



Stock Code : 3088

# **AXIOMTEK CO., LTD.**

## **Handbook for the 2019 Annual Meeting of Shareholders** (Translation)

Meeting Time : May 29<sup>th</sup>, 2019

Meeting Venue : 8F., No.55, Nanxing Road, Xizhi District,

New Taipei City 221, Taiwan

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# **AXIOMTEK CO., LTD.**

## **2019 Annual Meeting of Shareholders**

### **PART ONE - Meeting Agenda**

Meeting time: 9:00 a.m., May 29<sup>th</sup> (Wednesday), 2019

Meeting venue: 8F., No.55, Nanxing Rd., Xizhi Dist., New Taipei City 221, Taiwan

1. Call Meeting to Order (and declaration of the number of shares of shareholders in attendance)
2. Chairman's Address
3. Reports Items
  - (1) 2018 Business Report.
  - (2) 2018 Consent Report of Audit Committee
  - (3) 2018 Report of Remuneration Distribution to Employees and Directors
  - (4) The Status of the First Domestic Unsecured Convertible Corporate Bonds Conversion
4. Proposals and Acknowledgement
  - (1) 2018 Business Report and Financial Statements
  - (2) 2018 Profit Distribution
5. Proposals and Discussion
  - (1) Revision of partial Articles in the "Articles of Incorporation"
  - (2) Revision of partial Articles in the "Operating Procedures for Acquisition and Disposal of Assets"
  - (3) Revision of partial Articles in the "Operating Procedures for Loaning of Funds and Making of Endorsement/Guarantee"
  - (4) Release of the Prohibition on Directors from Participation in Competitive Business
6. Extemporaneous Motions
7. Adjournment

## I. Reports Items

### (I) 2018 Business Report

- Explanation:

The 2018 Business Report is attached as P.9 ~ P.12, ATTACHMENT I.

### (II) 2018 Consent Report of Audit Committee

- Explanation:

The 2018 Consent Report of Audit Committee is attached as P.13, ATTACHMENT II.

### (III) 2018 Report of Remuneration Distribution to Employees and Directors

- Explanation:

1. Pursuant to Article 27 of the Articles of Incorporation of the Company: For a particular fiscal year, if profits are made (i.e., if net profits before-tax are available prior to the deduction of remuneration to employees and Directors), the Company shall allocate one to twenty percent as remuneration to employees and up to 2% as remuneration to Directors.
2. The Board of Directors of the Company had approved to allocate TWD 70,566,000 as the remuneration to employees and TWD 6,415,000 as the remuneration to the Directors for the year 2018, where all remuneration shall be paid in cash. (hereinafter all monetary unit will be TWD)
3. The above-mentioned remuneration to employees and to Directors had been expensed for the year 2018, the amount of the expenditures is consistent with that of the remuneration allocation agreed by the Board of Directors.

### (IV) The Status of the First Domestic Unsecured Convertible Corporate Bonds Conversion

- Explanation:

1. In order to enrich the working capital, for the first time the Company had planned to issue unsecured convertible corporate bonds (hereinafter referred to as “the Convertible Corporate Bonds”) matter of which was entering into effect as per an official approval letter (of Jin-Guan-Zheng-Fa-zi-No. 1050022240) dated June 16<sup>th</sup>, 2016 issued by Financial Supervisory Commission; further, this matter was approved for an extended period for fund raising as per an official approval letter (of Jin-Guan-Zheng-Fa-zi-No. 1050036756) dated September 2<sup>nd</sup>, 2016 issued by Financial Supervisory Commission.

2. Particulars about the issuance and conversion of the Convertible Corporate Bonds are as follows:

- (1) Total amount of issuance: The face value of each Convertible Corporate Bond was set to be TWD 100,000 even sold at the full price where totally 4,200 Convertible Corporate Bonds were issued this time totaling in TWD 420 million even.
- (2) Coupon rate/ yield to maturity: Annual coupon rate was set to be 0%.
- (3) Issuance period: The maturity period was set to be five years from December 13<sup>th</sup>, 2016 (the issuance date) to December 13<sup>th</sup> 2021(the maturity date).
- (4) Conversion status: As of March 31<sup>st</sup>, 2019, totally 18 of the Convertible Corporate Bonds had been converted to 34,615 ordinary shares of the Company by the creditors.

## II. Proposals and Acknowledgement

(I) Proposal One (proposed by the Board of Directors)

- Subject:

Regarding 2018 Business Report and Financial Statements, please kindly acknowledge it.

- Explanation:

1. 2018 Business Report and Financial Statements (including Parent Company Only and Consolidated Financial Statements) of the Company had received consent of the Audit Committee and passed the resolutions of the Board of Directors where the Financial Statements had been audited by CPA Feng, Ming-Juan and Hsu, Shien-Chung of PricewaterhouseCoopers Taiwan. The Audit committee had also issued a written Consent Report incorporating 2018 Business Report, Financial Statements along with 2018 Profit Distribution.
2. For details, please refer to ATTACHMENT I for 2018 Business Report (P.9 ~ P.12), ATTACHMENT III for 2018 Independent Auditors' Report and Parent Company Only Financial Statements (P.14 ~ P.24), and ATTACHMENT IV for 2018 Independent Auditors' Report and Consolidated Financial Statements (P.25 ~ P.36).
3. Please kindly acknowledge this proposal.

- Resolutions:

(II) Proposal Two (proposed by the Board of Directors)

- Subject:

Regarding 2018 Profit Distribution, please kindly acknowledge it.

- Descriptions:

1. The 2018 Profit Distribution table is attached as P.37, ATTACHMENT V.
2. For 2018, the beginning retained earnings of the Company is TWD 478,332,047, plus first-time adoption of IFRS adjustment of TWD 706,285 and deducting remeasurement of defined benefit plans recognized in retained earnings of TWD 3,651,276, and unappropriated retained earnings after adjustment is TWD 475,387,056, plus 2018 net income of TWD 406,923,665, and set aside legal reserve of TWD 40,692,367, and reverse special reserve of TWD 8,683,147, the total unappropriated retained earnings is TWD 850,301,501, the distribution of 2018 profits is following:

【TWD 850,301,501 =

TWD 478,332,047 + 706,285 - 3,651,276 + 406,923,665 - 10% x 406,923,665 + 8,683,147】

The final surplus TWD 850,301,501 is to be allocated for 2018 Profit Distribution according to provisions of regulations as follows:

- (1) The dividend of the shareholders is to be distributed in the form of cash dividend totaling in TWD 298,783,684, or TWD 3.75 per share. Once this Proposal is passed at the Annual Meeting of Shareholders this time, the Chairman of the Board of Directors is authorized to determine the record date and relevant matters for the distribution of the cash dividend.
- (2) If there is any change in the number of common shares of the Company which consequently leads to a change in the dividend distribution ratio, it is proposed by the Meeting, the Chairman of the Board of Directors is authorized to adjust the dividend distribution ratio based on the actual shares outstanding on the record date for distribution.
- (3) The net income for the most recent year shall be distributed with higher priority.
- (4) Regarding the cash dividend distribution this time, the cash dividend is to be calculated to the integral number with all decimals truncated. And all the truncated decimals from all distorted figures are accumulated to a summation amount which will then be adjusted among shareholders - in the order of decimal of each cash dividend amount from big to small as well as in the order of account number from the top to the bottom - until the total amount of cash dividend actually paid out can match that in the book.

3. Please kindly acknowledge this proposal.

- Resolutions:

### III. Proposals and Discussion

(I) Proposal Three (proposed by the Board of Directors)

- Subject:

Revision of partial Articles in the “Articles of Incorporation”

- Explanation:

1. In order to comply with the articles modifications of the Company Law of the Republic of China, the Company hereby proposes to amend the Article of Incorporation. Please refer to ATTACHMENT VI for Comparison Table for Articles in the “Articles of Incorporation” (before and after Revision).(P.38 ~ P.42)
2. Please kindly discuss this proposal.

- Resolutions:

(II) Proposal Four (proposed by the Board of Directors)

- Subject:

Revision of partial Articles in the “Operating Procedures for Acquisition and Disposal of Assets”

- Explanation:

1. In order to comply with the articles modifications of Operating Procedures for Acquisition and Disposal of Assets by Public Companies, the Company hereby proposes to amend the Operating Procedures for Acquisition and Disposal of Assets. Please refer to ATTACHMENT VII for Comparison Table for Articles in the “Operating Procedures for Acquisition and Disposal of Assets” (before and after Revision).(P.43 ~ P.62)
2. Please kindly discuss this proposal.

- Resolutions:

(III) Proposal Five (proposed by the Board of Directors)

- Subject:

Revision of partial Articles in the “Operating Procedures for Loaning of Funds and Making of Endorsement Guarantee”

- Explanation:

1. In order to comply with the articles modifications of Operating Procedures for



Loaning of Funds and Making of Endorsement Guarantee by Public Companies, the Company hereby proposes to amend the Operating Procedures for Loaning of Funds and Making of Endorsement Guarantee. Please refer to ATTACHMENT VII for Comparison Table for Articles in the “Operating Procedures for Loaning of Funds and Making of Endorsement Guarantee” (before and after Revision).(P.63 ~ P.71)

2. Please kindly discuss this proposal.

● Resolutions:

(IV) Proposal Six

(proposed by the Board of Directors)

● Subject:

Regarding the release of the Prohibition on Directors from participation in competitive business, please kindly discuss it.

● Explanation:

1. In accordance with Article 209 of the Company Act: “A Director shall address the important contents of his conducts - acting on behalf of himself or on others within the scope of the business of the Company - to the Shareholders’ Meeting while obtaining the permission from the shareholders”, this Proposal is proposed.
2. In order to take advantage of the specialty and relevant experience of the Directors of the Company(including the Independent Directors), hereby it is proposed – according to the provision mentioned above - to add a new clause which is to release the prohibition on directors from participation in competitive business, hereby propose for getting approval of Shareholders’ Meeting.
3. The following directors serve as additional positions in other companies are as below:

Title	Name	Positions and Company’s Name
Director	YANG, YU-TE	General Manager, Axiomtek Co., Ltd. Chairman, Axiomtek Deutschland GMBH Chairman, Axiom Technology (BVI) Co., Ltd. Chairman, Axiomtek UK Limited Chairman, Axiomtek Japan Co., Ltd. (New) Director, Axiom Technology, Inc. U.S.A. Director, Uni-innovate Technology Co., Ltd. (New)
Director	Advantech Co., Ltd. Representative LIU, WEI-TING	Investment Representative, Corporate Investment Division, Advantech Co., Ltd. Director, DeNeng Scientific Research Co., Ltd. Director, Cermate Technologies Inc. Chairman, ChuanTing Investment Co.,Ltd. (New) Director, K&M Investment Co., Ltd. (New) Director, CZ Investment Co., Ltd. (New) Director, Huan Yan, Jhih-Lian Co., Ltd. (New) Director, DotZero Co., Ltd. (New)

<b>Title</b>	<b>Name</b>	<b>Positions and Company's Name</b>
		Supervisor, Tran-Fei Development Co., Ltd. (New) Supervisor, iLink ICT Co., Ltd. (New)
Director	HUANG, JUI-NAN	Independent Director, AVer Information Inc. Director, Zotech Co., Ltd.(New)
Independent Director	LIN, YIH-JONG	Chairman, Ufi Space Co., Ltd. Vossic Technology Co., Ltd.(New)
Independent Director	CHANG, JEN-CHIH	Hot Tai Public Accountant Firms Certified Public Accountant Director, Liang Guan Investment Co., Ltd. (New)
Independent Director	SHON, ZHENG-YI	Dean of College of Management & Professor of Department of International Business Management, Tainan University of Technology Chairman, Land Mark Asset Management Co. Ltd. (New) Chairman, InComm Co. Ltd. (New) Chairman, InfoComm Integrated Development and Management Consultant Corporation (New) Director, Ecobio Co. Ltd. (New)

4. Please kindly discuss this proposal.

- Resolutions:

#### **IV. Extemporary Motions**

## PART TWO – Attachments

(ATTACHMENT I)

### AXIOMTEK CO., LTD.

#### 2018 Business Report

Dear Shareholders:

In 2018, the annual operating income of Axiomtek Co., Ltd. (hereinafter referred to as "the Company") had reached TWD 3.63 billion - a 43.42% increase in comparison with TWD 2.53 billion in 2017.

It is evident that the integration of artificial intelligence and IoT (AIoT) will be the key growth drivers for the future. With the ongoing development of artificial intelligence and experience gained from continuous learning, the applicability of computer-based vision has expanded. Advanced study of the technology has created a new generation of video analysis tools that can differentiate a person, object, vehicle etc., in each frame, enabling further tracking and analysis. AI and advanced learning, supported by big data and advanced algorithms, have created a new generation of video analytic capabilities. In this early development phase of artificial intelligence and IoT, AXIOMTEK continues to invest in the automation of verticals like smart transportation, smart retail etc., expanding IoT application platforms, collaborating with technology partners to build an ecosystem, integrating both hardware and software techniques, laying the foundation for a sustainable value chain.

Herewith, business results for 2018 and business plan for 2019 are reported as follows:

#### I. Business Results for 2018:

##### (I) Implementation Results of the Business Plan:

The operating income of the Company totaled in TWD 3.63 billion for year 2018 where the net profit for the same period amounted to TWD 407 million, the comprehensive profit TWD 413 million, and the after-tax earnings per share TWD 5.12.

##### (II) Implementation Particulars about Budgeting:

Since the Group did not disclose its financial forecast for year 2018, there were no budgeting particulars to share.

##### (III) Financial Revenues, Expenditures, and Profitability:

Item		2018	2017
Financial Structure	Debt Ratio (%)	39.58	32.94
	Ratio of long-term capital to Property, plant and equipment (%)	232.89	204.93
Solvency	Current Ratio (%)	135.10	156.25

Item		2018	2017
	Quick Ratio (%)	98.06	121.16
	Interest earned ratio (times)	7,901.62	15,307.74
Profitability	Return on total assets (%)	11.09	29.31
	Return on Equity (%)	17.19	45.02
	Pre-tax Income to Paid-in Capital Ratio (%)	70.81	126.41
	Profit ratio (%)	11.21	36.60
	Earnings Per Share (TWD)	5.12	11.71

(IV) Research and Development:

We have developed 5 mid to long-term plans to execute on our strategy to develop artificial intelligence and IoT solutions:

1. Use cutting-edge computing technology to better enable automation and further develop our plans machine vision, integrating core technologies in visuals, audio, robotics, automated cars etc., to provide a comprehensive suite of AIoT industrial automation solutions.
2. Focus on Mission-Critical smart transportation applications to develop AI application systems for outdoor facilities and multi-functional products with the aim of attaining professional certification. Collaborate with technology partners to implement comprehensive solutions.
3. Develop the AMS (Agent Mass Suite) software suite to provide programs for remote monitoring and data collection, used in environmental monitoring and smart healthcare.
4. Continue to cultivate the Gaming industry, smart retail and digital signage applications, providing partners with exclusive, customized and flexible value-added services.
5. Continue to develop cloud-based application products and network application hardware platforms, investing in new technology research and development, software and hardware integration and modular design.

II. 2019 Summary Business Plan:

(I) Operating Principles:

1. Stay focused on the integration of AI and IoT (AIoT) and the technology and products pertaining to Industrial 4.0. Continue to invest in factory automation, smart transportation, smart retail and smart energy.
2. Provide comprehensive product lines and customized service to targeted vertical application markets.
3. Establish alliances with strategic partners, integrating software and hardware to enhance product value, enabling long-term development and sustainability for the business.

4. Focus on expanding service centers overseas, foster closer relationships with customers across the global sales network and establish global sales partnerships.
5. Pay close attention to organizational development, corporate social responsibility and long-term talent development plans.

(II) Product Marketing Policy:

1. Introduce MES smart factory operations management and progress towards full factory automation.
2. Lay the groundwork for green product supply chain and supplier management using GPMS and SCM management systems for organic certification and regular supplier assessment.
3. Through the global information management and communication systems, obtain data on materials, semi-finished products, inventories and future market demands, reducing inventory management costs and losses due to price reduction on slow-moving stock.

III. The Group's Development Strategy:

(I) Sales Strategy:

1. Market our brand globally and focus on R&D, manufacturing and sales. Strengthen our software and hardware technology integration to equip our customers with more and diverse information.
2. Actively establish sales and technical bases, expand marketing channels and realize localized services.
3. Align our strategy and tactical execution with the sales strategies of our global Key Accounts and Channel Partners, expanding our sales capability and supporting our customers in market expansion.
4. Enhance the added value of software and hardware integration in our products, replicate successful cases, shorten the timeline for customers to develop products, and create a win-win model.
5. Through cloud-based salesforce programs and platforms, leverage IT technology to effectively manage customer relationships and specialized projects, and using integrated digital marketing to enhance customer experience.

(II) Product Technology:

1. Embedded boards and SoM computer modules: Continuous development of next-generation MXM modular products and provide Design-in fast customization services.
2. Industrial and embedded computing systems & touch-screen computers: strive for professional certification in modular design and applications for targeted verticals. Adopt industrial aesthetic design, focus on user experience, and progress towards machine vision, AI and the IoT application market.
3. AMS (Agent MaaS Suite) smart remote monitoring software: upgrade the IoT remote monitoring and management capability, research and develop the AMS software

components, support embedded application interface programs (eAPI), online management tools, monitoring systems and database management capabilities.

4. Gaming industry-specific computer platform and smart retail: Develop VideoMixer technology and game console Player Tracking System platform for the Gaming industry; cultivate our vertical expertise and integration capabilities. Develop specialized modules and platforms for the smart retail market and provide professional customized services.
5. Cloud application computers and network application software platform: target the cloud applications and network security applications markets, develop cloud-based edge computing servers, remote monitoring technology IPMI and high-speed Ethernet module and build the infrastructure for SDN network security.

#### IV. Impact of External Competition, Regulations and Macroeconomics:

In the external environment, the scale of artificial intelligence and IoT applications for vertical markets will continue to expand while globally, longer-term infrastructural plans will be formulated. The Group will continue to develop capability and capacity, and focus on vertical applications markets, integrating future 5G, AI, machine vision, robotics applications and other development trends to build our core competitiveness on differentiation and innovation. The emerging wave of AI and IoT has intensified the use of automation and smart technology in multiple areas. This wave of has increased the volume and speed of development of automation. In launching related products, the Group will invest in more software and hardware integration capabilities to drive growth through value-added services, and further develop wireless network technology to provide a diversified portfolio of products.

Looking ahead, we will continue to drive localized operations and marketing activities to raise brand awareness, laying the groundwork for sustainable operations and to attain our goal of being a globally recognized brand. Our Group's strong organizational structure and clear growth directives, coupled with a well-managed global presence and strong branding, is well-positioned to fuel the growth engine with more success stories.

Yang, Yu-Te, Chairman

Yang, Yu-Te, President

Hsu, Chin-Chuan, Principal Accounting Officer  
AXIOMTEK CO., LTD.

(ATTACHMENT II)

## 2018 Consent Report of Audit Committee

To 2019 Annual Meeting of Shareholders of  
AXIOMTEK CO., LTD.

Date: February 26<sup>th</sup>, 2019

Consented by the Audit Committee, 2018 Business Report, Financial Statements and profit distribution proposals have also been resolved by the Board of Directors of the Company where the financial statements have been completely audited and subsequently an 2018 Unqualified Opinion Independent Auditors' Report has been issued by CPA Feng, Ming-Chuan and Hsu, Shien-Chong of PricewaterhouseCoopers Taiwan which has been entrusted by the Board of Directors.

In compliance with the provisions of relevant laws and regulations, the abovementioned 2018 Business Report, Financial Statements and profit distribution proposals are being reported and presented herewith for review in accordance with the provisions of Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

CHANG, JEN-CHIH  
Convener of Audit Committee  
AXIOMTEK CO., LTD.

## **2018 Independent Auditors' Report**

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

To the Board of Directors and Shareholders of  
AXIOMTEK CO., LTD.

#### **Opinion**

We have audited the accompanying parent company only balance sheets of AXIOMTEK CO., LTD. (hereinafter referred to as "Axiomtek" or "the Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to parent company only financial statements, including a summary of significant accounting policies.

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

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



Key audit matters for the parent company only financial statements for the year ended December 31, 2018 are stated as follows:

## **Allowance for Inventory Valuation Losses**

### Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(4) for details of inventories. As at December 31, 2018, the Company's inventories and allowance for inventory valuation losses amounted to TWD545, 189 thousand and TWD 34,533 thousand, respectively.

The Company is primarily engaged in the research and development, manufacturing and sales of industrial computers products. Due to rapid technological innovation and fluctuations in market prices, the Company recognizes inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on historical experience. An allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management's judgment, we consider allowance for inventory valuation losses a key audit matter.

### How our audit address the matter

We have performed primary audit procedures for the above matter as follows:

1. Ensured consistent application of Company's accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, validated the appropriateness of system logic of inventory aging report utilized by management to ensure proper classification of inventories aged over a certain period of time and reperformed the calculation.
3. Discussed with management the net realizable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents, and agreed to information obtained from physical inventory.

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

Management is responsible for the preparation and fair presentation of the Parent Company Only financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Parent Company Only financial statements, including the disclosures, and whether the Parent Company Only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Company Only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Ming-Chuan

Hsu, Shien-Chong

for and on behalf of PricewaterhouseCoopers, Taiwan February 26, 2019

Notice to Readers

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

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

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 734,817	19	\$ 638,525	18
Financial assets at fair value through profit or loss - current	12(3) (4)	-	-	35,006	1
Notes receivable	6(3) and 12(2) (4)	10,508	-	2,229	-
Accounts receivable	6(3) and 12(2) (4)	103,872	3	98,567	3
Accounts receivable – related parties	6(3),7 and 12(2) (4)	436,780	11	288,926	8
Other receivables		20,631	1	21,059	1
Other receivables – related parties	7	85,486	2	59,952	2
Inventories	6(4)	510,656	13	366,237	10
Prepayments		15,258	-	8,420	-
Other current assets	6(1)	471	-	149,599	4
<b>Total current assets</b>		<b>1,918,479</b>	<b>49</b>	<b>1,668,520</b>	<b>47</b>
<b>Non-current assets</b>					
Financial assets at cost - noncurrent	12(4)	-	-	923	-
Investments accounted for under equity method	6(5)	722,334	18	585,247	16
Property, plant and equipment	6(6) and 8	1,069,695	27	1,203,699	34
Investment property	6(7)	139,820	4	22,858	1
Intangible assets	6(8)	22,343	1	21,215	1
Deferred income tax assets	6(25)	34,777	1	28,566	1
Refundable deposits		3,785	-	3,562	-
<b>Total non-current assets</b>		<b>1,992,754</b>	<b>51</b>	<b>1,866,070</b>	<b>53</b>
<b>Total Assets</b>		<b>\$ 3,911,233</b>	<b>100</b>	<b>\$ 3,534,590</b>	<b>100</b>

(Continued)

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term borrowings	6(9)	\$ 53,000	1	\$ -	-
Financial liabilities at fair value through profit or loss - current	6(11) and 12(3)	2,760	-	4,998	-
Contract liabilities - current	6(19) and 12(5)	21,397	1	-	-
Notes payables		675	-	1,473	-
Accounts payable		536,942	14	365,766	10
Accounts payable – related parties	7	20,681	1	12,543	-
Other payables	6(10)	256,230	7	201,331	6
Current income tax liabilities	6(25)	127,052	3	62,955	2
Advance receipts		2,035	-	24,854	1
Current portion of long-term borrowings	6(12)	397,757	10	392,759	11
Other current liabilities		1,520	-	1,194	-
<b>Total current liabilities</b>		<b>1,420,049</b>	<b>37</b>	<b>1,067,873</b>	<b>30</b>
<b>Non-current liabilities</b>					
Deferred income tax liabilities	6(25)	85,548	2	58,178	2
Accrued pension liabilities	6(13)	41,745	1	37,413	1
Guarantee deposit received		902	-	929	-
<b>Total non-current liabilities</b>		<b>128,195</b>	<b>3</b>	<b>96,520</b>	<b>3</b>
<b>Total liabilities</b>		<b>1,548,244</b>	<b>40</b>	<b>1,164,393</b>	<b>33</b>
<b>Equity attributable to shareholders of the parent</b>					
<b>Share capital</b>					
Ordinary shares	6(15)	796,206	20	793,130	22
Advance receipts for share capital		1,039	-	1,379	-
<b>Capital surplus</b>	6(16)				
Capital surplus		214,960	6	198,563	6
<b>Retained earnings</b>	6(17)				
Legal reserve		459,789	12	367,165	10
Special reserve		12,914	-	-	-
Unappropriated retained earnings		882,311	22	1,022,874	29
<b>Other equity</b>	6(18)				
Other equity		(4,230)	-	(12,914)	-
<b>Total equity</b>		<b>2,362,989</b>	<b>60</b>	<b>2,370,197</b>	<b>67</b>
<b>Significant commitment and contingent item</b>	9				
<b>Total Liabilities and Equity</b>		<b>\$ 3,911,233</b>	<b>100</b>	<b>\$ 3,534,590</b>	<b>100</b>

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

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Items	Notes	Year ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(19)	\$ 3,629,164	100	\$ 2,530,366	100
<b>Operating costs</b>	6(4)(23)(24)	(2,551,498)	(70)	(1,784,820)	(71)
<b>Gross profit</b>		1,077,666	30	745,546	29
Unrealized gain from sale	6(5)	(73,004)	(2)	(53,428)	(2)
Realized gain from sale		53,428	1	43,129	2
<b>Net gross profit</b>		1,058,090	29	735,247	29
<b>Operating expenses</b>	6(23) (24)				
Selling expenses		(112,955)	(3)	(98,683)	(4)
General and administrative expenses		(101,341)	(3)	(87,650)	(4)
Research and development expenses		(415,049)	(11)	(356,023)	(14)
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	772	-	-	-
<b>Total operating expenses</b>		(628,573)	(17)	(542,356)	(22)
<b>Operating profit</b>		429,517	12	192,891	7
<b>Non-operating income and expenses</b>					
Other income	6(20) and 7	25,711	-	17,084	1
Other gains and losses	6(21)	33,197	1	733,759	29
Finance costs	6(22)	(7,236)	-	(6,604)	-
Share of profit of associates and joint ventures accounted for under equity method	6(5)	83,336	2	67,189	2
<b>Total non-operating income and expenses</b>		135,008	3	811,428	32
<b>Profit before income tax</b>	6(25)	564,525	15	1,004,319	39
Income tax expenses		(157,601)	(4)	(78,080)	(3)
<b>Net Income</b>		\$ 406,924	11	\$ 926,239	36
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
Remeasurements of defined benefit plan	6(13)	\$ (5,142)	-	\$ (5,745)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value		707	-	-	-
Income tax relating to components of other comprehensive income	6(25)	1,490	-	977	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Financial statements translation differences of foreign operations		10,271	-	(23,842)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates		-	-	(6,904)	-
Income tax relating to the components of other comprehensive income	6(25)	(1,587)	-	4,053	-
<b>Other comprehensive income (loss) for the year</b>		\$ 5,739	-	\$ (31,461)	(1)
<b>Total Comprehensive Income</b>		\$ 412,663	11	\$ 894,778	35
<b>Basic earnings per share</b>	6(26)	\$	5.12	\$	11.71
<b>Diluted earnings per share</b>	6(26)	\$	4.61	\$	10.59

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

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Share capital		Capital surplus					Retained earnings			Other equity		Total equity	
		Ordinary share	Advance receipts for share capital	Additional paid-in capital	Treasury stock transactions	From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	Gain on sale of fixed assets	stock option exercised by employees	stock option	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
<b>Year 2017</b>															
Balance at January 1, 2017		\$790,310	\$ -	\$ 118,619	\$ 1,026	\$ 177	\$ 2	\$ 39,561	\$ 24,360	\$331,163	\$ -	\$ 425,869	\$ 13,779	\$ -	\$ 1,744,866
Appropriations of 2016 earnings															
Legal reserve	6(17)	-	-	-	-	-	-	-	-	36,002	-	(36,002)	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	-	-	-	-	(288,464)	-	-	(288,464)
Profit for the year		-	-	-	-	-	-	-	-	-	-	926,239	-	-	926,239
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	-	-	-	-	-	(4,768)	(26,693)	-	(31,461)
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries		-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)
Share-based payments		2,820	1,379	4,004	-	-	-	-	-	-	-	-	-	-	8,203
Compensation cost of share-based payments	6(14)	-	-	-	-	-	-	10,815	-	-	-	-	-	-	10,815
Balance at December 31, 2017		<u>\$793,130</u>	<u>\$ 1,379</u>	<u>\$ 122,623</u>	<u>\$ 1,026</u>	<u>\$ 176</u>	<u>\$ 2</u>	<u>\$ 50,376</u>	<u>\$ 24,360</u>	<u>\$367,165</u>	<u>\$ -</u>	<u>\$ 1,022,874</u>	<u>\$ (12,914)</u>	<u>\$ -</u>	<u>\$ 2,370,197</u>
<b>Year 2018</b>															
Balance at January 1, 2018		\$793,130	\$ 1,379	\$ 122,623	\$ 1,026	\$ 176	\$ 2	\$ 50,376	\$ 24,360	\$367,165	\$ -	\$ 1,022,874	\$ (12,914)	\$ -	\$ 2,370,197
Effect of retrospective application and restatement		-	-	-	-	-	-	-	-	-	-	900	-	(900)	-
Balance at January 1, after adjustments		<u>793,130</u>	<u>1,379</u>	<u>122,623</u>	<u>1,026</u>	<u>176</u>	<u>2</u>	<u>50,376</u>	<u>24,360</u>	<u>367,165</u>	<u>-</u>	<u>1,023,774</u>	<u>(12,914)</u>	<u>(900)</u>	<u>2,370,197</u>
Appropriations of 2017 earnings															
Legal reserve	6(17)	-	-	-	-	-	-	-	-	92,624	-	(92,624)	-	-	-
Special reserve	6(17)	-	-	-	-	-	-	-	-	-	12,914	(12,914)	-	-	-
Cash dividends	6(17)	-	-	-	-	-	-	-	-	-	-	(439,004)	-	-	(439,004)
Profit for the year		-	-	-	-	-	-	-	-	-	-	406,924	-	-	406,924
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	-	-	-	-	-	(3,652)	8,684	707	5,739
Share-based payments		2,730	(340)	3,523	-	-	-	-	-	-	-	-	-	-	5,913
Compensation cost of share-based payments	6(14)	-	-	-	-	-	-	11,513	-	-	-	-	-	-	11,513
Conversion of convertible bonds		346	-	1,465	-	-	-	-	(104)	-	-	-	-	-	1,707
Disposal of financial assets at fair value through other comprehensive income	6(2)	-	-	-	-	-	-	-	-	-	-	(193)	-	193	-
Balance at December 31, 2018		<u>\$796,206</u>	<u>\$ 1,039</u>	<u>\$ 127,611</u>	<u>\$ 1,026</u>	<u>\$ 176</u>	<u>\$ 2</u>	<u>\$ 61,889</u>	<u>\$ 24,256</u>	<u>\$459,789</u>	<u>\$ 12,914</u>	<u>\$ 882,311</u>	<u>\$ (4,230)</u>	<u>\$ -</u>	<u>\$ 2,362,989</u>

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



AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31	
		2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 564,525	\$ 1,004,319
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6) (23)	46,649	40,820
Depreciation from investment Property	6(7) (21)	1,544	-
Amortization	6(8) (23)	8,735	8,457
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	(772)	5
Net loss on financial assets at fair value through loss	6(21)	6	23
Net gain on financial liability at fair value through profit	6(21)	(2,233)	(1,050)
Interest expense	6(22)	7,236	6,604
Interest income	6(20)	(11,037)	(7,391)
Dividend income for under equity method		-	90,160
Compensation cost of share-based payments	6(14) (24)	10,144	10,815
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(83,336)	(67,189)
Loss (gain) on disposal of property, plant and equipment	6(21)	7	(2,301)
Gain on disposal of intangible assets	6(21)	-	(120)
Gain on disposal of investments for under equity method	6(21)	-	(766,094)
Gain on disposal of investments	6(21)	(423)	(489)
Unrealized profit from sales		19,576	10,299
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		35,423	209,488
Notes receivable		(8,279)	2,126
Accounts receivable (including related parties)		(152,387)	(10,249)
Other receivables (including related parties)		(24,046)	6,908
Inventories		(144,419)	(54,517)
Prepayments		(6,838)	7,794
Other financial assets		148,800	(148,800)
Other current assets		328	(326)
Changes in liabilities relating to operating activities			
Contract liabilities		(3,382)	-
Notes payables		(798)	1,431
Accounts payable (including related parties)		179,314	24,007
Other payables		59,126	(953)
Advance receipts		1,960	(403)
Other current liabilities		326	(26)
Accrued pension liabilities		(810)	(754)
Cash inflow generated from operations		644,939	362,594
Receipt of interest		11,346	7,391
Payment of interest		(519)	(6)
Payment of income tax		(72,442)	(39,978)
Net cash flows provided by operating activities		583,324	330,001

(Continued)

AXIOMTEK CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Years ended December 31	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through other comprehensive income		\$ 1,630	\$ -
Acquisition of investments accounted for using equity method	6(5)	(63,056)	(14,329)
Acquisition of property, plant and equipment		-	1,004,432
Proceeds from disposal of investments for under equity method	6(28)	(35,786)	(1,042,810)
Proceeds from disposal of property, plant and equipment		6	2,590
Acquisition of intangible assets	6(8)	(9,485)	(13,452)
Proceeds from disposal of intangible assets		-	120
Decrease (Increase) in refundable deposits		(223)	2,332
Net cash flows provided by (used in) investing activities		(106,914)	(61,127)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short -term borrowings		636,000	21,000
Redemption of short -term borrowings		(583,000)	(21,000)
Increase (decrease) in refundable deposits		(27)	593
Payment of cash dividends	6(17)	(439,004)	(288,464)
Proceeds from exercise of employee stock options	6(14)	5,913	8,203
Net cash flows provided by (used in) financing activities		(380,118)	(279,668)
Increase (Decrease) in cash and cash equivalents		96,292	(10,794)
Cash and cash equivalents at beginning of year		638,525	649,319
Cash and cash equivalents at end of year		\$ 734,817	\$ 638,525

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

(ATTACHMENT IV)

## **2018 Independent Auditors' Report**

### **(Consolidated Financial Statements)**

To the Board of Directors and Shareholders of  
AXIOMTEK CO., LTD.

#### **Opinion**

We have audited the accompanying consolidated balance sheets of AXIOMTEK CO., LTD. and its subsidiaries (hereinafter referred to as “the Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Independent Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (hereinafter referred to as the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

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

Key audit matters on the Consolidated Financial Statements for the year ended December 31, 2018 are stated as follows:

### **Cut-off of Warehouse Sales Revenue**

#### Description

Please refer to Note 4(33) for accounting policy on revenue recognition and Note 6(21) for details of operating revenue.

The Group recognized revenue when the goods are shipped from factories directly (the transfer of significant risks and rewards of ownership of the goods), the Group recognizes sales revenue based on movements of inventories contained in the statements or other information provided by the warehouse's custodians. As the warehouses are located around the world, include Taiwan, Europe, America, and China, with numerous custodians, the frequency and contents of statements provided by custodians vary, and the process of revenue recognition involves numerous manual procedures, these factors may potentially result in inaccurate timing of sales revenue recognition and discrepancy between physical inventory quantities in the warehouse and quantities as reflected in accounting records. As there are numerous daily sales revenue transactions from warehouse and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, cut-off of warehouse sales revenue was identified as a key audit matter.

#### How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed and tested the appropriateness of internal controls over cut-off of warehouse sales revenue for a specific time prior to and after the balance sheet date, including agreeing to respective supporting documents provided by hub custodians, and validated the proper timing of recognizing movements of inventories and respective transfer of cost of goods sold.
2. Confirmed or conducted physical count of inventory quantities held at warehouse and agreed to accounting records. In addition, the reasons for the discrepancies between the physical count of inventory and the account balance have been tracked, and verify that the significant differences have been properly adjusted and recorded by the Group.

## **Allowance for Inventory Valuation Losses**

### Description

Please refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and Note 6(4) for details of inventories. As at December 31, 2018, the Group's inventories and allowance for inventory valuation losses amounted to TWD 941,928 thousand and TWD 40,366 thousand, respectively.

The Group is primarily engaged in the research and development, manufacturing and sales of industrial computers products. Due to rapid technological innovation and fluctuations in market prices, the Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is estimated based on historical experience. An allowance for inventory valuation losses is provided for those inventories aged over a certain period of time and individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories vary, and the estimation of net realizable value for individually obsolete or damaged inventories is subject to management's judgment, we consider allowance for inventory valuation losses a key audit matter.

### How our audit address the matter

We have performed primary audit procedures for the above matter as follows:

1. Ensured consistent application of Group's accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, validated the appropriateness of system logic of inventory aging report utilized by management to ensure proper classification of inventories aged over a certain period of time and reperformed the calculation.
3. Discussed with management the net realizable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents, and agreed to information obtained from physical inventory.

## **Other Matter – Parent Company Only Financial Reports**

We have audited and expressed an unqualified opinion on the Parent Company Only Financial Statements of AXIOMTEK CO., LTD as of and for the years ended December 31, 2018 and 2017.

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

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory

Commission, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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 auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Feng, Ming-Chuan

Hsu, Shien-Chong

for and on behalf of PricewaterhouseCoopers, Taiwan February 26, 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.*



AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 1,019,000	25	\$ 843,239	22
Financial assets at fair value through profit or loss - current	12(3) (4)	-	-	35,006	1
Notes receivable	6(3) and 12(2) (4)	21,096	-	4,014	-
Accounts receivable	6(3) and 12(2) (4)	610,535	15	456,376	12
Accounts receivable – related parties	6(3) and 12(2) (4)	74	-	6	-
Other receivables		20,886	-	21,059	1
Current income tax assets		5,837	-	-	-
Inventories	6(4)	901,562	22	730,264	19
Prepayments		29,978	1	20,782	1
Other current assets	6(1)	2,200	-	150,028	4
<b>Total current assets</b>		<b>2,611,168</b>	<b>63</b>	<b>2,260,774</b>	<b>60</b>
<b>Non-current assets</b>					
Financial assets at cost - noncurrent	12(4)	-	-	923	-
Investments accounted for under equity method	6(5)	29,033	1	-	-
Property, plant and equipment	6(6) and 8	1,202,215	29	1,335,402	35
Investment property	6(7)	139,820	3	22,858	1
Intangible assets	6(8)	102,965	3	104,642	3
Deferred income tax assets	6(27)	46,713	1	39,571	1
Other non-current assets		7,534	-	6,680	-
<b>Total non-current assets</b>		<b>1,528,280</b>	<b>37</b>	<b>1,510,076</b>	<b>40</b>
<b>Total Assets</b>		<b>\$ 4,139,448</b>	<b>100</b>	<b>\$ 3,770,850</b>	<b>100</b>

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term borrowings	6(10)	\$ 53,000	1	\$ -	-
Financial liabilities at fair value through profit or loss - current	6(12) and 12(3)	2,760	-	4,998	-
Contract liabilities - current	6(21) and 12(5)	34,523	1	-	-
Notes payables		675	-	1,473	-
Accounts payable		617,457	15	476,730	13
Accounts payable – related parties	7	13,750	1	12,466	-
Other payables	6(11)	329,034	8	252,053	7
Current income tax liabilities		134,253	3	59,395	2
Provisions for liabilities - current		1,144	-	774	-
Current portion of long-term borrowings	6(13) (14)	400,829	10	398,286	10
Other current liabilities		8,628	-	34,229	1
<b>Total current liabilities</b>		<u>1,596,053</u>	<u>39</u>	<u>1,240,404</u>	<u>33</u>
<b>Non-current liabilities</b>					
Long-term borrowings	6(14) and 8	47,864	1	63,729	2
Deferred income tax liabilities	6(27)	89,895	2	58,178	1
Other non-current liabilities	6(15)	42,647	1	38,342	1
<b>Total non-current liabilities</b>		<u>180,406</u>	<u>4</u>	<u>160,249</u>	<u>4</u>
<b>Total liabilities</b>		<u>1,776,459</u>	<u>43</u>	<u>1,400,653</u>	<u>37</u>
<b>Equity attributable to shareholders of the parent</b>					
<b>Share capital</b>					
Ordinary shares	6(17)	796,206	19	793,130	21
Advance receipts for share capital		1,039	-	1,379	-
<b>Capital surplus</b>	6(18)				
Capital surplus		214,960	6	198,563	5
<b>Retained earnings</b>	6(19)				
Legal reserve		459,789	11	367,165	10
Special reserve		12,914	-	-	-
Unappropriated retained earnings		882,311	21	1,022,874	27
<b>Other equity</b>	6(20)				
Other equity		(4,230)	-	(12,914)	-
<b>Total equity attributable to shareholders of the parent</b>		<u>2,362,989</u>	<u>57</u>	<u>2,370,197</u>	<u>63</u>
<b>Total equity</b>		<u>2,362,989</u>	<u>57</u>	<u>2,370,197</u>	<u>63</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>	9				
<b>Total Liabilities and Equity</b>		<u>\$ 4,139,448</u>	<u>100</u>	<u>\$ 3,770,850</u>	<u>100</u>

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

**AXIOMTEK CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(21)	\$ 5,010,644	100	\$ 3,994,229	100
<b>Operating costs</b>	6(4)(25)(26) and 7	(3,344,494)	(67)	(2,634,227)	(66)
<b>Gross profit</b>		1,666,150	33	1,360,002	34
<b>Operating expenses</b>	6(25) (26)				
Selling expenses		(579,200)	(12)	(562,038)	(14)
General and administrative expenses		(110,253)	(2)	(101,312)	(2)
Research and development expenses		(418,399)	(8)	(403,250)	(10)
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(1,278)	-	-	-
<b>Total operating expenses</b>		(1,109,130)	(22)	(1,066,600)	(26)
<b>Operating profit</b>		557,020	11	293,402	8
<b>Non-operating income and expenses</b>					
Other income	6(22)	25,890	-	17,432	-
Other gains and losses	6(23)	32,695	1	722,548	18
Finance costs	6(24)	(10,097)	-	(9,224)	-
Share of profit of associates and joint ventures accounted for under equity method	6(5)	33	-	-	-
<b>Total non-operating income and expenses</b>		48,521	1	730,756	18
<b>Profit before income tax</b>	6(27)	605,541	12	1,024,158	26
Income tax expenses		(198,617)	(4)	(95,244)	(3)
<b>Net Income</b>		\$ 406,924	8	\$ 928,914	23
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
Remeasurements of defined benefit plan	6(15)	\$ (5,142)	-	\$ (5,745)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value		707	-	-	-
Income tax relating to components of other comprehensive income	6(27)	1,490	-	977	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Financial statements translation differences of foreign operations		10,271	-	(33,424)	(1)
Income tax relating to the components of other comprehensive income	6(27)	(1,587)	-	5,682	-
<b>Other comprehensive income (loss) for the year</b>		\$ 5,739	-	\$ (32,510)	(1)
<b>Total Comprehensive Income</b>		\$ 412,663	8	\$ 896,404	22
<b>Profit attributable to:</b>					
Shareholders of the parent		\$ 406,924	8	\$ 926,239	23
Non-controlling interest		\$ -	-	\$ 2,675	-
<b>Total comprehensive income (loss) attributable to:</b>					
Shareholders of the parent		\$ 412,663	8	\$ 894,778	22
Non-controlling interest		\$ -	-	\$ 1,626	-
<b>Basic earnings per share</b>	6(28)	\$	5.12	\$	11.71
<b>Diluted earnings per share</b>	6(28)	\$	4.61	\$	10.59

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent												
	Share capital			Retained Earnings				Other Equity Interest			Total	Non-controlling interest	Total equity
	Notes	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income				
<u>Year 2017</u>													
Balance at January 1, 2017		\$ 790,310	\$ -	\$ 183,745	\$ 331,163	\$ -	\$ 425,869	\$ 13,779	\$ -	\$ 1,744,866	\$ 38,742	\$ 1,783,608	
Appropriations of 2016 earnings													
Legal reserve	6(19)	-	-	-	36,002	-	(36,002)	-	-	-	-	-	
Cash dividends		-	-	-	-	-	(288,464)	-	-	(288,464)	-	(288,464)	
Profit for the year		-	-	-	-	-	926,239	-	-	926,239	2,675	928,914	
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	(4,768)	(26,693)	-	(31,461)	(1,049)	(32,510)	
share-based payments		2,820	1,379	4,004	-	-	-	-	-	8,203	-	8,203	
Compensation cost of share-based payments	6(16)	-	-	10,815	-	-	-	-	-	10,815	-	10,815	
Non-controlling interest		-	-	(1)	-	-	-	-	-	(1)	(40,368)	(40,369)	
Balance at December 31, 2017		<u>\$ 793,130</u>	<u>\$ 1,379</u>	<u>\$ 198,563</u>	<u>\$ 367,165</u>	<u>\$ -</u>	<u>\$ 1,022,874</u>	<u>\$ (12,914)</u>	<u>\$ -</u>	<u>\$ 2,370,197</u>	<u>\$ -</u>	<u>\$ 2,370,197</u>	
<u>Year 2018</u>													
Balance at January 1, 2018		\$ 793,130	\$ 1,379	\$ 198,563	\$ 367,165	\$ -	\$ 1,022,874	\$ (12,914)	\$ -	\$ 2,370,197	\$ -	\$ 2,370,197	
Effect of retrospective application and restatement		-	-	-	-	-	900	-	(900)	-	-	-	
Balance at January 1, after adjustments		<u>793,130</u>	<u>1,379</u>	<u>198,563</u>	<u>367,165</u>	<u>-</u>	<u>1,023,774</u>	<u>(12,914)</u>	<u>(900)</u>	<u>2,370,197</u>	<u>-</u>	<u>2,370,197</u>	
Appropriations of 2017 earnings													
Legal reserve	6(19)	-	-	-	92,624	-	(92,624)	-	-	-	-	-	
Special reserve		-	-	-	-	12,914	(12,914)	-	-	-	-	-	
Cash dividends		-	-	-	-	-	(439,004)	-	-	(439,004)	-	(439,004)	
Profit for the year		-	-	-	-	-	406,924	-	-	406,924	-	406,924	
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	(3,652)	8,684	707	5,739	-	5,739	
Share-based payments		2,730	(340)	3,523	-	-	-	-	-	5,913	-	5,913	
Compensation cost of share-based payments	6(16)	-	-	11,513	-	-	-	-	-	11,513	-	11,513	
Conversion of convertible bonds		346	-	1,361	-	-	-	-	-	1,707	-	1,707	
Disposal of financial assets at fair value through other comprehensive income	6(2)	-	-	-	-	-	(193)	-	193	-	-	-	
Balance at December 31, 2018		<u>\$ 796,206</u>	<u>\$ 1,039</u>	<u>\$ 214,960</u>	<u>\$ 459,789</u>	<u>\$ 12,914</u>	<u>\$ 882,311</u>	<u>\$ (4,230)</u>	<u>\$ -</u>	<u>\$ 2,362,989</u>	<u>\$ -</u>	<u>\$ 2,362,989</u>	

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

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 605,541	\$ 1,024,158
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment losses/ Reversal of allowance for doubtful accounts	12(2)	1,278	808
Depreciation	6(6) (25)	55,053	52,299
Depreciation from investment Property	6(7) (23)	1,544	-
Amortization	6(8) (25)	12,632	15,301
Interest income	6(22)	(9,333)	(6,360)
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(33)	-
Loss (gain) on disposal of property, plant and equipment	6(23)	99	(2,301)
Gain on disposal of intangible assets	6(23)	-	(120)
Gain on disposal of investments	6(23)	(423)	(489)
Gain on disposal of subsidiaries	6(23)	-	(766,094)
Net loss on financial assets at fair value through loss	6(23)	6	23
Net gain on financial liability at fair value through profit	6(12) (23)	(2,233)	(1,050)
Interest expense	6(24)	10,097	9,224
Compensation cost of share-based payments	6(16) (26)	11,513	10,815
Changes in assets/liabilities relating to operating activities			
Changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		35,423	209,488
Notes receivable		(17,082)	1,865
Accounts receivable (including related parties)		(155,611)	22,401
Other receivables		(136)	(4,184)
Inventories		(171,317)	(158,355)
Prepayments		(9,196)	(570)
Other financial assets		148,800	(148,800)
Other current assets		(972)	(1,375)
Changes in liabilities relating to operating activities			
Contract liabilities		3,129	-
Notes payables		(798)	1,560
Accounts payable (including related parties)		142,011	103,159
Other payables		81,579	(16,242)
Other current liabilities		5,793	9,087
Other non-current assets		(810)	4,954
Cash inflow generated from operations		746,554	359,202
Receipt of interest		9,642	6,360
Payment of interest		(3,379)	(2,625)
Payment of income tax		(104,554)	(51,270)
Net cash flows provided by operating activities		648,263	311,667

(Continued)

AXIOMTEK CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of subsidiaries	6(30)	\$ -	\$ 801,680
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	1,630	-
Acquisition of investments accounted for using equity method	6(5)	(29,000)	-
Acquisition of property, plant and equipment	6(30)	(41,208)	(1,073,507)
Proceeds from disposal of property, plant and equipment		34	2,589
Acquisition of intangible assets	6(8)	(9,663)	(14,217)
Proceeds from disposal of intangible assets		-	120
Increase in other non-current assets		(854)	1,153
Net cash flows provided by (used in) investing activities		(79,061)	(282,182)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Redemption of short -term borrowings		(583,000)	(21,000)
Proceeds from short -term borrowings		636,000	146,000
Redemption of long-term borrowings		(20,542)	(5,062)
Proceeds from long-term borrowings		-	17,856
Payment of cash dividends	6(19)	(439,004)	(288,464)
Proceeds from exercise of employee stock options		5,913	8,203
Increase (decrease) in refundable deposits		(27)	898
Changes in non-controlling interests		-	(40,368)
Net cash flows provided by (used in) financing activities		(400,660)	(181,937)
Effects due to changes in exchange rate		7,219	94
Increase (Decrease) in cash and cash equivalents		175,761	(152,358)
Cash and cash equivalents at beginning of year		843,239	995,597
Cash and cash equivalents at end of year		\$ 1, 019,000	\$ 843,239

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

**AXIOMTEK CO., LTD.**  
**2018 Profit Distribution Table**

Unit : TWD

Item	Amount	
	Sub-total	Total
Unappropriated retained earnings at the beginning of the term		478,332,047
First-time adoption of IFRS adjustment	706,285	
Adjusted unappropriated retained earnings at the beginning of the term		479,038,332
Remeasurement of defined benefit plans recognized in retained earnings	(3,651,276)	
Adjusted unappropriated retained earnings		475,387,056
2018 Net income	406,923,665	
10% set aside as legal reserve	(40,692,367)	
Reverse special reserves	8,683,147	
Total unappropriated retained earnings		850,301,501
Distributable item:		
Shareholders' dividend – cash (\$3.75 per share)		(298,783,684)
Unappropriated retained earnings at the end of the term		551,517,817

Remarks: The 2018 net income shall be distributed with higher priority this time.

Chairman : Yang, Yu-Te

President : Yang, Yu-Te

Principal Accounting Officer : Hsu, Chin-Chuan

**AXIOMTEK CO., LTD.****Comparison Table for Articles in the “Articles of Incorporation”  
(before and after Revision)**

Article	Contents after revision	Contents before revision	Explanation
<b><u>6-2</u></b>	<p><u>Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive the Company's treasury stocks in accordance with the Company Law of the Republic of China. The requirement and manner of distribution are authorized to Board of Directors for resolution.</u></p> <p><u>Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive the share subscription warrant. The requirement and manner of distribution are authorized to Board of Directors for resolution.</u></p> <p><u>When the Company issues new shares, qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive the shares. The requirement and manner of distribution are authorized to Board of Directors for resolution.</u></p> <p><u>Qualification requirements of</u></p>		(New addition)



Article	Contents after revision	Contents before revision	Explanation
	<p><u>employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive restricted stock for employees. The requirement and manner of distribution are authorized to Board of Directors for resolution.</u></p>		
26	<p>At the close of each fiscal year, the Board of Directors shall prepare <u>Business Report, Financial Statement, and the surplus earning distribution or loss off-setting proposals</u>, and shall forward the same to the general meeting of shareholders.</p>	<p>At the close of each fiscal year, the Board of Directors shall prepare <u>the following statements and records</u> and shall forward the same to the general meeting of shareholders <u>for its ratification:</u></p> <ol style="list-style-type: none"> <li>1. <u>Business Report;</u></li> <li>2. <u>Financial Statement; and</u></li> <li>3. <u>The surplus earning distribution or loss off-setting proposals.</u></li> </ol>	<p>Act in connection with the articles modifications of Operating Procedures for Article of Incorporation by Public Companies.</p>
27	<p>This Corporation shall set aside 1%-20% as employees' compensation and the percentage lower than 2% as directors' compensation if the Corporation has profit (means the Pre-tax Income before deduction of the employees' and directors' compensation) in the current year. However, the company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings).</p> <p>The Corporation may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements</p>	<p>This Corporation shall set aside 1%-20% as employees' compensation and the percentage lower than 2% as directors' compensation if the Corporation has profit (means the Pre-tax Income before deduction of the employees' and directors' compensation) in the current year. However, the company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings).</p> <p>The Corporation may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements</p>	<p>Act in connection with the articles modifications of Operating Procedures for Article of Incorporation by Public Companies.</p>

Article	Contents after revision	Contents before revision	Explanation
	<p>of employees, including the employees of <u>parents or subsidiaries of the company meeting certain specific requirements, the requirement and manner of distribution are authorized to Board of Directors for resolution.</u> <u>The remuneration of directors in the preceding paragraphs</u> only can receive the profit in the form of cash.</p> <p>The Corporation shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors for the preceding two paragraphs distributed and such distribution shall be submitted to the Shareholders' Meeting.</p>	<p>of employees, including the employees of subsidiaries of the company meeting certain specific requirements, <u>the remuneration of directors only can receive the profit in the form of cash.</u></p> <p>The Corporation shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors for the preceding two paragraphs distributed and such distribution shall be submitted to the Shareholders' Meeting.</p>	
27-1	<p>When allocating the net <u>income</u> for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for <u>Distribution, and to authorize the distributable dividends and bonuses in whole or in part may</u></p>	<p>When allocating the net <u>profits</u> for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for <u>Distribution of the dividends and bonuses to the shareholders base on the amount in this provision</u></p>	Act in connection with the articles modifications of Operating Procedures for Article of Incorporation by Public Companies.

Article	Contents after revision	Contents before revision	Explanation
	<p><u>be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.</u></p> <p><u>The Company distributing surplus earning in the form of new shares to be issued by the company in accordance with the preceding paragraphs shall follow the provisions of Article 240 of the Company Law of the Republic of China with a resolution adopted at a meeting of shareholders.</u></p> <p>The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 25% as shareholders' dividends <u>and bonuses</u>, the stock dividends of share allocations will not be higher than 80% of the total dividends <u>and bonuses</u>.</p>	<p><u>and provide the proposal to Shareholders' Meeting to get resolution.</u></p> <p>The Dividend Policy of the Company is in concert with the development plan of current and future, the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 25% as shareholders' dividends; <u>the dividends in the said proceeding sentence can be distributed in the form of shares or in cash</u>, the stock dividends of share allocations will not be higher than 80% of the total dividends.</p>	
<b><u>27-2</u></b>	<p><u>When the Company incurs no loss, it may authorize the legal reserve(only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed) and the capital reserve following the provisions of the Company Law of the Republic of China in</u></p>		(New addition)

Article	Contents after revision	Contents before revision	Explanation
	<u>whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the Shareholders' Meeting.</u>		
29	<u>The twenty-five Amendment was made on May 29, 2019</u>		(New addition)

**AXIOMTEK CO., LTD.**

**Comparison Table for Articles in the “Operating Procedures  
for Acquisition and Disposal of Assets”  
(before and after Revision)**

<b>Article</b>	<b>Contents after revision</b>	<b>Contents before revision</b>	<b>Explanation</b>
<b>1</b>	For the purpose of the Company’s acquisition or disposal of assets has the standard procedure to be followed, so make this procedure.	For the purpose of the Company’s acquisition or disposal of assets has the standard procedure to be followed, so make this procedures, <u>but it should be made in accordance with the applicable law, if any.</u>	Act in connection with the articles modifications of Operating Procedures for Acquisition and Disposal of Assets by Public Companies.
<b>3.1</b>	Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, <u>or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>contracts.</u>	Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, <u>and swap contracts, and compound contracts products,</u> whose value is derived from <u>assets, foreign exchange rates, indexes or other interests.</u> The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>agreements.</u>	
<b>3.2</b>	Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers,	Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers,	

Article	Contents after revision	Contents before revision	Explanation
	demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.	demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act.	
<b><u>3.7</u></b>	<u>Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u>		(New addition)
<b><u>3.8</u></b>	<u>Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u>		
<b><u>4.3</u></b>		<u>Item 41 I of Security and Exchange Law</u>	(Remove)
<b><u>4.3</u></b>	『Operating Procedures for Acquisition and Disposal of Assets by Public Companies』 made by Financial Supervisory Commission ( FSC).	『Operating Procedures for Acquisition and Disposal of Assets by Public Companies』 made by Financial Supervisory Commission ( FSC).	(change from Article 4.4 to Article 4.3)

<b>Article</b>	<b>Contents after revision</b>	<b>Contents before revision</b>	<b>Explanation</b>
<b>4.4</b>	Organizational Rules of Audit Committee.	Organizational Rules of Audit Committee.	(change from Article 4.5 to Article 4.4)
<b>5.6</b>	Board of Directors : <u>To make resolution for the procedures herein established or modified by Audit Committee, and to make resolution for the issue related to the acquisition or disposal of Assets.</u>	Board of Directors : To make resolution for the issue related to the acquisition or disposal of Assets.	Act in connection with the articles modifications of Operating Procedures for Acquisition and Disposal of Assets by Public Companies.
<b>5.7</b>	<u>Shareholders' Meeting: To approve the procedures herein recognized by Audit Committee and Board of Directors .</u>		(New addition)
<b>7.1.2</b>	Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.	Real property (including land, houses and buildings, investment property, <u>rights to use land</u> , and construction enterprise inventory) and equipment.	(Remove word)
<b>7.1.5</b>	Right-of-use assets.		(New addition)
<b>7.1.6</b>	Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).	Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).	(change from Article 7.1.5 to Article 7.1.6)
<b>7.1.7</b>	Derivatives.	Derivatives.	(change from Article 7.1.6 to Article 7.1.7)
<b>7.1.8</b>	Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.	Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.	(change from Article 7.1.7 to Article 7.1.8)
<b>7.1.9</b>	Other major assets.	Other major assets.	(change from Article 7.1.8 to Article 7.1.9)
<b>7.2.1</b>	Acquired or disposed of real property, <u>equipment, or right-of-use assets thereof.</u>	Acquired or disposed of real property <u>or</u> equipment	(amendment of word)
<b>7.2.1.1</b>	In acquiring or disposing of real property, <u>equipment, or right-of-use assets thereof</u> where	In acquiring or disposing of real property where the transaction amount reaches 20 percent of	(Add word)

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	<p>the transaction amount reaches 20 percent of the company's paid-in capital or TWD300 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 <u>equipment or right-of-use assets thereof held</u> for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p>	<p>the company's paid-in capital or TWD300 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 prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p>	
7.2.1.1.1	<p>Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall <u>also</u> be followed <u>whenever there is any subsequent</u> changes to the terms and conditions of the transaction.</p>	<p>Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, <u>and</u> the same procedure shall be followed changes to the terms and conditions of the transaction.</p>	(amendment of word)
7.2.1.3.2	<p>The ability of acquiring or disposing of other <u>equipment</u> should be in the way of inquiry, parity, bargain, or bidding; when the transaction amount is under TWD30 million, it should be approved by the regulations of authorized level in the Company; when the transaction amount is higher than TWD 30 million, it should be approved by the General manager and report to the Meeting of</p>	<p>The ability of acquiring or disposing of other <u>fixed assets</u> should be in the way of inquiry, parity, bargain, or bidding; when the transaction amount is under TWD30 million, it should be approved by <u>authorized level in accordance with</u> the regulations of authorized level in the Company; when the transaction amount is higher than TWD 30 million, it should be approved by the General manager and</p>	



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	Boarding to get approval in advance.	report to the Meeting of Boarding to get approval in advance.	
7.2.2.2.1	To trade the securities in the <u>securities exchange</u> or the counter specially provided by securities firms, it should be analyzed and decided by the responsible unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 million, it should be approved by the Board of Directors.	To trade the securities in the <u>centralized trading market</u> or the counter specially provided by securities firms, it should be analyzed and decided by the responsible unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 million, it should be approved by the Board of Directors.	
7.2.2.2.2	To trade the securities neither in the <u>securities exchange</u> nor in the counter specially provided by securities firms, it should get the finance statement audited the certified account from the target company for the reference of transaction evaluation, and EPS, the ability for benefit gaining, and the future potential need to be considered, this transaction should be responsible by the related unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 million, it should be approved by the Board of Directors.	To trade the securities neither in the <u>centralized trading market</u> nor in the counter specially provided by securities firms, it should get the finance statement audited the certified account from the target company for the reference of transaction evaluation, and EPS, the ability for benefit gaining, and the future potential need to be considered, this transaction should be responsible by the related unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 million, it should be approved by the Board of Directors.	(amendment of word)
7.2.3	Where the Company acquires or disposes of intangible assets <u>or right-of-use assets thereof or memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or TWD300 million or more,	Where the Company acquires or disposes of <u>memberships or</u> intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or TWD300 million or more, except in transactions	

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	except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	
7.3.2	When the Company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or redemption of domestic money market funds issued by domestic securities investment trust business, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:	When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or redemption of domestic money market funds issued by domestic securities investment trust business, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:	
7.3.2.3	With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction	With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article	(amendment of word)

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	terms in accordance with Article <u>7.3.6</u> and Article <u>7.3.10</u> .	<u>15</u> and Article <u>16</u> .	
7.3.3	The calculation of the transaction amounts referred to Article 7.3.2 shall be made in accordance with Article 7.6.1.5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.	The calculation of the transaction amounts referred to <u>in</u> Article 7.3.2 shall be made in accordance with Article 7.6.1.5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.	(Remove word)
7.3.4	With respect to the <u>types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u> , the Company's Board of Directors may pursuant to Article 7.2.1.3 delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors ;	With respect to the <u>acquisition or disposal of business-use equipment between a public company and its parent or subsidiaries</u> , the Company's Board of Directors may pursuant to Article 7.2.1.3 <u>and Article 7.2.2.2</u> delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors :	
<u>7.3.4.1</u>	<u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u>		(New addition)
<u>7.3.4.2</u>	<u>Acquisition or disposal of real property right-of-use assets held for business use.</u>		
7.3.6	The Company that acquires real property <u>or right-of-use assets thereof</u> from a related party shall	The Company that acquires real property from a related party shall evaluate the	(Add word)

<b>Article</b>	<b>Contents after revision</b>	<b>Contents before revision</b>	<b>Explanation</b>
	evaluate the reasonableness of the transaction costs by the following means:	reasonableness of the transaction costs by the following means:	
<b>7.3.7</b>	Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in Article 7.3.6.	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 Article 7.3.6.	(Add word)
<b>7.3.8</b>	The Company that acquires real property <u>or right-of-use assets thereof</u> from a related party and appraises the cost of the real property <u>or right-of-use assets thereof</u> in accordance with Article 7.3.6 shall also engage a CPA to check the appraisal and render a specific opinion.	The Company that acquires real property from a related party and appraises the cost of the real property in accordance with Article 7.3.6.1 and 7.3.6.2 shall also engage a CPA to check the appraisal and render a specific opinion.	(amendment of word)
<b>7.3.9</b>	Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 7.3.2 and Article 7.3.6 <u>and</u> 7.3.7 do not apply:	Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 7.3.2 and Article 7.3.6, 7.3.7 <u>and</u> 7.3.8 do not apply:	
<b>7.3.9.1</b>	The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.	The related party acquired the real property through inheritance or as a gift.	(Add word)
<b>7.3.9.2</b>	More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.	More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.	
<b>7.3.9.3</b>	The real property is acquired through signing of a joint	The real property is acquired through signing of a joint	(change from Article 7.3.8.4)

<b>Article</b>	<b>Contents after revision</b>	<b>Contents before revision</b>	<b>Explanation</b>
	development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.	development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.	to Article 7.3.9.3)
<b><u>7.3.9.4</u></b>	<u>The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u>		(New addition)
<b><u>7.3.10</u></b>	When the results of the Company's appraisal conducted in accordance with Article 7.3.6 and 7.3.7 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 7.3.10, Article 7.3.11 and Article 7.3.12. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:	When the results of the Company's appraisal conducted in accordance with Article 7.3.6.1 and 7.3.6.2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 7.3.10, Article 7.3.11 and Article 7.3.12. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:	(amendment of word)
<b><u>7.3.10.1</u></b>	Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:	Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:	(change from Article 7.3.9.1 to Article 7.3.10.1)
<b><u>7.3.10.1.1</u></b>	Where undeveloped land is appraised in accordance with the means in Article <u>7.3.6 to 7.3.9</u> , and structures according to the related party's construction cost plus reasonable construction	Where undeveloped land is appraised in accordance with the means in <u>the preceding Article</u> , and structures according to the related party's construction cost plus reasonable construction	(amendment of word)

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	profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.	profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.	
7.3.10.1.2	Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market <u>sale or leasing</u> practices.	Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.	(amendment of word)
<u>7.3.9.1.3</u>		<u>Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u>	(Remove)
7.3.10.2	Where <u>the</u> Company acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u> , from a related party provides evidence that the terms of the transaction are similar to the terms of <u>completed transactions involving</u> neighboring or closely	Where a <u>public</u> company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of <u>transactions completed for the acquisition of</u> neighboring or closely valued parcels of land of a similar size by unrelated	Act in connection with the articles modifications of Operating Procedures for Acquisition and Disposal of Assets by Public

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	valued parcels of land of a similar size by unrelated parties within the preceding year.	parties within the preceding year.	Companies.
<b>7.3.10.3</b>	Completed transactions <u>involving</u> neighboring or closely valued parcels of land in Article <u>7.3.10.1</u> and <u>7.3.10.2</u> in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction <u>involving</u> similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof</u> .	Completed transactions <u>for</u> neighboring or closely valued parcels of land in Article <u>7.3.9.2</u> in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction <u>for</u> similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	
<b>7.3.11</b>	Where <u>the</u> Company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with Article 7.3.6 and Article <u>7.3.10</u> are uniformly lower than the transaction price, the following steps shall be taken:	Where <u>a public</u> company acquires real property from a related party and the results of appraisals conducted in accordance with Article 7.3.6 and Article <u>7.3.9</u> are uniformly lower than the transaction price, the following steps shall be taken:	
<b>7.3.11.1</b>	A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of	A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where <u>a public</u>	(amendment of word)

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	bonus shares. Where <u>the</u> Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.	company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.	
<b>7.3.11.2</b>	Audit Committee shall comply with Article 218 of the Company Act.	Audit Committee shall comply with Article 218 of the Company Act.	(change from Article 7.3.10.2 to Article 7.3.11.2)
<b>7.3.11.3</b>	Actions taken pursuant to Article 7.3.10.1 and Article 7.3.10.2 shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.	Actions taken pursuant to Article 7.3.10.1 and Article 7.3.10.2 shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.	(change from Article 7.3.10.3 to Article 7.3.11.3)
<b>7.3.12</b>	The Company that has set aside a special reserve under Article 7.3.11 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</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 <u>competent authority</u> has given its consent.	The Company that has set aside a special reserve under Article 7.3.10 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 <u>FSC</u> has given its consent.	Act in connection with the articles modifications of Operating Procedures for Acquisition and Disposal of Assets by Public Companies.
<b>7.3.13</b>	When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the	When the Company obtains real property from a related party, it shall also comply with the Article 7.3.11 and Article 7.3.12	(amendment of word)



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	Article 7.3.11 and Article 7.3.12 if there is other evidence indicating that the acquisition was not an arm's length transaction.	if there is other evidence indicating that the acquisition was not an arm's length transaction.	
7.4.4.1	Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with <u>the procedures herein</u> and the procedures for engaging in derivatives trading formulated by the company.	Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with <u>these Regulations</u> and the procedures for engaging in derivatives trading formulated by the company.	
7.5.7	When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in <u>Article 7.5.6.1 and 7.5.6.2</u> of the preceding paragraph to the <u>competent authority</u> for recordation.	When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in <u>subparagraphs 7.5.6.1 and 7.5.6.2</u> of the preceding paragraph to the <u>FSC</u> for recordation.	
7.5.11	The contract for participation by <u>the</u> 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:	The contract for participation by <u>a public</u> 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:	
7.6.1.1	Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related	Acquisition or disposal of real property from or to a related party, or acquisition or disposal	Act in connection with the articles

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	party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.	of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.	modifications of Operating Procedures for Acquisition and Disposal of Assets by Public Companies.
7.6.1.4	<u>Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</u>	<u>The types of assets acquired or disbursed are used for business purposes and the counterparties are not Interested Parties, the transaction amount is as one of the following:</u>	
7.6.1.5	Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and <u>furthermore the transaction counterparty is not a related party</u> , the amount the company expects to invest in the transaction is <u>over</u> than TWD500 million.	Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is <u>less</u> than TWD500 million.	
7.6.1.6.1	Trading of <u>domestic</u> government bonds.	Trading of government bonds.	(Add word)
7.6.1.7.3	The cumulative transaction amount of acquisitions and	The cumulative transaction amount of <u>real property</u>	(amendment of word)

Article	Contents after revision	Contents before revision	Explanation
	disposals (cumulative acquisitions and disposals, respectively) <u>of real property or right-of-use assets thereof</u> within the same development project within the preceding year.	acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.	
7.6.1.8	"Within the preceding year" as used in Article 7.6.1.7 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with <u>the procedures herein</u> need not be counted toward the transaction amount.	"Within the preceding year" as used in Article 7.6.1.7 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with <u>these Regulations</u> need not be counted toward the transaction amount.	
7.6.1.9	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 <u>competent authority</u> by the 10th day of each month.	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 <u>FSC</u> by the 10th day of each month.	
7.6.2	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Article 7.6.1, a public report of relevant information shall be made on the information reporting website designated by the <u>competent authority</u> within 2 days commencing immediately from the date of occurrence of the event:	Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Article 7.6.1, a public report of relevant information shall be made on the information reporting website designated by the <u>FSC</u> within 2 days commencing immediately from the date of occurrence of the event:	

Article	Contents after revision	Contents before revision	Explanation
7.8	The paid-in capital or total assets of the Company shall be the standard <u>applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 7.7</u> is subject to Article 7.6.1.	The paid-in capital or total assets of the <u>public</u> Company shall be the standard <u>for determining whether or not</u> a subsidiary referred to in Article 7.7 is subject to Article 7.6.1 <u>requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</u>	Act in connection with the articles modifications of Operating Procedures for Acquisition and Disposal of Assets by Public Companies.
7.9	For the calculation of 10 percent of total assets under <u>the procedures herein</u> , the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than TWD10, for the calculation of transaction amounts of 20 percent of paid-in capital under <u>the procedures herein</u> , 10 percent of equity attributable to owners of the parent shall be substituted; <u>for calculations under the provisions of the procedures herein regarding transaction amounts relative to paid-in capital of TWD10 billion, TWD20 billion of equity attributable to owners of the parent shall be substituted.</u>	For the calculation of 10 percent of total assets under <u>these Regulations</u> , the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than TWD10, for the calculation of transaction amounts of 20 percent of paid-in capital under <u>these Regulations</u> , 10 percent of equity attributable to owners of the parent shall be substituted.	
7.10	Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with	Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with	(amendment of word)

Article	Contents after revision	Contents before revision	Explanation
	appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>meet the following requirements:</u>	appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>not be a related party of any party to the transaction.</u>	
<b><u>7.10.1</u></b>	<u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u>		(New addition)
<b><u>7.10.2</u></b>	<u>May not be a related party or de facto related party of any party to the transaction.</u>		
<b><u>7.10.3</u></b>	<u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u>		
<b><u>7.10.4</u></b>	<u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u>		
<b><u>7.10.4.1</u></b>	<u>Prior to accepting a case, they</u>		

Article	Contents after revision	Contents before revision	Explanation
	<u>shall prudently assess their own professional capabilities, practical experience, and independence.</u>		
<b><u>7.10.4.2</u></b>	<u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u>		
<b><u>7.10.4.3</u></b>	<u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u>		
<b><u>7.10.4.4</u></b>	<u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u>		
<b>7.12</b>	The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with <u>the procedures herein</u> .	The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with <u>these Regulations</u> .	(amendment of word)
<b>7.13</b>	With respect to <u>the</u> Company's acquisition or disposal of assets that is subject to the approval of	With respect to <u>a public</u> company's acquisition or disposal of assets that is subject	Act in connection with the articles modifications

Article	Contents after revision	Contents before revision	Explanation
	<p>the Board of Directors under the company's procedures or other laws or regulations, when it is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors . <u>Any transaction involving major assets or derivatives in the Company shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 7.14.3.</u></p>	<p>to the approval of the Board of Directors under the company's procedures or other laws or regulations, <u>-if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to Audit Committee. Where the position of independent director has been created in accordance with Securities Exchange Act, when a transaction involving the acquisition or disposal of assets</u> is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors .</p>	<p>of Operating Procedures for Acquisition and Disposal of Assets by Public Companies.</p>
<b><u>7.14</u></b>	<u>Establishment or amendment of the procedures herein:</u>		(New addition)
<b><u>7.14.1</u></b>	<u>It shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and then to a Shareholders' Meeting for approval.</u>		
<b><u>7.14.2</u></b>	<u>When the procedures herein are submitted for discussion by the Board of Directors pursuant to Article 7.14.1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about</u>		

Article	Contents after revision	Contents before revision	Explanation
	<u>any matter, it shall be recorded in the minutes of the Board of Directors .</u>		
<b><u>7.14.3</u></b>	<u>If approval of more than half of all audit committee members as required in Article 7.14.1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the Board of Directors . The terms "all audit committee members" in the preceding paragraph and Article 7.14.1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u>		



**AXIOMTEK CO., LTD.**

**Comparison Table for Articles in the “Operating Procedures  
for Loaning of Funds and Making of Endorsement/Guarantee”  
(before and after Revision)**

Article	Contents after revision	Contents before revision	Explanation
<u>2.2.2</u>		<u>The restriction in 2.2.1.2 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the provisions of Article 7.1 and 7.2 concerning the setting of the amount limits and the durations of loans shall still apply.</u>	(Remove)
2.3.1.3	"Other endorsements and/or guarantees" which shall mean other endorsements or guarantees which cannot be included in <u>Article 2.3.1.1 and Article 2.3.1.2.</u>	"Other endorsements and/or guarantees" which shall mean other endorsements or guarantees which cannot be included in <u>the above two categories.</u>	(amendment of word)
3.7	Date of occurrence: Refers to the date of contract signing, date of payment, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the <u>loan and endorsements/guarantees,</u> whichever date is earlier.	Date of occurrence: Refers to the date of contract signing, date of payment, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the <u>transaction,</u> whichever date is earlier.	(amendment of word)
5.2.4	Evaluate the status of the Company’s loans of funds and reserve sufficient <u>loss</u> allowance or contingency loss recognition for endorsements/guarantees.	Evaluate the status of the Company’s loans of funds and reserve sufficient allowance <u>for bad debts</u> or contingency loss recognition for endorsements/guarantees.	(amendment of word)
7.1	<u>The aggregate amount of loans and the maximum amount permitted to a single borrower:</u>	<u>Financing amount of the Company to the others shall not exceed 40 percent of the Company's net worth, and also</u>	Act in connection with the articles modifications of Operating Procedures for

Article	Contents after revision	Contents before revision	Explanation
		<u>need to meet the requirement as following:</u>	Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies.
<b>7.1.1</b>	Where an inter-company or inter-firm business transaction calls for a loan arrangement, the loan amount shall not exceed 20 percent of the Company's net worth.	Where an inter-company or inter-firm business transaction calls for a loan arrangement, the loan amount shall not exceed 20 percent of the Company's net worth; <u>if the borrower is subsidiaries of the Company, the loan amount shall not exceed 40 percent of the Company's net worth. The individual loan amount shall not exceed 10 percent of the Company's net worth.</u>	(Remove)
<b><u>7.1.3</u></b>	<u>Inter-company loans of funds between foreign companies or with the Company in which the Company holds, directly or indirectly, 100% of the voting shares, the loan amount shall not exceed 40 percent of the Company's net worth. The individual loan amount shall not exceed 10 percent of the Company's net worth.</u>		(New addition)
<b><u>7.1.4</u></b>	<u>The responsible person of the Company who has violated the regulation of 2.2.1 shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.</u>		(New addition)
<b>7.3.2.5</b>	The Company intending to loan funds to others shall evaluate cautiously to see if the procedures compliance with these Regulations, and submits it for	The Company intending to loan funds to others shall evaluate cautiously to see if the procedures compliance with these Regulations, and submits it for	Act in connection with the articles modifications of Operating Procedures for Loaning of

Article	Contents after revision	Contents before revision	Explanation
	discussion by the Board of Directors with appraisal under the preceding paragraph, the directors' authorization is prohibited.	discussion by the Board of Directors with appraisal under the preceding paragraph, the directors' authorization is prohibited. <u>The Board of Directors shall take into full consideration each independent director's opinion when making a loan to the other; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</u>	Funds and Making of Endorsements/ Guarantees by Public Companies.
7.3.2.6	Loans of funds between the Company <u>and its subsidiaries, or</u> between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the <u>regulations</u> , and the chairperson may be authorized, for a specific borrowing counterparty, within the limitation of 10 percent of net worth of the last financial statement of the Company resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.	Loans of funds between the Company between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the <u>preceding paragraph</u> , and the chairperson may be authorized, for a specific borrowing counterparty, within the limitation of 10 percent of net worth of the last financial statement of the Company resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.	(amendment of word)
<u>7.3.2.7</u>		<u>Where the Company has established the position of independent director, when it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</u>	(Remove)

Article	Contents after revision	Contents before revision	Explanation
7.3.3.1	The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated under the <u>regulations</u> .	The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated under the <u>preceding paragraph</u> .	(amendment of word)
7.3.3.2	Finance Dept. shall evaluate the status of making a loan and reserve sufficient <u>loss</u> allowance, and disclose the related information for making a loan, also provide the related information to Certified Accountant for exercising necessary audit procedure.	Finance Dept. shall evaluate the status of making a loan and reserve sufficient allowance <u>for bad debt</u> , and disclose the related information for making a loan, also provide the related information to Certified Accountant for exercising necessary audit procedure.	(amendment of word)
7.4.1.1	The ceilings on the amounts the Company is permitted to make in endorsements/guarantees shall not exceed 50 percent of the Company's net worth. The amount of endorsements/guarantees for any single entity shall not exceed 10 percent of the Company's net worth.	The ceilings on the amounts the Company is permitted to make in endorsements/guarantees shall not exceed 50 percent of the Company's net worth <u>of the most recent financial statement</u> . The amount of endorsements/guarantees for any single entity shall not exceed 10 percent of the Company's net worth <u>of the most recent financial statement</u> .	(Remove)
7.4.1.2	The amount of endorsement/guarantee of the Company and its subsidiaries as a whole are permitted to make shall not exceed 50 percent of the Company's net worth. And amount of endorsement/guarantee of the Company and its subsidiaries as a whole are permitted for any single entity shall not exceed 10 percent of the Company's net worth.	The amount of endorsement/guarantee of the Company and its subsidiaries as a whole are permitted to make shall not exceed 50 percent of the Company's net worth <u>in the most recent financial statement</u> . And amount of endorsement/guarantee of the Company and its subsidiaries as a whole are permitted for any single entity shall not exceed 10 percent of the Company's net worth <u>of the most</u>	(Remove)

Article	Contents after revision	Contents before revision	Explanation
7.4.2.3	Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Regulations and the Company's Operational Procedures for Endorsements/Guarantees for Others. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph have been submitted to and resolved upon by the Board of Directors.	<p>recent financial statement.</p> <p>Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Regulations and the Company's Operational Procedures for Endorsements/Guarantees for Others. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph have been submitted to and resolved upon by the Board of Directors. <u>When it makes</u> <u>endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</u></p>	(Change from Article 7.4.2.2.5 to Article 7.4.2.3 /Remove)
7.4.2.4	The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under <u>the regulations</u> .	The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under <u>preceding paragraph</u> .	(Change from Article 7.4.2.3 to Article 7.4.2.4)
7.4.2.5	For circumstances in which an entity for which the Company makes any	For circumstances in which an entity for which the Company makes any	(Change from Article 7.4.2.4 to Article

Article	Contents after revision	Contents before revision	Explanation
	endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall keep monitoring and follow-up. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.	endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall keep monitoring and follow-up. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.	7.4.2.5)
<b>7.4.2.6</b>	Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all members of Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.	Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all members of Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.	(Change from Article 7.4.2.5 to Article 7.4.2.6)
<b>7.4.2.7</b>	The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.	The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.	(Change from Article 7.4.2.6 to Article 7.4.2.7)
<b>7.4.4.3</b>	The Company may provide endorsement/guarantee exceeding the amount permitted in the Procedure of item 7.4.1, provided that the prior approval from the Board of Directors is obtained, and more than half of the	The Company may provide endorsement/guarantee exceeding the amount permitted in the Procedure of item 7.4.1, provided that the prior approval from the Board of Directors is obtained, and more than half of the	(amendment of word)

Article	Contents after revision	Contents before revision	Explanation
	<p>directors shall be the joint guarantors for the loss of the company resulting from the amount in excess of the permitted endorsement/guarantee amount. <u>The Company</u> shall also revise the Procedure accordingly and submit it to the Shareholders' Meeting for ratification. If the Shareholders' Meeting does not pass the resolution for ratification, the company shall adopt a plan to discharge the amount in excess within a certain period. When this matter is submitted to the meeting of the Board of Directors, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</p>	<p>directors shall be the joint guarantors for the loss of the company resulting from the amount in excess of the permitted endorsement/guarantee amount. <u>A listed or OTC company</u> shall also revise the Procedure accordingly and submit it to the Shareholders' Meeting for ratification. If the Shareholders' Meeting does not pass the resolution for ratification, the company shall adopt a plan to discharge the amount in excess within a certain period. When this matter is submitted to the meeting of the Board of Directors, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</p>	
7.6.2.1	<p>The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the <u>Company's</u> net worth as stated in its latest financial statement.</p>	<p>The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the <u>public company's</u> net worth as stated in its latest financial statement.</p>	(amendment of word)
7.6.2.2	<p>The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the <u>Company's</u> net worth as stated in its latest financial statement.</p>	<p>The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the <u>public company's</u> net worth as stated in its latest financial statement.</p>	(amendment of word)
7.6.2.3	<p>The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the <u>Company's</u> net worth as stated in its latest</p>	<p>The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the <u>public company's</u> net worth as stated in</p>	(amendment of word)

Article	Contents after revision	Contents before revision	Explanation
	financial statement.	its latest financial statement.	
7.6.2.4	The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant of <u>Article 7.6.2.3.</u>	The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant of <u>the preceding paragraph.</u>	(amendment of word)
7.6.3.1	The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the <u>Company's</u> net worth as stated in its latest financial statement.	The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the <u>public company's</u> net worth as stated in its latest financial statement.	(amendment of word)
7.6.3.3	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, <u>the carrying amount of investments accounted for using equity method</u> , and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.	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, <u>investment of a long-term nature in</u> , and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.	Act in connection with the articles modifications of Operating Procedures for Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies.
7.6.3.5	The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant of <u>Article 7.6.3.4.</u>	The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant of <u>the preceding paragraph.</u>	(amendment of word)
7.9	The provisions <u>or modification</u> of the Procedure;	The provisions of the Procedure	Act in connection with the articles modifications of Operating Procedures for Loaning of
<u>7.9.1</u>	<u>It</u> shall be approved by more than half of all Audit Committee members and submitted to the	shall be approved by more than half of all Audit Committee members and submitted to the	



Article	Contents after revision	Contents before revision	Explanation
	<p>Board of Directors for a resolution, <u>and then submitted to Shareholders' Meeting for approval</u>, if a director objects to or expresses reservations about any matter of the procedure, it shall be recorded in the minutes of the Board of Directors and the Company shall submit the director's dissenting opinion to Shareholders' Meeting for discussion.</p>	<p>Board of Directors for a resolution, if a director objects to or expresses reservations about any matter of the procedure, it shall be recorded in the minutes of the Board of Directors and the Company shall submit the director's dissenting opinion to Shareholders' Meeting for discussion, <u>the same applies when the procedures are amended. When a procedure is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors.</u></p>	<p>Funds and Making of Endorsements/ Guarantees by Public Companies.</p>
<p><b><u>7.9.2</u></b></p>	<p><u>If approval of more than half of all Audit Committee members is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors.</u></p>		<p>(New addition)</p>
<p><b><u>7.9.3</u></b></p>	<p><u>All audit committee members and all directors shall be counted as the actual number of persons currently holding those positions.</u></p>		<p>(New addition)</p>

## **PART THREE – Appendices**

**(APPENDIX I)**

### **AXIOMTEK CO., LTD.**

#### **Article of Incorporation**

##### **(before Revision)**

#### **Section I-General Provisions**

##### **Article 1**

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 艾訊股份有限公司 in the Chinese language, and Axiomtek Co., Ltd. in the English language.

##### **Article 2**

The scope of business of the Corporation shall be as follow:

1. CB01020 Office Machines Manufacturing
2. CC01080 Electronic Parts and Components Manufacturing
3. F219010 Retail Sale of Electronic Materials
4. I301020 Data Processing Services
5. I301030 Digital Information Supply Services
6. I501010 Product Designing
7. E605010 Computing Equipment's Installation Construction
8. CC01060 Wired Communication Equipment and Apparatus Manufacturing
9. CC01070 Telecommunication Equipment and Apparatus Manufacturing
10. CC01110 Computers and Computing Peripheral Equipment Manufacturing
11. CE01010 Precision Instruments Manufacturing
12. EZ05010 Apparatus Installation Construction
13. I301010 Software Design Services
14. F213030 Retail sale of Computing and Business Machinery Equipment
15. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

##### **Article 3**

The Corporation shall have its head office in New Taipei County, Taiwan, Republic of China, and shall has its right to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities, upon approval of government authorities in charge.

##### **Article 4**

The Company may provide endorsement and guarantee and act as a guarantor, the proceeding in accordance with the Operating Procedures of Fund Lending and Making of Endorsements and Guarantees.

#### **Section II – Capital Stock**

##### **Article 5**

The total capital stock of Corporation shall be in the amount of 1,600,000,000 New Taiwan Dollars,

divided into 160,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments upon approval of Board of Directors.

The Corporation may issue employee stock options from time to time upon Directors' resolution. A total of 10,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

## **Article 6**

The Corporation may transfer shares to employees at less than the average actual share repurchase price in accordance with Article 10-1 in the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, To transfer shares to employees at less than the average actual share repurchase price, a company must have obtained the consent of at least two-thirds of the voting rights present at the most recent Shareholders' Meeting attended by shareholders representing a majority of total issued shares.

## **Article 6-1**

The Corporation may issue the shares to employees with Employee stock options and the share price would be less than the Ordinary Shares Closing Price of the issued date of the Corporation, and the Employee stock options mentioned herein shall be adopted by two-thirds of the shareholders present who represent majority of the total number of its outstanding shares by the Corporation.

## **Article 7**

The Company is exempted from having the stock shares printed out; however, the Company should contact the securities depository and clearing institution for registration.

## **Article 8**

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

## **Article 9**

All transfer of stocks, pledge of rights, loss, succession, gift, and loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholder of the Company shall follow the "Guidelines for Stock Operations for Public Companies".

## **Article 10**

The investment amount of the Corporation will not be limited to regulation 「 Shall not exceed forty percent of the paid-up share capital of the Company 」 in the Article XIII of the Company Law of the Republic of China.

## **SECTION III- Shareholders' Meeting**

## **Article 11**

Shareholders' Meeting of the Corporation are of two types, namely: (1) regular meeting and (2) special meetings. Regular meeting shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant, rules and regulations of the Republic of China.

## **Article 12**

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law of the Republic of China. Regarding to the issue of Power of Attorney, would be follow the regulations of “Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies”.

### **Article 13**

Each share of stock shall be entitled to one vote. But the share will not be entitled to have vote in accordance with the regulations of Article 179 of the Company Law of the Republic of China.

### **Article 14**

Except as provided in the Company Law of the Republic of China, Shareholders’ Meeting may be held if attended by shareholders in person more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

### **Article 15**

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation for the convening of Shareholders’ Meeting, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders.

### **Article 16**

The Shareholders’ Meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, Chairman should appoint one of the Board of Directors as his representative to preside the meeting, or one of the Directors shall be elected among Directors if Chairman does not appoint anyone. If the meeting is convened by the outsider of the Board of Directors, the convener should preside the meeting; when there are more than 2 conveners, conveners should elect one among conveners to preside the meeting.

### **Article 17**

The resolutions of the Shareholders’ Meeting shall be recorded in the minutes, and handle in accordance with the regulations of Article 183 of the Company Law of the Republic of China.

## **Section IV-Directors and the Functional Committee**

### **Article 18**

The Corporation shall have seven to nine Directors, the term of office for Directors shall be three (3) years. Directors should be elected by adopting candidates’ nomination system, the shareholders can elect the directors from the candidates list of directors, and all Directors shall be eligible for re-election. All directors of the proportion of the total shareholding of the Corporation shall be governed by the provisions of the securities regulatory authorities. The Corporation reserves the right to purchase Liability Insurance for the Directors according to his function and the compensation liability the Directors might take in accordance with the Law as the Director conducting his business.

### **Article 18-1**

The Corporation must have at least three independent directors in accordance with the regulations of Article 14-2 of the Securities Exchange Act of the Republic of China, and no less than one-fifth of total number of directors. Regulations governing the professional qualifications, restrictions on

shareholdings and concurrent positions held, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the Security Competent Authority. Independent directors and directors shall have election together, and the elected quota shall be calculated separately, the independent directors and directors shall be elected by the high suffrage represented by the resulting ballot.

### **Article 19**

The Directors shall elect from among themselves a Chairman of the Board of Directors by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

### **Article 20**

In Chairman's absence, any one of the Directors shall be acting for him according to the regulations of Article 208 of the Company Law of the Republic of China.

### **Article 21**

In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

The remuneration of directors, be authorized the Board agreed according to Directors' value to the extent of their involvement of the Corporation's operations and the contribution, also referred with general standard of the similar industry standard.

### **Article 22**

In the case that vacancies on the Board of Directors exceed, for any reason, on third of the total number of the Directors, then the Board of Directors shall convene a Shareholders' Meeting to elect new Directors to fill such vacancies within 60 days, the new Directors shall serve the remaining term of the predecessors.

### **Article 23**

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting. A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

### **Article 24**

Resolutions adopted at a meeting of the Board of Directors shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all Directors within fifteen (15) days after the close of the meeting. The minute of the meeting of the Board of Directors shall record the date and the place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes and the attendance register book of the Directors, including the authorizations, shall be kept persistently.

### **Article 24-1**

The Corporation shall establish a Remuneration Committee, an Audit Committee or other Functional Committees.

The Corporation establishes an Audit Committee consist of all independent directors in compliance with Article 14-4 of the ROC Securities and Exchange Law, The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.

## **Section V-Management of the Corporation**

### **Article 25**

The Corporation may, by resolution of the Board of Directors, appoint managerial personnel to meet the Corporation's operational or managerial needs, appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with the regulations of the Article 29 of the Company Law. Managerial personnel has the right to manage and perform such duties under the function scope of authorization by the Board of Directors. The Corporation has the right to purchase Liability Insurance for the managerial personnel according to his function and the compensation liability the managerial personnel might take in accordance with the Law as the managerial personnel conducting his business.

## **Section VI-Accounting**

### **Article 26**

At the close of each fiscal year, the Board of Directors shall prepare the following statements and records and shall forward the same to the general meeting of shareholders for its ratification:

1. Business Report;
2. Financial Statement; and
3. The surplus earning distribution or loss off-setting proposals.

### **Article 27**

This Corporation shall set aside 1%-20% as employees' compensation and the percentage lower than 2% as directors' compensation if the Corporation has profit (means the Pre-tax Income before deduction of the employees' and directors' compensation) in the current year. However, the company's accumulated losses shall have been covered, if any (including the adjustment of unappropriated retained earnings).

The Corporation may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash to the qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, the remuneration of directors only can receive the profit in the form of cash.

The Corporation shall, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors for the preceding two paragraphs distributed and such distribution shall be submitted to the Shareholders' Meeting.

### **Article 27-1**

When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, where such legal reserve amounts to the total authorized capital, this provision will not apply. The Company would set aside or fund another sum as special reserve in accordance with the regulations of the Law or the rules of the Authorities, plus the rest of the and Accumulated Retained Earnings of preceding fiscal year (including the adjustment of undistributed earnings), and the meeting of Board of Directors would draft the Proposal for Distribution of the dividends and bonuses to the shareholders base on the amount in this provision and provide the proposal to Shareholders' Meeting to get resolution.

The Dividend Policy of the Company is in concert with the development plan of current and future,

the environment of investment, funds requirement, and the competition condition of domestic and foreign, also considers the shareholders' interest, as results, the Company shall set aside earnings available for distribution which is not less than 25% as shareholders' dividends; the dividends in the said proceeding sentence can be distributed in the form of shares or in cash, the stock Dividends of Share Allocations will not be higher than 80% of the Total Dividends.

## **Section VII-Supplementary Provisions**

### **Article 28**

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

### **Article 29**

These Articles of Incorporation are agreed to and signed on May 8, 1990 by all the promoters of the Corporation.

The first Amendment was approved on January 7, 1993;  
The second Amendment was made on October 1, 1993;  
The third Amendment was made on May 24, 1997;  
The fourth Amendment was made on August 15, 1997;  
The fifth Amendment was made on September 5, 1997;  
The sixth Amendment was made on June 20, 1998;  
The seventh Amendment was made on June 12, 1999;  
The eighth Amendment was made on June 24, 2000;  
The ninth Amendment was made on June 16, 2001;  
The tenth Amendment was made on March 5, 2002;  
The eleventh Amendment was made on June 25, 2002;  
The twelfth Amendment was made on June 30, 2003;  
The thirteen Amendment was made on May 24, 2004;  
The fourteen Amendment was made on June 24, 2005;  
The fifteen Amendment was made on June 9, 2006;  
The sixteen Amendment was made on June 25, 2007;  
The seventeen Amendment was made on June 6, 2008;  
The eighteen Amendment was made on June 22, 2009;  
The nineteen Amendment was made on June 17, 2010;  
The twenty Amendment was made on June 24, 2011;  
The twenty-first Amendment was made on June 18, 2012;  
The twenty-two Amendment was made on June 3, 2015;  
The twenty-three Amendment was made on May 31, 2016;  
The twenty-four Amendment was made on May 22, 2017.

## **AXIOMTEK CO., LTD.**

### **Operating Procedures for Acquisition and Disposal of Assets (before Revision)**

#### **Article 1 Purpose**

For the purpose of the Company's acquisition or disposal of assets has the standard procedure to be followed, so make this procedures, but it should be made in accordance with the applicable law, if any.

#### **Article 2 Scope**

The Company's acquisition or Disposal of assets should be made in compliance with these Regulations; provided, where another law or regulation provides otherwise, such provisions shall govern.

#### **Article 3 Definitions**

- 3.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts products, whose value is derived from assets, 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.
- 3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
- 3.3 Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3.4 Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- 3.5 Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- 3.6 Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

#### **Article 4 Reference Regulations**



4.1 Item 218 of Company Law.

4.2 Item 36-1 of Security and Exchange Law

4.3 Item 41 I of Security and Exchange Law

4.4 『Operating Procedures for Acquisition and Disposal of Assets by Public Companies』 made by Financial Supervisory Commission (FSC).

4.5 Organizational Rules of Audit Committee.

## **Article 5 Duty**

5.1 Applicant: To issue the application of acquisition or disposal of Assets.

5.2 Finance Department:

5.2.1 To evaluate the risk for acquisition or disposal of Assets.

5.2.2 To establish memorandum book for recording.

5.2.3 Control and manage the credit of loaning of funds and making of endorsements / guarantees.

5.2.4 To provide the related information for Certified Accountants exercise the necessary audit program.

5.2.5 Be responsible for the follow-up management process for executing the progress of loaning of funds and making of endorsements/guarantees.

5.3 Audit Department: To audit the report of acquisition or disposal of Assets by routine.

5.4 President: To review the evaluation report of acquisition or disposal of Assets issued by Finance Department.

5.5 Audit Committee: To establish and modify the procedures herein, and supervise any issue related to the acquisition or disposal of Assets.

5.6 Board of Directors: To make resolution for the issue related to the acquisition or disposal of Assets.

## **Article 6 Flow Chart**

Not applicable.

## **Article 7 Procedures/Way**

7.1 The Scope of Assets

7.1.1 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.

7.1.2 Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.

7.1.3 Memberships.

7.1.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.

7.1.5 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).

7.1.6 Derivatives.

7.1.7 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.

### 7.1.8 Other major assets.

## 7.2 Appraisal Procedures

### 7.2.1 Acquired or disposed of real property or equipment

7.2.1.1 In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or TWD300 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 prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

7.2.1.1.1 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 for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

7.2.1.1.2 Where the transaction amount is TWD1 billion or more, appraisals from two or more professional appraisers shall be obtained.

7.2.1.1.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

7.2.1.1.3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

7.2.1.1.3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

7.2.1.2 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

7.2.1.3 The decision procedure for transaction condition and authorized facilities

7.2.1.3.1 The ability of acquiring or disposing of real property needs to be made the analysis report for the transaction condition and value to the chairman with referring to the issue of current value, assessed valuation, the real transaction value of real property nearby etc., when the transaction amount is under TWD50 million, the report needs to be approved by the chairman and filing in the Board of Directors in the last time; when the transaction amount is higher than TWD 50 million, the transaction need to be approved by the Board of Directors.

7.2.1.3.2 The ability of acquiring or disposing of other fixed assets should be in the way of inquiry, parity, bargain, or bidding; when the transaction amount is under TWD30 million, it should be approved by authorized level in accordance with the regulations of authorized level in the Company; when the transaction amount is higher than TWD 30 million, it should be approved by the General manager and report to the Meeting of Boarding to get approval in advance.

### 7.2.2 Acquired or disposed of securities

- 7.2.2.1 Acquiring or disposing of securities of the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or TWD300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion 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).
- 7.2.2.2 The decision procedure for transaction condition and authorized facilities
- 7.2.2.2.1 To trade the securities in the centralized trading market or the counter specially provided by securities firms, it should be analyzed and decided by the responsible unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 million, it should be approved by the Board of Directors.
- 7.2.2.2.2 To trade the securities neither in the centralized trading market nor in the counter specially provided by securities firms, it should get the finance statement audited the certified account from the target company for the reference of transaction evaluation, and EPS, the ability for benefit gaining, and the future potential need to be considered, this transaction should be responsible by the related unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 million, it should be approved by the Board of Directors.
- 7.2.2.2.3 To invest the bond funds with fixed-income investments, it should authorized to the Finance Supervisor to approve it.
- 7.2.3 Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or TWD300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- 7.2.4 The calculation of the transaction amounts referred to in the preceding three articles (7.2.1, 7.2.2, 7.2.3) shall be done in accordance with Article 7.6.1.7 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
- 7.2.5 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

### 7.3 Related Party Transactions

- 7.3.1 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, 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 Article 7.2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 7.2.4 herein. When judging whether a

- trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
- 7.3.2 When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or redemption of domestic money market funds issued by domestic securities investment trust business, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:
- 7.3.2.1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  - 7.3.2.2 The reason for choosing the related party as a trading counterparty.
  - 7.3.2.3 With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.
  - 7.3.2.4 The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
  - 7.3.2.5 Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
  - 7.3.2.6 An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 7.3.1.
  - 7.3.2.7 Restrictive covenants and other important stipulations associated with the transaction.
- 7.3.3 The calculation of the transaction amounts referred to in Article 7.3.2 shall be made in accordance with Article 7.6.1.5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.
- 7.3.4 With respect to the acquisition or disposal of business-use equipment between a public company and its parent or subsidiaries, the Company's Board of Directors may pursuant to Article 7.2.1.3 and Article 7.2.2.2 delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors .
- 7.3.5 When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors .
- 7.3.6 The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:
- 7.3.6.1 Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 7.3.6.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply

- where the financial institution is a related party of one of the trading counterparties.
- 7.3.7 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 Article 7.3.6.
- 7.3.8 The Company that acquires real property from a related party and appraises the cost of the real property in accordance with Article 7.3.6.1 and 7.3.6.2 shall also engage a CPA to check the appraisal and render a specific opinion.
- 7.3.8.1 Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 7.3.2 and Article 7.3.6, 7.3.7 and 7.3.8 do not apply:
- 7.3.8.2 The related party acquired the real property through inheritance or as a gift.
- 7.3.8.3 More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
- 7.3.8.4 The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
- 7.3.9 When the results of the Company's appraisal conducted in accordance with Article 7.3.6.1 and 7.3.6.2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 7.3.10, Article 7.3.11 and Article 7.3.12. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
- 7.3.9.1 Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
- 7.3.9.1.1 Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
- 7.3.9.1.2 Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
- 7.3.9.1.3 Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- 7.3.9.2 Where a public company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- 7.3.9.3 Completed transactions for neighboring or closely valued parcels of land in Article 7.3.9.2 in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

- 7.3.10 Where a public company acquires real property from a related party and the results of appraisals conducted in accordance with Article 7.3.6 and Article 7.3.9 are uniformly lower than the transaction price, the following steps shall be taken:
- 7.3.10.1 A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  - 7.3.10.2 Audit Committee shall comply with Article 218 of the Company Act.
  - 7.3.10.3 Actions taken pursuant to Article 7.3.10.1 and Article 7.3.10.2 shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- 7.3.11 The Company that has set aside a special reserve under Article 7.3.10 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 FSC has given its consent.
- 7.3.12 When the Company obtains real property from a related party, it shall also comply with the Article 7.3.11 and Article 7.3.12 if there is other evidence indicating that the acquisition was not an arm's length transaction.

#### 7.4 Engaging in Derivatives Trading

- 7.4.1 Public companies engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:
- 7.4.1.1 Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.
  - 7.4.1.2 Risk management measures.
  - 7.4.1.3 Internal audit system.
  - 7.4.1.4 Regular evaluation methods and the handling of irregular circumstances.
- 7.4.2 The Company engaging in derivatives trading shall adopt the following risk management measures:
- 7.4.2.1 Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.
  - 7.4.2.2 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
  - 7.4.2.3 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.
  - 7.4.2.4 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.
  - 7.4.2.5 Other important risk management measures.
- 7.4.3 Where the Company engaging in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:

- 7.4.3.1 Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
- 7.4.3.2 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.
- 7.4.4 Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:
  - 7.4.4.1 Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
  - 7.4.4.2 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 a company has Independent Directors, an independent director shall be present at the meeting and express an opinion.
- 7.4.5 The Company shall report to the soonest meeting of the Board of Directors and Audit Committee after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.
- 7.4.6 The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated under Article 7.4.2.4, Article 7.4.3.2 and Article 7.4.4.1 shall be recorded in detail in the log book.
- 7.4.7 The Company's internal audit personnel shall periodically make a determination of the suitability 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, the Audit Committee shall be notified in writing.

## 7.5 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

- 7.5.1 The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. But the public offering company merges its direct or indirect holding of 100% of the issued shares or total capital, or a subsidiary thereof, either directly or indirectly, of 100% of the issued shares or capital of the Company, the reasonable advice of the experts could not be obtained.
- 7.5.2 The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the Shareholders' Meeting and include it along with the expert opinion referred to Article 7.5.1 when sending shareholders notification of the Shareholders' Meeting for reference in 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.
- 7.5.3 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.
- 7.5.4 A company participating in a merger, demerger, or acquisition shall convene a Board of

- Directors 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 Authority is notified in advance of extraordinary circumstances and grants consent.
- 7.5.5 A company participating in a transfer of shares shall call a Board of Directors on the day of the transaction, unless another act provides otherwise or the Authority is notified in advance of extraordinary circumstances and grants consent.
- 7.5.6 When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:
- 7.5.6.1 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.
- 7.5.6.2 Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors .
- 7.5.6.3 Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors s.
- 7.5.7 When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 7.5.6.1 and 7.5.6.2 of the preceding paragraph to the FSC for recordation.
- 7.5.8 Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Article 7.5.6 and Article 7.5.7.
- 7.5.9 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.
- 7.5.10 The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
- 7.5.10.1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- 7.5.10.2 An action, such as a disposal of major assets that affects the company's financial operations.
- 7.5.10.3 An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
- 7.5.10.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- 7.5.10.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.



- 7.5.10.6 Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 7.5.11 The contract for participation by a public 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:
  - 7.5.11.1 Handling of breach of contract.
  - 7.5.11.2 Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - 7.5.11.3 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.
  - 7.5.11.4 The manner of handling changes in the number of participating entities or companies.
  - 7.5.11.5 Preliminary progress schedule for plan execution, and anticipated completion date.
  - 7.5.11.6 Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 7.5.12 After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.
- 7.5.13 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 7.5.4, Article 7.5.9, and Article 7.5.12.

## 7.6 Public Disclosure of Information

- 7.6.1 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the Authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
  - 7.6.1.1 Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
  - 7.6.1.2 Merger, demerger, acquisition, or transfer of shares.
  - 7.6.1.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
  - 7.6.1.4 The types of assets acquired or disbursed are used for business purposes and the counterparties are not Interested Parties, the transaction amount is as one of the following:
    - 7.6.1.4.1 Paid-up Capital is under TWD10 billion dollars, transaction amount is over than TWD 500 million dollars.
    - 7.6.1.4.2 Paid-up Capital is over than TWD10 billion dollars, transaction amount is over than TWD 1000 million dollars.

- 7.6.1.5 Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than TWD500 million.
- 7.6.1.6 Except for the asset transaction stated in Article 7.6.1.1 to 7.6.1.5, Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:
  - 7.6.1.6.1 Trading of government bonds.
  - 7.6.1.6.2 Trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust business.
- 7.6.1.7 The amount of transactions above shall be calculated as follows:
  - 7.6.1.7.1 The amount of any individual transaction.
  - 7.6.1.7.2 The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
  - 7.6.1.7.3 The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
  - 7.6.1.7.4 The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- 7.6.1.8 "Within the preceding year" as used in Article 7.6.1.7 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
- 7.6.1.9 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 by the 10th day of each month.
- 7.6.1.10 When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it within 2 days upon acknowledgment, all the items shall be again publicly announced and reported in their entirety.
- 7.6.1.11 The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.
- 7.6.2 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Article 7.6.1, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:
  - 7.6.2.1 Change, termination, or rescission of a contract signed in regard to the original transaction.
  - 7.6.2.2 The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - 7.6.2.3 Change to the originally publicly announced and reported information.

- 7.7 Information required to be public announced and reported in accordance with the provisions of the related Regulations on acquisitions and disposals of assets by a subsidiary of a public company that is not itself a public company in Taiwan shall be reported by the Company.
- 7.8 The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in Article 7.7 is subject to Article 7.6.1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.
- 7.9 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than TWD10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.
- 7.10 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.
- 7.11 The Company that engages in any related party transaction, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises shall, in addition to conducting such matters in compliance with Article 7.10, shall also establish related procedures in accordance with the provisions of this Procedure.
- 7.12 The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Regulations.
- 7.13 With respect to a public company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to Audit Committee. Where the position of independent director has been created in accordance with Securities Exchange Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors .
- 7.14 The provisions of the Procedure shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, the same applies when the procedures are amended. If an independent director objects to or expresses reservations about any matter of the procedure, it shall be recorded in the minutes of the Board of Directors and the Company shall submit the director's dissenting opinion to Audit Committee. Where the position of independent director has been created in accordance with the related law, when a procedure involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors .

## **Article 8 The related documents**

### 8.1 Documents

Engaged in derivative commodity transaction processing procedures.

### 8.2 Form

8.2.1 The memorandum book of Acquisition or Disposal of Assets.

### 8.3 Record and others

Not applicable.

**AXIOMTEK CO., LTD.**  
**Operating Procedures for Loaning of Funds and Making of**  
**Endorsement/Guarantee**  
**(before Revision)**

**Article 1 Purpose**

For the purpose of the Company's Loaning of Funds and Making of Endorsement/Guarantee has the standard procedure to be followed, so make this procedures, but it should be made in accordance with the applicable law, if any.

**Article 2 Scope**

2.1 The Company shall comply with these Regulations when making loans to and endorsements/guarantees for others; provided that where another act or regulation provides otherwise, the provisions of such act shall prevail.

2.2 The party can be loaned of funds by the Company

2.2.1 Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

2.2.1.1 Where an inter-company or inter-firm business transaction calls for a loan arrangement.

2.2.1.2 Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent (40%) of the lender's net worth.

2.2.2 The restriction in 2.2.1.2 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the provisions of Article 7.1 and 7.2 concerning the setting of the amount limits and the durations of loans shall still apply.

2.3 The Scope and the party can be making of endorsement/guarantee by the Company

2.3.1 The endorsement and/or guaranty include the following:

2.3.1.1 Financial endorsements/guarantees, including:

2.3.1.1.1 Discounted bill financing.

2.3.1.1.2 Endorsement or guaranty made for the financing needs of other companies.

2.3.1.1.3 Issuing negotiable instruments for the purpose of providing guaranty to obtain finance for its own businesses to an entity other than the financial institutions.

2.3.1.2 "Custom Duty Endorsement and/or Guaranty", which shall mean endorsement or guarantee for the Company itself or other companies in respect of the custom duty matters.

2.3.1.3 "Other endorsements and/or guarantees" which shall mean other endorsements or guarantees which cannot be included in the above two categories.

2.3.1.4 The Company which creates a pledge or mortgage on its chattel or real estate as security for the loans of another company shall be subject to these procedures.

2.3.2 The Company may provide endorsement and/or guarantee for the following companies:

2.3.2.1 Subsidiaries in which the Company holds more than 50% of its total outstanding common shares.

2.3.2.2 The company which holds, directly or indirectly through a subsidiary, more than

50% of its outstanding common shares.

2.3.3 Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed the regulation of 7.4.1.3.

### **Article 3 Definitions**

- 3.1 Short -term: the period of either one year or one operating cycle, whichever is longer.
- 3.2 Financing Amount: The cumulative balance of the Company's short-term financing amount.
- 3.3 Subsidiary and Parent Company: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3.4 The financial report of Public Company: Refers to the report made by International Financing Reporting Standards (IFRS).
- 3.5 Net Worth: Refers to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3.6 Announce and Report: Refers to the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).
- 3.7 Date of occurrence: Refers to the date of contract signing, date of payment, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier

### **Article 4 Reference Regulations**

- 4.1 Item 15 of Company Law.
- 4.2 Item 36-1 of Security and Exchange Law
- 4.3 『Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies』 made by Financial Supervisory Commission ( FSC).
- 4.4 Organizational Rules of Audit Committee.

### **Article 5 Duty**

- 5.1 Applicant: To issue the application of Loaning of Funds or Making of Endorsement/Guarantee.
- 5.2 Finance Department:
- 5.2.1 To evaluate the risk for Loaning of Funds and Making of Endorsement/Guarantee.
  - 5.2.2 To establish memorandum book for recording.
  - 5.2.3 Control and manage the credit of loaning of funds and making of endorsements/guarantees.
  - 5.2.4 Evaluate the status of the Company's loans of funds and reserve sufficient allowance for bad debts or contingency loss recognition for endorsements/guarantees.
  - 5.2.5 To provide the related information for Certified Accountants exercise the necessary audit program.
  - 5.2.6 Be responsible for the follow-up management process for executing the progress of loaning of funds and making of endorsements/guarantees.
- 5.3 Audit Department: To audit the report of loaning of funds and making of endorsements/

guarantees by routine.

- 5.4 President: To review the evaluation report of loaning of funds and making of endorsements/guarantees issued by Finance Department.
- 5.5 Audit Committee: To establish and modify the procedures herein, and supervise any issue related to the loaning of funds and making of endorsements/guarantees.
- 5.6 Board of Directors: To make resolution for the issue related to the loaning of funds and making of endorsements/guarantees.

## **Article 6 Flow Chart**

Not applicable

## **Article 7 Procedures/Way**

- 7.1 Financing amount of the Company to the others shall not exceed 40 percent of the Company's net worth, and also need to meet the requirement as following:
  - 7.1.1 Where an inter-company or inter-firm business transaction calls for a loan arrangement, the loan amount shall not exceed 20 percent of the Company's net worth; if the borrower is subsidiaries of the Company, the loan amount shall not exceed 40 percent of the Company's net worth. The individual loan amount shall not exceed 10 percent of the Company's net worth.
  - 7.1.2 Where a short-term financing facility is necessary, the loan amount shall not exceed 20 percent of the Company's net worth; the individual loan amount shall not exceed 10 percent of the Company's net worth.
- 7.2 Duration of loans and calculation of interest
  - 7.2.1 The period of the loan made by the Company shall be made resolution by the Board of Directors by complying with this procedures, the period shall not be exceed 1 year. After the expiration of the period, it can be extended after approving by the Board of Directors.
  - 7.2.2 When the Company makes loans to the others, the rate could not be lower than short-term lending average rates of Financial Industry, and shall calculate the interest by month.
- 7.3 Procedures for handling loans of funds and detailed review
  - 7.3.1 The applied unit shall provide the basic information of the party the Company is going to make loan to, the recent 2 years financial information, describe the necessity and rationality, risk evaluation, estimated loan term and amount, pay-off plan and the source of funds and so on, the applicant need to send the information mentioned herein to Financial dept. for verifying.
  - 7.3.2 When making a loan to the other, it shall meet the requirement of item 2.2, and the finance object needs to be verified detail by Finance dept. in advance, the procedures shall include as following:
    - 7.3.2.1 The necessity and rationality evaluation for making a loan to the others.
    - 7.3.2.2 The Borrower's credit investigation and risk evaluation, including the financial situation of its business operation, debt-paying, credit ability, profit situation, use of the loan, the maximum amount for the loan, duration and calculation of interest.
    - 7.3.2.3 Impact on the Company's business operations, financial condition, and shareholders' equity.
    - 7.3.2.4 Explain to if the Company needs to get guarantor or have collateral to the Company and the appraisal report of collateral.
    - 7.3.2.5 The Company intending to loan funds to others shall evaluate cautiously to see if the procedures compliance with these Regulations, and submits it for discussion by the

Board of Directors with appraisal under the preceding paragraph, the directors' authorization is prohibited. The Board of Directors shall take into full consideration each independent director's opinion when making a loan to the other; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.

7.3.2.6 Loans of funds between the Company between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within the limitation of 10 percent of net worth of the last financial statement of the Company resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

7.3.2.7 Where the Company has established the position of independent director, when it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.

7.3.3 Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights

7.3.3.1 The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated under the preceding paragraph.

7.3.3.2 Finance Dept. shall evaluate the status of making a loan and reserve sufficient allowance for bad debt, and disclose the related information for making a loan, also provide the related information to Certified Accountant for exercising necessary audit procedure.

7.3.3.3 When the borrower repays the loan on or before the due date, the interest of the loan shall be calculated in advance, and be paid off with principal, then the Company can write the loan off or make a lien cancellation.

7.3.3.4 Finance Dept. shall investigate and evaluate the finance situation, business and the related credit condition of borrowers and guarantors, Finance Dept. shall circulate a notice immediately, provided if any dramatic changes happened.

7.3.3.5 If finance object cannot exercise the finance contract for its own reasons, the Company has the right to disposal of collateral of borrowers or recovery of loss from the guarantor of borrowers directly according to the law.

7.3.3.6 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the members of Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

7.4 Procedures for handling endorsements/guarantee and detailed review

7.4.1 The amount of endorsement/guarantee

7.4.1.1 The ceilings on the amounts the Company is permitted to make in endorsements/guarantees shall not exceed 50 percent of the Company's net worth of the most recent financial statement. The amount of endorsements/guarantees for any single entity shall not exceed 10 percent of the Company's net worth of the most recent financial statement.

7.4.1.2 The amount of endorsement/guarantee of the Company and its subsidiaries as a whole are permitted to make shall not exceed 50 percent of the Company's net worth in the most recent financial statement. And amount of endorsement/guarantee



of the Company and its subsidiaries as a whole are permitted for any single entity shall not exceed 10 percent of the Company's net worth of the most recent financial statement.

- 7.4.1.3 The Company can make endorsement/guarantee for the companies it holds, directly or indirectly, 90% or more of the voting shares, and the amount shall not exceed 10 percent of the Company's net worth of the most recent financial statement, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
- 7.4.2 Procedures for handling endorsements/guarantee and detailed review
  - 7.4.2.1 The applied unit shall provide the basic information of the party the Company is going to make endorsement/guarantee to, the recent 2 years financial information, describe the necessity and rationality, risk evaluation, estimated endorsement/guarantee term and amount, the applicant need to send the information mentioned herein to Finance dept. for verifying.
  - 7.4.2.2 When making an endorsement/guarantee to the other, it shall meet the requirement of item 2.3, and the Finance dept. needs to verified detail in advance, the procedures shall include as following:
    - 7.4.2.2.1 The necessity and rationality evaluation for making an endorsement/guarantee to the others.
    - 7.4.2.2.2 The warrantee's credit investigation and risk evaluation, including the financial situation of its business operation, debt-paying, credit ability, profit situation, use of the endorsement/guarantee, the maximum amount for the endorsement/guarantee and the duration.
    - 7.4.2.2.3 Impact on the Company's business operations, financial condition, and shareholders' equity.
    - 7.4.2.2.4 Explain to if the Company needs to get guarantor or have collateral to the Company and the appraisal report of collateral.
    - 7.4.2.2.5 Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Regulations and the Company's Operational Procedures for Endorsements/Guarantees for Others. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph have been submitted to and resolved upon by the Board of Directors. When it makes endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.
  - 7.4.2.3 The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under preceding paragraph.
  - 7.4.2.4. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall keep monitoring and follow-up. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.
  - 7.4.2.5 Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these

Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all members of Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

7.4.2.6 The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

7.4.3 The use and safekeeping of the corporate Chop and procedures

7.4.3.1 The Company shall use the company chop (the "Chop") registered with the Ministry of Economic Affairs ("MOEA") for the use of endorsement and/or guarantee, the Chop shall be under the safekeeping of a special personnel who is approved by the resolution of the Board of Directors, the Chop may be used and safekeeping only following the regulations of 『Procedures for Managing the Chop』.

7.4.3.2 If the Company provides guarantees in favor of a foreign company, the Guarantee Agreement shall be signed by the person who was authorized by the Board of Directors.

7.4.4 The management level responsible for decision making and authorizing personnel within the Company

7.4.4.1 When proving endorsements and/or guarantees to the Company's subsidiaries, the Board of Directors may authorize the Chairman of the Board to decide such matters when the transaction is within a specified amount regulated by these procedures and then submit such matter to the Board of Directors for ratification.

7.4.4.2 When proving endorsements and/or guarantees necessary due to the Company's business consideration, it shall be approved by the meeting of the Board of Directors in advance, however, for co-operating the time effectiveness, the Chairman can be authorized by the Board of Directors to decide such matters within the amount of 10 percent of net worth, and then submit such matter to the Board of Directors for ratification. If the meeting of the Board of Directors does not pass the resolution for ratification, the company shall adopt a plan to discharge the endorsements and/or guarantees within a certain period.

7.4.4.3 The Company may provide endorsement/guarantee exceeding the amount permitted in the Procedure of item 7.4.1, provided that the prior approval from the Board of Directors is obtained, and more than half of the directors shall be the joint guarantors for the loss of the company resulting from the amount in excess of the permitted endorsement/guarantee amount. A listed or OTC company shall also revise the Procedure accordingly and submit it to the Shareholders' Meeting for ratification. If the Shareholders' Meeting does not pass the resolution for ratification, the company shall adopt a plan to discharge the amount in excess within a certain period. When this matter is submitted to the meeting of the Board of Directors, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.

7.5 The managers and organizers violate these procedures, he/she shall be warned, given a demerits, demoted, suspend, partial salary, or other punishment in accordance with the seriousness of the case; the meeting of the Board of Directors has the right to make a resolution to decide if arise out of a litigation against the person who violate these procedures when the his/her violation cause any damage to the Company.

7.6 The procedure for making public announcement and filing

- 7.6.1 The Company shall announce and report the previous month's balance of the loan and endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
- 7.6.2 The Company's loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - 7.6.2.1 The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
  - 7.6.2.2 The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.
  - 7.6.2.3 The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.
  - 7.6.2.4 The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant of the preceding paragraph.
- 7.6.3 The Company's balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - 7.6.3.1 The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.
  - 7.6.3.2 The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
  - 7.6.3.3 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, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
  - 7.6.3.4 The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
  - 7.6.3.5 The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant of the preceding paragraph.

7.7 The Company's internal auditors shall audit the Operational Procedures for making a loan and Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify Audit Committee in writing of any material violation found.

#### 7.8 The management of subsidiaries

- 7.8.1 When the subsidiaries of the Company is Making a loan and Endorsements/Guarantees for Others, the Company shall have subsidiaries set 「Procedures for Loaning of Funds and Making of Endorsement/Guarantee」 in accordance with these procedures, and shall be follow the procedures.
- 7.8.2 Before making any endorsement/guarantee pursuant to Article 7.4.1.3., a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting

shares.

7.8.3 Subsidiaries shall report to the Company the previous month's balance of the loan and endorsements/guarantees, the party and the term by the 5th day of each month.

7.9 The provisions of the Procedure shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, if a director objects to or expresses reservations about any matter of the procedure, it shall be recorded in the minutes of the Board of Directors and the Company shall submit the director's dissenting opinion to Shareholders' Meeting for discussion, the same applies when the procedures are amended. When a procedure is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors .

## **Article 8 The related documents**

### 8.1 Documents

Procedures for Managing the Chop.

### 8.2 Form

8.2.1 The memorandum book of making a loan to others.

8.2.2. The memorandum book of Endorsements/Guarantees to others.

### 8.3 Record and others

Not applicable

## **AXIOMTEK CO., LTD.**

### **Rules of Procedures for Shareholders' Meeting**

1. To establish a strong governance system and sound supervisory capabilities for the Company's Shareholders' Meeting, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. The rules of procedures for the Company's Shareholders' Meeting, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
3. Unless otherwise provided by law or regulation, the Company's Shareholders' Meeting shall be convened by the Board of Directors.

The Company shall make including the Shareholders' Meeting notice, proxy form, approval proposal, discussion proposal, election or discharge Directors and so on(a regular meeting of shareholders prior within 30 days or special meeting of shareholders prior 15 days) as electronic forms upload to MOPS. And the amendment of the meeting shall be made as electronic files and upload to MOPS (a regular meeting of shareholders prior within 21 days or special meeting of shareholders prior 15 days). Before the 15 days of the Shareholders' Meeting, the Company shall well prepare the Shareholders' Meeting handbook and the amendment to be put in the place of professional stock transfer agency authorized by the Company and reviewed by each shareholder anytime, and shall grant to shareholders in the place of the meeting.

The reasons for convening a Shareholders' Meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of Directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the Company, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issue shall be set out in the notice of the reasons for convening the Shareholders' Meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding one percent (1%) or more of the total number of outstanding shares may propose to the Company a proposal for discussion at a regular Shareholders' Meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. And the proposal issued by shareholder should be pursuant to Article 172-1 of the Company Act, any proposal with

regards to the Item 4 of Article 172-1 of the Company act will not be discussed for the motion.

Prior to the book closure date before a regular Shareholders' Meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular Shareholders' Meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a Shareholders' Meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the Shareholders' Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

4. For each Shareholders' Meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given Shareholders' Meeting, and shall deliver the proxy form to the Company before 5 days before the date of the Shareholders' Meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

5. The venue for a Shareholders' Meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a Shareholders' Meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the Independent Directors with respect to the place and time of the meeting.

6. The Company shall specify in its Shareholders' Meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders or their proxies (collectively, “shareholders”) shall attend Shareholders’ Meeting based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker’s slips, voting slips, and other meeting materials. Where there is an election of Directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a Shareholders’ Meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

7. If a Shareholders’ Meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the Board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the Directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the Directors shall select from among themselves one person to serve as chair.

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

It is advisable that Shareholders’ Meeting convened by the Board of Directors be chaired by the chairperson of the Board in person and attended by a majority of the Directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a Shareholders’ Meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a Shareholders’ Meeting in a non-voting capacity.

8. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the Shareholders’ Meeting, and the voting and vote counting procedures.

The Company shall retain the recording for at 1 year. If, however, a shareholder files a lawsuit

pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

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

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

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

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

10. If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders' Meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a Shareholders' Meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the Shareholders' Meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

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

11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the



speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

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

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

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

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

12. Voting at Shareholders' Meeting shall be calculated based the number of shares.

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

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

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

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

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

When the Company holds a Shareholders' Meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be established in accordance with the laws and shall be specified in the Shareholders' Meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, the shareholder mentioned in the preceding paragraph will be deemed to

waive the right for the motion and the modification of the proposal at that Shareholders' Meeting mentioned herein, therefore, the Company shall avoid the situation of providing the proposal for the motion and the modification for the agenda item.

When shareholder exercises voting rights by written consent or electronic means in accordance with the preceding paragraph, the intention shall be delivered to the Company before 2 days before the date of the Shareholders' Meeting, when the intention repeat, the one received earliest shall prevail unless a declaration is made to cancel the previous intention.

After shareholder exercises voting rights by written consent or electronic means, if they want to attend to the Shareholders' Meeting in personal, the shareholder mentioned in the preceding sentence shall withdraw the intention by written consent or electronic means in the same way of exercising voting rights before 2 days before the date of the Shareholders' Meeting; when the withdraw mentioned herein is overdue, the voting rights by written consent or electronic mean shall prevail. If shareholder exercises voting rights by written consent or electronic means and appoint agent as proxy to attend the Shareholders' Meeting, the voting right of proxy shall prevail.

Except as otherwise specified in the Company Act or in the Company's articles of incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.

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

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

Vote counting shall be conducted in public at the place of the Shareholders' Meeting, and voting results shall be reported on –site immediately and recorded in writing.

14. The election of Directors at a Shareholders' Meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately.

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

15. Matters relating to the resolutions of a Shareholders' Meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The distribution of the meeting minutes could be in the way of electronic form.

The distribution for the meeting minutes in the preceding paragraph can be in the ways of

published in MOPS.

The meeting minutes shall record the date of the meeting, place, the chair name, the way of resolution and the results, and keep it forever during the term of continuing of the Company.

16. On the day of a Shareholders' Meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the Shareholders' Meeting.

If matters put to a resolution at a Shareholders' Meeting constitute information under applicable laws or regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

17. The personnel who is responsible for the Shareholders' Meeting shall wear the badge or identification card.

The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the meeting place. Such disciplinary officers or the security guard shall wear the badge marked "Disciplinary officers" for identification purpose.

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

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

18. During the meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation.

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

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

19. These Rules and Procedure shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

20. The amendment was made on June 3<sup>rd</sup>, 2015.

**AXIOMTEK CO., LTD.****Particulars about Shareholding of All Directors**

I. As per calculation based on the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the overall shareholding by Directors are as follow:

- (I) The Company has issued 79,683,649 common shares of which 10% (i.e. 7,968,365 shares) shall be held by all Directors according to statutory requirements. Also, the Audit Committee comprising Independent Directors has been established by the Company in accordance with Article 14.4 of the Securities and Exchange Act, responsible for the implementation of the authority of Supervisors under the provisions of the Company Act, the Securities and Exchange Act and other laws and regulations. Therefore, supervisors' shareholding requirements are not applicable.
- (II) The Company has also elected three Independent Directors; subsequently, the statutorily required number of common shares held by the Directors shall be reduced according to 80% of the abovementioned shares that shall be held by Directors. Hence, the total number of common shares held by the Directors of the Company shall come to 6,374,692 shares.

II. As of March 31<sup>st</sup>, 2019 (book closure date), the shareholding of common shares held by all Directors in the shareholders' registry has been as follows:

Title	Name	Representative	Current Shareholding	
			Shares	Shareholding Ratio %
Chairman	YANG, YU-TE		1,578,512	1.98
Director	ADVANTECH CO., LTD.	LIU, WEI-TING	20,537,984	25.77
Director	TSAI, SHIH-YANG		408,000	0.51
Director	HUANG, JUI-NAN		0	0
Independent Director	LIN, YIH-JONG		0	0
Independent Director	CHANG, JEN-CHIH		0	0
Independent Director	SHON, ZHENG-YI		0	0
The Shareholding of Ordinary Shares Held by all Directors			22,524,496	28.26

III. As it has stood, the number of ordinary shares held by all Directors has reached the statutorily required number.