good and the annual financial statements have been filed with the accountant to complete the visa, the investigation report that has not been more than one year will be used, and the visa report will be checked with the accountant of the period as a reference for the loan °
- (四) When the Company conducts a credit investigation of the borrower, it should also assess the impact of the loan on the company's operating risk, financial position and shareholders' °

##### 三、Loan approval and notification :

- (一) After the credit investigation and evaluation, the board of directors decided not to lend the case, and the handling personnel should respond to the borrower as soon as possible °
- (二) After the credit investigation and evaluation, the board of directors resolved to approve the

loan case. The handling personnel should inform the borrower as soon as possible, detailing the company's loan terms, including the quota, time limit, interest rate, collateral and guarantor, etc. Signing the contract within °

四、Collateral rights setting :

If the borrower provides collateral, it shall go through the procedures for setting the pledge or mortgage to ensure the claims of the company °

五、Insurance :

The collateral shall be insured against fire insurance except for land and securities. If the vehicle is insured for all risks, the insurance amount shall be no less than the collateral value of the collateral. The policy shall be filled with the company as the beneficiary °

六、Grant :

The loan is signed, the promissory note or the loan is paid, and the procedures for mortgage setting and insurance are completed °

七、Authorization scope :

After the company's financial unit has collected the letter, it will be approved by the chairman of the board of directors and submitted to the board of directors for approval. The other party may not authorize others to decide. The loan between the Company and its parent company or its subsidiaries or its subsidiaries shall be subject to the resolutions of the Board of Directors and shall authorize the Chairman to a certain amount of the same loan and object resolutions of the Board of Directors and no more than one year. Intra-distributed loans or cyclical use. The opinions of the independent directors should be fully considered and the reasons for their consent or objection and the reasons for their objection should be included in the record of the board of directors °

Article 7 Loan and term

Each fund loan and the term is based on the principle of less than one year. In case of special circumstances, the loan and time limit may be extended according to the actual situation after the approval of the board of directors, but each deferred repayment shall not exceed six months and shall be limited to one time °

Article 8 Interest-bearing method

The capital loan and interest rate shall not be lower than the maximum interest rate of the company's short-term loans to financial institutions. The calculation of the loan interest of the company shall be based on the interest of the day and the interest payment once a month. In case of special circumstances, it may be adjusted according to the actual situation after the approval of the chairman °

Article IX Subsequent control measures, overdue claims processing procedures

- 一、After the loan is released, the borrower and the guarantor's financial, business and related credit status should always be paid attention to. If there is any collateral, attention should be paid to the change of the guarantee value. In case of major changes, the chairman should be notified immediately. And follow the instructions for proper °
- 二、When the borrower repays the loan before the expiration or expiration of the loan, the interest payable shall be calculated first, and the principal shall be settled together with the principal before the cancellation of the promissory loan, etc., or the handling of the quality and mortgage °
- 三、When the borrower expires, the borrower shall pay off the principal and interest. If the application is postponed due to failure to repay, it must be requested in advance and submitted to the board of directors for approval. Each deferred repayment shall not exceed six months and shall be limited to one time. Guarantor or guarantor, according to law, disciplinary action and recovery °

Article 10 Internal Control

- 一、In the case of the company's handling of the loan and the matter, a record should be established for the purpose of the fund loan and the object, the amount, the date of the board of directors, the date of the fund loan and the matters that should be carefully evaluated in accordance with the operating procedures °
- 二、The internal auditors of the Company shall, at least quarterly, audit the funds and other people's operating procedures and their implementation, and make a written record. If any major violations are found, they shall notify the supervisors and the board of directors in writing °

- 三、When the company changes its circumstances, the loan and the object do not conform to the provisions of the operating procedures or the balance exceeds the limit, the auditing unit shall urge the financial unit to set a time limit for the overdue loan and funds to be recovered, and send the improvement plan to the supervisors, and Improve by project schedule。
- Article 11 Public disclosure of information after public release
- 一、The company shall announce the capital loan and balance of the company and its subsidiaries last month before the 10th of each month。
- 二、The company's fund loan and one of the following standards shall be announced within two days from the date of the factual date：
- (一)The balance of the company's and its subsidiaries' fund loans and others reached more than 20% of the company's most recent financial statements。
- (二)The company and its subsidiaries have a net loan and balance of a single company of more than 10% of the company's most recent financial statements。
- (三)The company's or its subsidiaries' new capital loans amounted to NT\$10 million or more and reached the net value of the most recent financial statements of the public company。
- The subsidiary of the company is not a domestic public issuance company. The subsidiary has the third paragraph of the preceding paragraph that should be announced and declared by the company。The date of occurrence of the facts referred to in this operating procedure refers to the date on which the transaction is signed, the date of payment, the resolution date of the board of directors, or other date on which the transaction object and the transaction amount are determined。
- Article 12 Control procedures for the loan of subsidiaries and others
- 一、If a subsidiary of the Company intends to lend funds to others, it shall, in accordance with the 「Guidelines for the Handling of Corporate Loan and Endorsement Guarantees」, set up 「Funding and Others Operating Procedures」 and shall handle the procedures according to the specified operating procedures。
- 二、Subsidiaries shall prepare the previous month's fund loans and other company schedules on the 5th (excluding) monthly basis and submit the company to the company。
- 三、The internal auditors of the subsidiaries shall also at least quarterly audit the funds and other people's operating procedures and their implementation, and make written records. If any major violations are found, they shall immediately notify the auditing unit of the company in writing, and the auditing unit of the company shall write in writing. Information sent to the supervisors。
- 四、When auditing personnel of the company check the subsidiaries according to the annual audit plan, they should understand the implementation of the fund lending of the subsidiaries and the operation procedures of others. If they find any missing items, they should continue to track the improvement and report to the chairman of the report。
- Article 13 something else
- 一、The fund loan situation and the situation should be assessed and an adequate allowance for bad debts should be provided, and relevant information should be properly disclosed in the financial report, and relevant information should be provided to the visa accountant to perform the necessary check procedures。
- 二、The unfinished part of this operation procedure shall be handled in accordance with the relevant laws and regulations and the relevant regulations of the company。
- Article 14 Penalty
- When the manager and the organizer of the company violate this operating procedure, they shall submit the assessment in accordance with the provisions of the company, and shall be punished according to their circumstances。
- Article 15 Effective and revised
- The company has set up a fund loan and other people's operating procedures. After passing the board of directors, it will be sent to the supervisors and submitted to the shareholders' meeting for approval. If a director expresses dissent and has a record or written statement, the company shall

send the objection to each supervisor. People and report to the shareholders meeting to discuss, the same as the amendment °

When the company has set up independent directors, the operating procedures should be submitted to the board of directors for discussion in accordance with the provisions of the preceding paragraph. The opinions of the independent directors should be fully considered and the reasons for their consent or objection should be included in the board record. °

Article 16 This procedure was established on June 30, 1997 °

First revised on June 30, 1999 °

The second revision was on June 30, 1999 °

The third amendment was made on June 17, 2000 °

The fourth amendment was on June 20, 2002 °

## **U.D. Electronic Corp.**

### **Management of Endorsement and Guarantees**

#### **Article 1 Purpose**

In order to comply with the company's external endorsement guarantees, the operating procedures are specified. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

#### **Article 2 The scope of endorsements/guarantees used herein is as follow:**

##### **1. Financing endorsements/guarantees:**

- (1) Bill discount financing
- (2) Endorsements/guarantees for another companies for their financing needs °
- (3) Endorsements/guarantees to the notes issued by the Company to nonfinancial institutions and entities for the Company's own financing needs °

##### **2. Endorsements/guarantees of custom duties due from the Company or other companies**

##### **3. Other endorsements/guarantees that are not classified as prior two types**

##### **4. The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan.**

#### **Article 3 Entities for which the Company may make endorsement or guarantees**

Except for the joint investment relationship, the company is endorsed by the capital contribution shareholders according to their shareholding ratio, and the endorsement guarantee is limited to the following companies. :

1. A company with which the Company does business
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

"Subsidiary" and "parent company" as referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers of Taiwan.

The development company's financial report is prepared by the International Financial Reporting Standard. The net value referred to in this operating procedure refers to the equity of the securities issuer's financial report preparation standard attributable to the owner of the parent company.

If the endorsement guarantee object is a subsidiary whose net value is less than one-half of the paid-in capital, it shall be clearly defined.

Control measures.

The total amount of endorsement guarantees of the company and its subsidiaries as a whole reaches the net value of the public offering company.

Those who are more than 50 points shall explain their necessity and rationality at the shareholders' meeting.

The term "recent financial statements" as used in this operating procedure refers to the most recent period before the endorsement of the company.

The accountant checks the financial statements of the visa or review.

#### **Article 4 The ceilings on amount of endorsement/guarantee**

##### **1. A company with which the Company does business**

The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 40% or more of the net worth of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of or more of the net worth of the Company.

##### **2. Companies in which the Company holds, directly or indirectly, 50%, or more of the voting shares.**

- (1) Companies in which the Company holds, directly or indirectly, 100%, or more of the voting shares.

The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 10% or more of the net worth of the Company and the amount of

endorsements/guarantees provided by the Company for any single entity shall not exceed 10% of or more of the net worth of the Company.

- (2) Companies in which the Company holds, directly or indirectly, 100%, or more of the voting shares.

The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 100% or more of the net worth of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 100% of or more of the net worth of the Company.

3. A company that directly and indirectly holds more than 50% of the voting shares in the Company

The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 40% or more of the net worth of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of or more of the net worth of the Company.

#### Article 5 Hierarchy of decision-making authority and delegation thereof

1. When the Company makes any endorsement and/or guarantee shall submit the

proposed endorsement/guarantee to the Company's Board of Directors for a resolution. However, for companies that directly and indirectly hold 100% of the voting shares of the company, due to the endorsement of the financing loan demand, A pre-determined limit may be delegated to the Chairperson by the Board of Directors to facilitate execution and such endorsement /guarantee shall be reported to the most coming Board of Directors' Meeting for ratification. Within the limits of the second paragraph of Article 4, paragraph 2 of these Measures

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 6 Procedures for handling endorsement/guarantee

1. When handling the endorsement guarantee, the company shall submit an application to the financial unit of the company by the endorsement guarantee company and state the conditions of the promised guarantee, the risk assessment result, the endorsement guarantee amount, the content of the collateral and the guarantee of the endorsement. And the date, etc., the financial unit shall conduct a credit investigation by the endorsed guarantee company, evaluate its risk and provide an evaluation record. After review and approval, it shall be approved by the chairman of the board of directors and then passed to the board of directors for resolution. The above information is included in the record book by the financial unit. And relevant documents should be filed for reference.
2. Any endorsement/guarantee to be provided by the Company shall be examined, evaluated, with a comment made, by the Finance Unit. The evaluation items shall be included:
  - (1) To analyze and evaluate the necessity and rationality of endorsement
  - (2) To analyze and evaluate the credit and risks of endorsed parties
  - (3) To make sure that the accumulated endorsement guarantee amount is still within the limit.
  - (4) Due to the endorsement of the business relationship, it should be assessed. whether the amount of the endorsement guarantee and the amount of business transactions are within the limit.
  - (5) To analyze and evaluate the impact on the Company's operation risks, financial condition and shareholders' equity.
  - (6) To evaluate the necessity to acquire collateral and appraisal of collateral.
  - (7) Attached endorsement to ensure credit and risk assessment records.
3. The financial unit handling personnel of the Company will collect the relevant information and assessment results of the preceding paragraph. If the endorsement of the endorsement guarantees that the accumulated balance has not exceeded 20% of the current net value, the

company will be submitted to the chairman for review and then submitted to the next board of directors. Ratification: The publicly-issued company directly and indirectly holds more than 90% of the voting shares. The subsidiary is required to apply for the endorsement in accordance with the third paragraph of Article 3, and should report it to the board of directors of the public issuing company. However, the public issuance company directly and indirectly holds 100% of the voting rights of the company.

If the endorsement guarantees that the accumulated balance has exceeded 20% of the current net value, it will be sent to the board of directors for approval and will be handled in accordance with the resolution of the board of directors.

4. The Finance Unit shall establish and maintain 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 Chairperson of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated.
5. The Accounting Unit shall assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing and issuing auditing report under financial Accounting Standards Bulletin No. 9
6. Due to the change of circumstances, the company guarantees that the object of the endorsement is in compliance with the provisions of the implementation measures, and the amount of the endorsement is more than the specified amount. The plan shall be cancelled at the expiration of the time limit set by the contract or the improvement plan shall be completed within a certain period of time, and the relevant improvement plan shall be sent to the supervisors and reported to the board of directors.
7. If the company acts as a guarantee for a foreign company, the guarantee letter issued by the company shall be signed by the board of directors authorized by the board of directors.

#### Article 7 Endorsement guarantee cancellation

1. If the endorsement guarantees that the relevant documents or bills need to be cancelled due to debt settlement or renewal of the renewal, the endorsement guarantee company shall prepare an official letter to return the original endorsement to the financial unit of the company with the “deregistration” seal and return the application letter. The text is kept for future reference.
2. The financial unit shall at any time write down the written endorsement guarantee into the endorsement guarantee checklist to reduce the amount of the endorsement guarantee.
3. When the bills are renewed, financial institutions often require that new bills be backed up and then returned to the old bills. In this case, the financial unit should have a reminder record and recover the old bills as soon as possible.

#### Article 8 Seal chapter use and storage procedures

The company guarantees the special seal with the company seal applied for by the Ministry of Economic Affairs. The seal shall be kept by a special person agreed by the board of directors, and shall be printed and printed according to the “management management method”, and the seal holder shall be reported to the board of directors when the appointment or removal of the seal holder is changed or changed. agree. The special seal of the endorsement guarantee is the company seal registered by the Ministry of Economic Affairs.

#### Article 9 Internal control

1. Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Supervisor.
2. If the public offering company changes its circumstances and the endorsement object does not meet the requirements of the operating procedures or the amount exceeds the limit, an improvement plan shall be made, and the relevant improvement plan shall be sent to each supervisor and the improvement shall be completed according to the planning schedule.
3. In case the above limits have to be exceeded to accommodate business needs, a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.

When the Company makes endorsements and/or guarantees for the companies, 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 meeting.

Article 10 Announcement and Reporting Procedures

- 一、The Company shall announce and report the previous month's balance of endorsements / guarantees of itself and its subsidiaries by the 10th day of each month.
- 二、The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such an event within two days commencing immediately from the date of occurrence of the fact:
  - (1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
  - (2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  - (3) The balance of endorsements / guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements / guarantees for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.
  - (4) The amount of new endorsements or guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement. °
- 3. If there is any reporting and announcement required for the Company's Subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its Subsidiary.
- 4. The Company shall assess or recognize the contingent loss of the endorsement as disclosed in the Financial Accounting Standards Bulletin No. 9 and properly disclose the relevant information in the financial report and provide relevant information to the visa accountant to perform the necessary checking procedures.

The date of occurrence of the facts referred to in this operating procedure refers to the date on which the transaction signing date, payment date, board resolution date, or other date on which the transaction object and transaction amount are fully determined.

Article 11 Procedures for managing endorsement or guarantee by subsidiaries

- 1. Where the Company's Subsidiary intends to make endorsements/guarantees for others, it shall formulate its own operational procedures for endorsements/guarantees in compliance with the Taiwan Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and shall comply with its procedures when making endorsements/guarantees, and relevant information of the endorsements/guarantees extended by the Company's Subsidiary should be provided regularly to the Company for inspection.
- 2. The subsidiary company shall prepare a list of endorsement guarantees for others in the previous month before the fifth day of each month and submit the company to the company.
- 3. The internal auditors of the subsidiary shall at least quarterly audit the endorsement to ensure the operating procedures and their implementation, and make a written record. If any major violations are found, they shall immediately notify the auditing unit of the company in writing, and the auditing unit of the company shall send the written materials. Supervisors.
- 4. When the audit personnel of the company check the subsidiaries according to the annual audit plan, they should understand the implementation of the operating procedures by the subsidiaries to endorse the books. If any defects are found, they should continue to track the improvement and report to the chairman.

Article 12 Penalty

The Company managers and persons-in-charge shall follow the Procedures in order to prevent the Company from incurring any losses. Should there be any violation of related regulations or the Procedures, subsequent discipline is subject to the related personnel articles of the Company.

Article 13 Implementation and modification

After passing the approval of the board of directors, the procedure shall be sent to the supervisors



and submitted to the shareholders' meeting for approval. If any director expresses objection and has a record or written statement, the company shall send the objection to the supervisors and report to the shareholders meeting for discussion and amendment. The same shall apply to any amendments to the Procedures.

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 14 This procedure was concluded on June 30, 1997.

The first amendment was on June 30, the Republic of China.

The second revision was on June 30, 1999.

The third amendment was made on June 17, 2000.

The fourth amendment was on June 20, 2002.

## **U.D. Electronic Corp.**

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

#### **Article 1:**

U.D Electronic Corp. (The Company) establishes the Rules of Procedure for Shareholders Meetings (the Rules) in accordance with Company Act, Rules Governing the Conduct of Shareholders Meetings by Public Companies and Article 5 of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies to establish a proper conduct of Shareholders Meetings, enhance the monitoring functions and strengthen the managing mechanism.

#### **Article 2:**

Unless specified otherwise by law and securities regulations, shareholders' meeting of the Company (the Meeting) shall be conducted in accordance with these Rules.

#### **Article 3:**

Shareholders' meetings of the Company shall be convened by the Board of Directors unless otherwise stipulated by laws.

The Company should convert the Meeting's notices, power of attorney papers, related proposals and explanations of proposals, discussions, appointments, or removals of directors and supervisors into electronic files and deliver to Market Observation Post System (MOPS) within 30 days prior to the Meetings or 15 days before the special meeting. The Company should also convert the Handbook of the Shareholders Meeting and its supplemental documents into electronic files and deliver to MOPS within 21 days prior to of the Meeting or 15 days prior to the special meeting. The Handbook of the Shareholders Meeting and its supplemental documents should be made available for shareholders 15 days prior to the Meeting and displayed both in the Company and in the security brokers authorized by the Company. Those documents should also be distributed in the Meeting.

The notice and announcement shall state clearly the reasons for convening the meeting. With consent of the counterparts, the notice may be sent electronically.

Election and dismissal of directors, supervisors, changes in articles of incorporation, dissolution, merger or division of the Company, or any matters listed in Paragraph 1 of Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be stated as reasons for convening a meeting, but not as extemporaneous motions.

Shareholders holding one percent or more of the issued shares may bring up a proposal to the Meeting in writing. However, only one proposal is allowed. Other proposals on top of that will not be listed in the agenda. Furthermore, if the shareholder's proposal involves any condition mentioned in Paragraph 4 of Article 172-1 of the Company Act, the Company may refuse to include it in the agenda.

The Company shall announce acceptance of shareholder's proposals, and the place and period of submission before the book closure day in advance of convening a general shareholders' meeting. The period of submission shall not be less than 10 days.

Shareholder's proposals shall not exceed 300 words. Those exceeding 300 words will not be included in the agenda. The proposing shareholder shall attend in person to the general shareholders' meeting, and participate in the discussion of the proposal, or designate a representative to do so.

The Company shall inform the proposing shareholders the processing result before the notice day of convening the Meeting, and shall include the proposals that meet the criteria of these Rules in the notice of meeting. For shareholder's proposals not included in the agenda, the Board of Directors shall explain why the proposals are not included at the Meeting.

#### **Article 4:**

Shareholders may produce the letter of authorization printed by the Company at each shareholders' meeting, for authorizing a representative to be present in the Meeting, stating the area of authorization.

One shareholder may produce only one letter of authorization, and authorize only one person. The letter of authorization shall arrive at the Company five days before the date of the Meeting. Where there are repetitions of authorization letter, the first that arrives shall count, but this does not apply where declaration is made to cancel the former authorization.

If a shareholder wishes to attend the Meeting in person or exercise his/her voting right in written or electronic form after the letter of authorization has arrived at the Company, a written notice shall be sent to the Company for cancelling the authorization two (2) days before the Meeting. In the event where cancellation is not sent before the deadline, the voting right exercised by the authorized representative shall count.

#### **Article 5:**

The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m. After independent directors are appointed, their opinion shall be taken into account in regards to the location and the time of the Meeting.

#### **Article 6:**

The Company shall include the time of the registration of the Meeting, the place and other materials in the notice. The aforementioned time of registration should start at least 30 minutes before the Meeting. The registration counter should have clear signs and staff with adequate personnel.

The Company takes the sign-in sheet submitted by the attending shareholders themselves or representative authorized by shareholders as shareholders being present.

The Company shall hand out the meeting handbook, annual report, attendance permit, speaking request form, voting form and other meeting materials to shareholders attending the Meeting. For election of directors or supervisors, the ballot shall also be attached.

Shareholders shall be present themselves in the Meeting with the attendance permit, attendance sign-in sheet, or other attendance documents. The Company may not request additional identifications from the shareholders in attendance other than those listed in the preceding paragraph. Those who have solicited a letter of authorization shall bring their identification document for authentication.

When the government or a corporate body is a shareholder, more than one representative may be sent to attend the Meeting. When a corporate body is authorized to attend the Meeting, only one representative may be sent.

**Article 7:**

The Chairman of the Board of Directors shall be the Chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors shall preside at the Meeting. If, for any reason, the Vice Chairman of the Board of Directors cannot preside at the Meeting or there is no Vice Chairman, the Chairman may designate one managing director to do so on the Chairman's behalf. If there is no managing director, the Chairman may designate one representative. If the Chairman does not appoint any representative, either the managing director or the directors can appoint one Chair among themselves.

The aforementioned managing director or the director, who is appointed as the Chair on behalf of the Chairman shall be a candidate who has been with the Company for more than six months and understands the Company's finance and operation. If a representative of corporate directors is elected, the same rules apply.

The Chairman of the Board of Directors shall be the Chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. The majority of the directors, at least one supervisor, and one representative from each functional committee's shall attend the Meeting. The attendance records shall be recorded in the Meeting minutes.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the Chairman to preside at the Meeting.

The Company may designate the appointed lawyer, accountant, or related personnel to attend the Meeting.

**Article 8:**

The Company shall tape the whole session of the Meeting, and keep the audio or video records along with the attendance book bearing the signatures of the shareholders present at the meeting and the powers of attorney issued for proxies for at least one year. However, where litigation is brought up by shareholders pursuant to Article 189 of the Company Act, the records shall be kept until the litigation ends.

**Article 9:**

The attendance of the meeting should be based on the shares. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the signing book or attendance cards submitted by the shareholders, plus the shares submitted via mail or electronic format.

Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the Chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one third of the total outstanding shares, tentative resolutions may be made in accordance with Paragraph 1 of Article 175 of the Company Act. The aforementioned tentative resolutions shall be announced to all shareholders and a Meeting shall be convened within one month. If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the Chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act.

#### **Article 10:**

The agenda of the Meeting shall be set by the Board of Directors when the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting. Unless otherwise resolved at the Meeting, the Chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, with the assistance of other directors and by a majority of votes represented by shareholders attending the Meeting, one person as the Chairman to continue the Meeting.

The Chairman should provide sufficient time and explanation to shareholders regarding the discussion items (including special motions). The Chairman may announce the end of the discussion of any resolution and go into voting if the Chairman deems it appropriate.

The voting of the resolution should be conducted in the public space of the Meeting's venue. The results, including the calculated numbers of election rights shall be made known immediately and recorded in writing.

#### **Article 11:**

Before speaking, shareholders in attendance must record the main points of their speech, their attendance number (or shareholder account number) and account name on a speaker's slip. The chair will set the order in which they speak. A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. When the content of the speech and that recorded on the speaker's slip do not correspond, the spoken content shall prevail. A shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes without the

chair's permission. However, if a shareholder's speech violates the Rules and Procedures or exceeds the scope of the agenda item, the chair may terminate the speech.

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

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the Chairman may respond himself/herself or appoint an appropriate person to respond.

#### **Article 12:**

Voting in the Meeting shall be calculated on the basis of the number of shares. For resolution in a shareholders' meeting, the number of shares held by shareholders without voting right shall not be included in the total shares issued.

When the issues under discussion in the Meeting involve the personal interest of shareholders, resulting in potential harm to the Company's interest, the shareholders shall not participate in voting, nor represent another shareholder in exercising the voting right.

For shareholders designating a representative to attend the Meeting, when a person is commissioned by two shareholders (inclusive) or above, the voting right he/she represents shall not exceed three percent of the total voting rights represented by the issued shares. When the limit is exceeded, the exceeded voting right is not counted.

#### **Article 13:**

Each share that shareholders hold represents one unit of voting right, but this does not apply to restricted stock or shares without voting right as listed in Paragraph 2 of Article 179 of the Company Act.

When convening a shareholders' meeting, the Company shall have the voting rights exercised in electronic form but may allow exercise of such rights in written form. The way to exercise the voting right in written or electronic form should be stated in the notice of the Meeting. Shareholders exercising their voting rights in written or electronic form are considered attending the Meeting in person. However, they are considered abstentions for the extemporaneous motions and for amendments to original proposals in that meeting.

For those intending to exercise their voting right in written or electronic form as mentioned in the previous paragraph, the expression of intention shall arrive at the Company two days before the Meeting is held. When expressions of intention are sent repeatedly, the first that arrives shall count, but this does not apply to the declaration to cancel the former expression of intention.

If a shareholder wishes to attend the Meeting in person after exercising the voting right in written or

electronic form, he/she shall cancel the aforesaid expression of intention for exercising the voting right in the same way of exercising the voting right two days before the Meeting. The voting right exercised in written or electronic form shall prevail if the cancellation arrives after the deadline. If the voting right is exercised in written or electronic form and a representative is designated to attend the Meeting by a letter of authorization, the voting right exercised by the authorized representative who attends the meeting shall prevail.

When voting for a proposal, it shall be adopted with the support of the present shareholders holding over half of the voting rights unless otherwise specified in the Company Act and the Company's articles of incorporation.

When making a resolution, a proposal shall be deemed adopted when no objection is raised upon the Chairman's enquiry, and the effect shall be the same as voting by ballot.

When there is an amendment or alternative to a proposal, the Chairman shall set the priority of the resolution together with the original proposal. When any one of these is adopted, the others are deemed rejected, and no more voting is needed.

The Chairman shall designate ballot examiners and counters when voting for a proposal, but the examiners shall be shareholders.

Ballots shall be counted openly in the venue of the Meeting, and the voting result shall be announced on the spot, and be kept in record.

#### **Article 14:**

Elections of directors at the Meeting shall be conducted in accordance with the Company's regulations on election and appointment, and the result of election, including the name of the elected director, supervisors and their numbers of election rights, shall be announced on the spot.

Ballots for the aforesaid election shall be signed and sealed by the ballot examiners, and then properly kept for at least one year. However, in the event where litigation is brought up by shareholders pursuant to Article 189 of the Company Act, the ballots shall be kept until the litigation ends.

#### **Article 15:**

The resolution of the Meeting should be recorded in the minutes as set out in Article 183 of Company Act. The distribution of aforementioned minutes may be announced by means of inputting onto the MOPS. The minutes shall faithfully record the year, month, day, location of the meeting, name of the Chairman, the way by which the resolutions are made, outline of the discussion process and the result, which shall be kept permanently during the existence of the Company.

#### **Article 16:**

For the number of shares solicited and the number of shares represented by an authorized representative, the Company shall tabulate the data according to the specified format on the day of the Meeting, and disclose it in visible manner in the venue of meeting.

The Company shall send the resolutions of the Meeting to the MOPS within specified time, where the critical information specified by laws or by the competent authority is involved.

#### **Article 17**

The chair may direct the sergeant-at-arms or security personnel to help maintain order at the meeting place. When the sergeant-at-arms or security personnel help maintain order at the meeting place, they shall wear an armband bearing the words "sergeant-at-arms."

The venue shall equip with speaker. If a shareholder does not speak with the equipped speaker, the chair may order the shareholder to stop the speech.

If a shareholder violates the Rules and Procedures, does not obey the chair's correction or obstruct the Meeting, and does not following the order, the Chairman may direct the sergeant-at-arms or security personnel to escort the shareholder leaving the Meeting.

#### **Article 18:**

While a meeting is in progress, the chair may consider the time schedule and announce a break. If a force majeure event occurs, the chair may rule for a temporary suspension of the meeting, and announce the time when the meeting will be reconvened depending on the circumstances,

If the Meeting, including the motion, has to end before finishing the agenda due to the venue is no longer available. The Meeting may make a resolution to reconvene the meeting in another venue.

The Meeting may make a resolution to postpone or reconvene the meeting within five (5) days as set out in Article 182 of the company Act.

#### **Article 19:**

These Rules of Procedure, and any amendments hereto, shall be implemented after being adopted as a resolution after passed by the Meeting.

#### **Article 20:**

These Rules of Procedure were adopted on June 30, 2008

The 1<sup>th</sup> amendment was made on June 17, 2011

The 2<sup>th</sup> amendment was made on November 17, 2011

The 3<sup>th</sup> amendment was made on June 21, 2012

The 4<sup>th</sup> amendment was made on June 20, 2013

The 4<sup>th</sup> amendment was made on June 17, 2015



**U.D. Electronic Corp.**  
**Current Shareholding of Directors and Supervisors**

1. Total owners' equity as of April 20, 2019, the book closure date of the regular shareholder's meeting, is NTD\$696,758,070. Total Issued shares: 69,675,807 shares.
2. In accordance with Article 26 of the Security Exchange Act, the minimum required combined shareholding of all directors is 5,574,064 shares and the minimum required combined shareholding of all supervisors is 557,406 shares.
3. Total share ownership of all directors and supervisors complies with the regulations is detailed as follows:

Title	Name	Total share ownership	Percentage
Chairman & CEO	Gary Chen	1,886,299	2.71%
Director	Chris Chen	1,887,559	2.71%
Director	Chiling Chen	1,210,489	1.74%
Director	Eric Shih	734,006	1.05%
Independent Director	Hsuehyu Liu	0	0
Independent Director	Kuangchao Fan	0	0
Independent Director	Hsulin Wang	0	0
Total directors' share ownership		5,718,353	8.21%
Supervisor	Changchun Chien	467,394	0.67%
Supervisor	Chun Feng Capital Inc. -Terchang Yao	281,000	0.40%
Supervisor	Shihyi Kuo	0	0
Total supervisors' share ownership		748,394	1.07%

Note: In accordance with Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," if a public company has elected two or more independent directors, the share ownership figures calculated for all directors and supervisors other than the independent directors shall be decreased by 80 percent.