

Stock code : 3013

uneec[®] **CHENMING**
ELECTRONIC TECH. CORP.
(Original name: CHENMING MOLD IND. CORP.)

**2020 General Shareholders’
Meeting**

**Meeting Agenda
Handbook**

Date of the Meeting: June 12, 2020

Location: Grand Victoria Hotel (No.168, Jingye 4th Rd.,
Zhongshan Dist., Taipei City, Taiwan)

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Chenming Electronic Technology Corporation
Agenda of 2020 General Shareholders' Meeting

Date and Time: 9:00 a.m. on June 12, 2020

Location: Grand Victoria Hotel (No.168, Jingye 4th Rd., Zhongshan Dist., Taipei City, Taiwan)

One. Announcement of the Commencement of the Meeting.

Two. The Chairperson's Remarks

Three. Reporting Matters:

- I. 2019 Business Report.
- II. Supervisors' Review Report on 2019 Financial Statements.
- III. The Status of Implementation of Buyback in Treasury Stocks.
- IV. Distribution of Remuneration to Employees and Directors and Supervisors
- V. Amendments to the Company's "Parliamentary Rules for Directors' Meetings."
- VI. Amendment to the Company's "Ethical Management Best-Practice Principles."

Four. Recognition Matters:

- I. 2019 Business Report and Financial Statements.
- II. 2019 Motion for Earnings Distribution.

Five. Discussion Matters:

- I. Amendments to the Company's "Articles of Incorporation."
- II. Amendments to the Company's "Procedure for Acquisition and Disposal of Assets."
- III. Amendments to the Company's "Procedures for Loaning of Funds to Others."
- IV. Amendments to the Company's "Operating Procedures for Endorsements/Guarantees."
- V. Amendments to the Company's "Regulations Governing Elections of Directors and Supervisors."

Six. Elections:

Motion for the Election of Directors (including Independent Directors) of the Company.

Seven. Other Motions.

Motion for Release the Prohibition on New Directors from Participation in Competitive Business.

Eight. Questions and Motions.

Nine. Adjournment of the meeting.

I. Announcement of the Commencement of the Meeting

II. The Chairperson's Remarks

III. Reporting Matters

Reporting Matter I (Proposed by the Board of Directors)

Subject: 2019 Business Report is submitted for review.

Remarks: I. Please refer to Attachment I for Business Report (Pages 27 ~ 28).

II. Please refer to Attachment III for financial information (Pages 30-47).

Reporting Matter II (Proposed by the Board of Directors)

Subject: The Supervisors' Review Report on 2019 Financial Statements is submitted for review.

Remarks: Please refer to Attachment II for Supervisors' Review Report (Page 29).

Reporting Matter III (Proposed by the Board of Directors)

Subject: The Status of Implementation of Buyback in Treasury Stocks is submitted for review.

Remarks: the Status of Implementation of Buyback in Treasury Stocks in Year 2019 has been duly verified by the Financial Supervisory Commission.

The facts of buyback are described below:

Unit: New Taiwan Dollars

Terms of buyback	The first buyback in 2019	The first buyback in 2020
Purposes of buyback	In an effort to safeguard the Company's credit standing and shareholders' equity	In an effort to safeguard the Company's credit standing and shareholders' equity
Period of actual buyback	2019/11/07~2019/12/27	2020/03/13~2020/04/14
Price range of buyback	NT\$ 11 ~NT\$ 20	NT\$ 9 ~NT\$ 18
The categories and quantities of buyback	3,500,000 common shares	3,500,000 common shares
Amount of buyback	NT\$49,810,302	NT\$38,712,454
Number of shares canceled and transferred	3,500,000 shares	3,500,000 shares
Accumulated holdings of the Company's shares	0 share	0 share
Accumulated holdings of the Company's shares to the total outstanding shares	0%	0%
Date of verification	2020/01/02	2020/04/21
Approval Letter No.	Letter Jin-Guan-Zheng-Jiao-Zi 1080342212	Letter Jin-Guan-Zheng-Jiao-Zi 1090339697

Reporting Matter IV (Proposed by the Board of Directors)

Subject: Please kindly review employees', directors' and supervisor's remuneration distribution plan.

Remarks: I. Pursuant to the Company's Articles of Incorporation, if the Company records a profit in a year, an amount not less than 2% shall be appropriated as remuneration to employees and an amount no more than 2% shall be appropriated as remuneration to directors and supervisors.

II. Pursuant to the preceding provision, the Company will appropriate NT\$5 million as remuneration to employees and NT\$1.5 million as remuneration

to directors and supervisors and both will be distributed in cash. There is no difference between the actual amount paid and the estimated amount.

Reporting Matter V (Proposed by the Board of Directors)

Subject: Please review the amendments to the “Parliamentary Rules for Directors’ Meetings” accordingly.

Remarks: In response to laws and establishment of Audit Committee, the Company's “Parliamentary Rules for Directors’ Meetings” are amended accordingly. The cross reference table for the amendments is stated as following.

Cross Reference Table for Amendments to Parliamentary Rules for Directors’ Meetings

Amended clauses	Existing clauses	Explanation
<p>Article 3 (Convening and notice of board meetings) The Board of Directors shall meet at least once quarterly. A notice of the reasons for convening a board meeting shall be given to each director before 7 days before the meeting is convened. In case of an emergency, however, a board meeting may be convened at any time. The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients. (Omitted)</p>	<p>Article 3 (Convening and Notice of board meetings) The Board of Directors shall meet at least once quarterly. A notice of the reasons for convening a board meeting shall be given to each director <u>and supervisor</u> 7 days before the meeting is convened. In the case of emergency, however, a board meeting may be convened at any time. The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients. (Omitted)</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>Article 7 (Chair and acting chair of a board meeting) Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair. <u>Where a board meeting is convened by a majority of directors on their own initiative in accordance with Paragraph 4 of Article 203 or Paragraph 3 of Article 203-1 of the Company Act, the directors shall choose one person by and from among themselves to chair the meeting.</u></p>	<p>Article 7 (Chair and acting chair of a board meeting) Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair. (Added)</p>	<p>In conformity with Article 7 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.</p>
<p>Article 15 (Recusal System for Directors) If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in</p>	<p>Article 15 (Recusal system for directors) If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in</p>	<p>In conformity with Article 15 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.</p>

Amended clauses	Existing clauses	Explanation
<p>discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p><u>Where the spouse or a relative by blood within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.</u></p> <p>Where a director is prohibited by the preceding two paragraphs from exercising voting rights with respect to a resolution at a board meeting, <u>Paragraph 2</u> of Article 180 of the Company Act apply mutatis mutandis in accordance with <u>Paragraph 4</u> of Article 206 of the same Act.</p>	<p>discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>(Added)</p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.</p>	
<p>Article 16 (Meeting minutes and sign-in matters)</p> <p>VII. Agenda items: The method of resolution and the result for each motion; a summary of the comments made by directors, experts or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Paragraph 5 of Article 12 herein.</p> <p>VIII. Extemporaneous motions: the name of the mover, the method of resolution and the result, a summary of the comments of any director, expert or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal and the status of their recusal; and their objections or reservations and any recorded or written statements.</p>	<p>Article 16 (Meeting minutes and sign-in matters)</p> <p>VII. Agenda items: the method of resolution and the result for each motion; a summary of the comments made by directors, <u>supervisors</u>, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 5.</p> <p>VIII. Extemporaneous motions: the name of the mover, the method of resolution and the result, a summary of the comments of any director, <u>supervisor</u>, expert or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal and the status of their recusal; and their objections or reservations and any recorded or written statements.</p>	<p>In response to the change of the competent authority's name and the Company's establishment of the Audit Committee in replace of supervisors pursuant to laws, the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Explanation
<p>IX. Other matters required to be recorded.</p> <p>The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:</p> <p>The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company. The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker and a copy of the minutes shall be distributed to each director within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of Company.</p>	<p>IX. Other matters required to be recorded.</p> <p>The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, <u>Executive Yuan</u>, within 2 days from the date of the meeting:</p> <p>The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company. The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker and a copy of the minutes shall be distributed to each director and <u>supervisor</u> within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of Company.</p>	
<p>Article 18(Supplementary provisions)</p> <p>The Parliamentary Rules shall be adopted by the approval of meeting of the board of directors and shall be reported to the shareholders' meeting. <u>The Parliamentary Rules may also be amended per resolution of the Board of Directors.</u></p>	<p>Article 18(Supplementary provisions)</p> <p>These Rules of Procedure shall be adopted by the approval of meeting of the board of directors and shall be reported to the shareholders meeting.</p>	<p>Article 18 of the Parliamentary Rules for Directors' Meetings</p>

Reporting Matter VI (Proposed by the Board of Directors)

Subject: Please review the amendments to the Company's "Ethical Management Best-Practice Principles," accordingly.

Subject: In response to laws and establishment of Audit Committee, the Company's "Ethical Management Best-Practice Principles" are amended accordingly. The cross reference table for the amendments is stated as following.

Cross Reference Table for Amendments to Ethical Management Best-Practice Principles

Amended clauses	Existing clauses	Remarks
<p>Article 2. When engaging in commercial activities, the Company's directors, managers, employees and mandataries or persons having substantial control over the Company (hereinafter referred to as the "substantial controllers") (Omitted)</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, managers, employees or substantial controllers or other stakeholders.</p>	<p>Article 2. When engaging in commercial activities, the Company's directors, <u>supervisors</u>, managers, employees and mandataries or persons having substantial control over the Company (hereinafter referred to as the "substantial controllers") (Omitted)</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, <u>supervisors</u>, managers, employees or substantial controllers or other stakeholders.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
Article 10. the Company's directors, managers, employees and mandataries or the substantial controllers, (Omitted)	Article 10. the Company's directors, <u>supervisors</u> , managers, employees and mandataries or the substantial controllers, (Omitted)	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 11. When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandataries, and substantial controllers, (Omitted)	Article 11. When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers, (Omitted)	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 12. When making or offering donations and sponsorship, the Company and its directors, managers, employees, mandataries and substantial controllers shall comply with relevant laws and regulations and internal operating procedures, and shall not surreptitiously engage in bribery.	Article 12. When making or offering donations and sponsorship, the Company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operating procedures and shall not surreptitiously engage in bribery.	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 13. The Company and its directors, managers, employees, mandataries and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	Article 13. The Company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 14. The Company and its directors, managers, employees, mandataries and substantial controllers shall observe applicable laws and regulations concerning intellectual property (Omitted)	Article 14. The Company and its directors, <u>supervisors</u> , managers, employees, mandataries and substantial controllers shall observe applicable laws and regulations concerning intellectual property (Omitted)	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 16. In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees, mandataries and substantial controllers (Omitted)	Article 16. In the course of research and development, procurement, manufacture, provision or sale of products and services, the Company and its directors, <u>supervisors</u> , managers, employees, mandataries and substantial controllers (Omitted)	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 17. The Company's directors, managers, employees, mandataries and substantial controllers shall exercise the due care of good administrators (Omitted) To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the Board of Directors, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the Board of Directors on a regular basis (<u>at least once a year</u>):	Article 17. The Company's directors, <u>supervisors</u> , managers, employees, mandataries and substantial controllers shall exercise the due care of good administrators (Omitted) To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the Board of Directors, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters and shall report to the Board of Directors on a regular basis:	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly. Amended in response to "Article 8/Article 17 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies."

Amended clauses	Existing clauses	Remarks
<p>(Omitted)</p> <p>II. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope</u>, adopting accordingly programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</p> <p>(Omitted)</p> <p>VII. <u>Produce the information about documentation of ethical management policy and compliance statement, fulfillment of the commitment and implementation status thereof and maintain the same with care.</u></p>	<p>(Omitted)</p> <p>II. Adopt accordingly programs to prevent unethical conduct and setting in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</p> <p>(Omitted)</p> <p>(Added)</p>	
<p>Article 18. The Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.</p>	<p>Article 18. The Company and its directors, <u>supervisors</u>, managers, employees, mandataries and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>Article 19. The Company shall adopt policies for preventing conflicts of interest to identify, monitor and manage risks possibly resulting from unethical conduct and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>When a motion at a given board of directors meeting concerns the personal interest of or the interest of the juristic person represented by any of the directors, managers or other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interests of the Company, the concerned person may not participate in discussion of or voting on the motion and shall recuse himself or herself from the discussion or the voting and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p><u>Where the spouse or a relative by blood within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.</u></p> <p>The Company's directors, managers,</p>	<p>Article 19. The Company shall adopt policies for preventing conflicts of interest to identify, monitor and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, <u>supervisors</u>, managers and other stakeholders attending or present at board meetings to voluntarily explain whether or not their interests would potentially conflict with those of the Company.</p> <p>When a motion at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by any of the directors, <u>supervisors</u>, managers or other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interests of the Company, the concerned person may not participate in discussion of or voting on the motion and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>(Added)</p> <p>The Company's directors, <u>supervisors</u>,</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p> <p>Added in response to Paragraph 3 of Article 206 of the Company Act.</p>

Amended clauses	Existing clauses	Remarks
employees, mandataries and substantial controllers shall not take advantage of their positions or influence in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other persons.	managers, employees, mandataries and substantial controllers shall not take advantage of their positions or influence in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other persons.	
Article 21. The Company shall establish operating procedures and guidelines in accordance with Article 6 herein to guide directors, managers, employees and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: (Omitted)	Article 21. The Company shall establish operating procedures and guidelines in accordance with Article 6 herein to guide directors, <u>supervisors</u> , managers, employees and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: (Omitted)	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 22. The Company's Chairman of Board, President or senior management shall communicate the importance of corporate ethics to its directors and employees on a regular basis. The Company shall periodically organize training and awareness programs for directors, managers, employees, mandataries and substantial controllers (Omitted)	Article 22. The Company's Chairman of Board, President or senior management shall communicate the importance of corporate ethics to its directors and employees on a regular basis. The Company shall periodically organize training and awareness programs for directors, <u>supervisors</u> , managers, employees, mandataries and substantial controllers (Omitted)	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 23. The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following: II. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.	Article 23. The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following: II. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or <u>supervisors</u> . Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or <u>supervisors</u> in written form.	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 26. The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, managers and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.	Article 26. The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, <u>supervisors</u> , managers and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
Article 28. The Principles were enacted on December 24, 2014. <u>The Principles were amended on March 12, 2020.</u>	Article 28. The Principles were enacted on December 24, 2014.	To add the date of amendment.

Four. Recognition Matters

Recognition Matter I: (Proposed by the Board of Directors)

Subject: Please acknowledge the 2019 Business Report and Financial Statements accordingly.

- Remarks: I. The Company has prepared the 2019 Financial Statements, and Independent Auditors, Yen Hsing-Fu and Wang Yi-Weng of KPMG, have audited, and issued the Independent Auditors' Report on, the Financial Statements. Along with the Business Report and Earnings Distribution Plan, the Financial Statements were submitted and reviewed by the supervisors.
- II. Please refer to Attachment I~III of this Handbook for detail of the aforementioned Report and Statements. (Page 27-47).
- III. Please kindly recognize.

Resolution:

Recognition Matter II: (Proposed by the Board of Directors)

Subject: Please acknowledge the 2019 Earnings Distribution Plan accordingly.

- Remarks: I. In Year 2019, the Company's beginning unappropriated retained earnings amounted to NT\$307,295,119. Less the canceled treasury stocks and actuarial profit and/or loss for pension added with the net profit after tax of the present term NT\$132,899,671, with amortization of legal reserve at 10%, i.e., an amount of NT\$13,289,967 in accordance with the Articles of Incorporation, further with amortization of special reserve NT\$35,990,179, the distributable earnings came to NT\$357,753,561. It is proposed that a sum NT\$46,780,506 is taken for distribution of bonus to shareholders, as detailed in Table of Distribution of Earnings.
- II. It is proposed to authorize the Board of Directors to set up the ex-dividends date and handle other matter accordingly once the cash dividends amounting to NT\$46,780,506 is resolved at the shareholders' meeting. The dividends shall be distributed pro rata based on the shareholdings shown in the roster of shareholders on the ex-dividends date. A cash dividend of NT\$0.3 per share will be distributed and the total cash dividends for a shareholder is rounded down to the nearest whole number. The fractional balance of dividends less than NT\$ 1 will be summed up and recognized as other income of the Company.
- III. In the event that the distribution ratio mentioned in preceding paragraph is subject to an adjustment due to any subsequent changes to the number of outstanding shares caused by conditions such as changes of laws, adjustments made by the competent authorities or shares repurchase by the Company, it is proposed to authorize the board of directors to make such an adjustment.
- IV. Please kindly recognize.

Resolution:

Chenming Electronic Technology Corporation
2019 Earnings Distribution Plan

Unit: NT\$

Item	Amount
Beginning retained earnings	307,295,119
Less: Cancellation of treasury stocks	(32,377,083)
Less: Changes in actuarial gains or losses	(784,000)
Add: Net profit after tax for current period	132,899,671
Less: Legal reserve	(13,289,967)
Less: Special reserve	(35,990,179)
Adjusted ending undistributed earnings	357,753,561
Distributable earnings	357,753,561
Items of distribution	
Dividends to shareholders – Cash dividends	(46,780,506)
Ending unappropriated earnings	310,973,055

Note: 1. The 2019 earnings will be distributed first.

2. The cash dividends NT\$0.3 per share was calculated based on the number of outstanding shares, totaling 155,935,018 shares on April 28, 2020.

Chairman: Lin Mu-Ho General Manager: Lo Chih-Chi Chief Accountant: Su Chung-Ching

Five. Discussion Matters:

Discussion I: (Proposed by the Board of Directors)

Subject: Amendments to the Company's "Articles of Incorporation" is submitted for discussion.

Remarks: I. In response to laws and establishment of Audit Committee, the Company's "Articles of Incorporation" are amended accordingly.

The cross reference table for the amendments is stated as following:

II. Please kindly resolve.

Resolution:

The comparison table of the Articles of Incorporation

Amended clauses	Old Provision	Remarks
Chapter IV: Directors and <u>Audit Committee</u>	Chapter IV Directors and Supervisors	Amended the text in response to the establishment of Audit Committee to replace the supervisors.
Article 13. The Company's directors shall be elected by shareholders' meeting from candidates of disposing capacity subject to the nomination system pursuant to Article 192-1 of the Company Act, with a three-year tenure of office and eligible for reelection.	Article 13. The Company's directors <u>and supervisors</u> shall be elected by shareholders' meeting from candidates of disposing capacity subject to the nomination system pursuant to Article 192-1 of the Company Act, with a three-year tenure of office and eligible for reelection.	Amended the text in response to the establishment of Audit Committee to replace the supervisors.
Article 13-3. <u>The Company shall establish the Audit Committee consisting of all independent directors who shall be no less than three persons in number, one of whom shall be the Committee convener and at least one of whom shall have accounting or financial expertise.</u>	Article 13-3: The Company may appoint two supervisors. In election of supervisors, each share is entitled to the electing power equivalent to the number of supervisors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates. The candidates who win more election powers shall be elected the supervisors.	Expressly defined the composition of the Company's Audit Committee members

Amended clauses	Old Provision	Remarks
Article 13-4: Deleted.	Article 13-4: Since the Company established the Audit Committee in 2020, the provisions governing supervisors referred to herein shall become invalid accordingly. The Audit Committee members shall include all independent directors. The authority and responsibility of the members and related matters of the Audit Committee shall be enacted by the Board of Directors in accordance with applicable laws separately.	Amended the text in response to the establishment of Audit Committee to replace the supervisors.
Article 16. For the remuneration to all directors, the Board of Directors is authorized with full powers to fix it based on the normal level prevalent in horizontal trades. The amount of travel or transportation allowance to directors shall be duly resolved by the Board of Directors. The remuneration to directors for their performance of duty shall be granted disregarding whether or not the Company operates at a profit. The Company may acquire liability insurance for the directors and below and disperse their potential risks of critical impairment to the Company and to shareholders in case of a fault in the exercise of their duties.	Article 16. For the remuneration to all directors <u>and supervisors</u> , the Board of Directors is authorized with full powers to fix it based on the normal level prevalent in horizontal trades. The amount of travel or transportation allowance to directors and <u>supervisors</u> shall be duly resolved by the Board of Directors. The remuneration to directors and <u>supervisors</u> for their performance of duty shall be granted disregarding whether or not the Company operates at a profit. The Company may acquire liability insurance for the directors and <u>supervisors</u> to lower or disperse their potential risks of critical impairment to the Company and to shareholders in case of a fault in the exercise of their duties.	Amended the text in response to the establishment of Audit Committee to replace the supervisors.
Article 18. Upon closing of each fiscal year of the Company, the Board of Directors shall work out: I. Business report; II. Financial statements and III. the motions for earnings distribution or compensation for deficit to be acknowledged by a general shareholders' meeting <u>pursuant to laws</u> .	Article 18. Upon closing of each fiscal year of the Company, the board of directors shall work out: I. Business report; II. Financial statements and III. the motions for earnings distribution or compensation for deficit to be audited by supervisors thirty(30) days prior to the general shareholders' meeting before being acknowledged by the shareholders.	Amended the text in response to the establishment of Audit Committee to replace the supervisors.
Article 19: With the Company's profit before tax of a year after deduction of the remuneration to employees and remuneration to <u>directors</u> as well as the sum to make up previous loss, if any, a sum at 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum of 2% maximum shall be appropriated with the balance as the remuneration to <u>directors</u> . The remuneration to employees and <u>directors</u> may be distributed either in stocks or in cash at the percentages which shall be resolved by a majority vote in the Board meeting which is attended by directors who account for two-thirds of the aggregate total of director seats. The percentages so resolved shall be reported to the shareholders' meeting. The remuneration to employees may be distributed either in stocks or in cash and may be distributed to employees of subordinate company(ies) who satisfy the specified qualification requirements.	Article 19: With the Company's profit before tax of a year after deduction of the remuneration to employees and directors/supervisors as well as the sum to make up previous loss, if any, a sum 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum 2% maximum shall be appropriated with the balance as the remuneration to directors/supervisors. The remuneration to employees and remuneration to directors and supervisors may be distributed either in stocks or in cash at the percentages which shall be resolved by a majority vote in the Board meeting which is attended by directors who account for two-thirds of the aggregate total of director seats. The percentages so resolved shall be reported to the shareholders' meeting. The remuneration to employees may be distributed either in stocks or in cash and may be distributed to employees of subordinate company(ies) who satisfy the specified qualification requirements.	Amended the text in response to the establishment of Audit Committee to replace the supervisors.

Amended clauses	Old Provision	Remarks
<p>Article 21. These Articles were enacted on June 4, 1976. 1st amendments hereto were made on July 20, 1976. 2nd amendments hereto were made on January 10, 1977. 3rd amendments hereto were made on June 26, 1982. 4th amendments hereto were made on July 12, 1985. 5th amendments hereto were made on April 6, 1987. 6th amendments hereto were made on October 8, 1992. 7th amendments hereto were made on October 28, 1997. 8th amendments hereto were made on January 7, 1998. 9th amendments hereto were made on June 30, 1998. 10th amendments hereto were made on June 20, 1999. 11th amendments hereto were made on May 24, 2000. 12th amendments hereto were made on May 16, 2001. 13th amendments hereto were made on May 20, 2002. 14th amendments hereto were made on March 10, 2003. 15th amendments hereto were made on June 6, 2003. 16th amendments hereto were made on June 11, 2004. 17th amendments hereto were made on June 10, 2005. 18th amendments hereto were made on June 15, 2007. 19th amendments hereto were made on June 13, 2008. 20th amendments hereto were made on June 10, 2009. 21st amendments hereto were made on June 9, 2010. 22nd amendments hereto were made on June 10, 2011. 23rd amendments hereto were made on June 17, 2016. 24th amendments hereto were made on June 13, 2018. 25th amendments hereto were made on June 14, 2019. <u>26th amendments hereto were made on June 12, 2020.</u></p>	<p>Article 21. These Articles were enacted on June 4, 1976. 1st amendments hereto were made on July 20, 1976. 2nd amendments hereto were made on January 10, 1977. 3rd amendments hereto were made on June 26, 1982. 4th amendments hereto were made on July 12, 1985. 5th amendments hereto were made on April 6, 1987. 6th amendments hereto were made on October 8, 1992. 7th amendments hereto were made on October 28, 1997. 8th amendments hereto were made on January 7, 1998. 9th amendments hereto were made on June 30, 1998. 10th amendments hereto were made on June 20, 1999. 11th amendments hereto were made on May 24, 2000. 12th amendments hereto were made on May 16, 2001. 13th amendments hereto were made on May 20, 2002. 14th amendments hereto were made on March 10, 2003. 15th amendments hereto were made on June 6, 2003. 16th amendments hereto were made on June 11, 2004. 17th amendments hereto were made on June 10, 2005. 18th amendments hereto were made on June 15, 2007. 19th amendments hereto were made on June 13, 2008. 20th amendments hereto were made on June 10, 2009. 21st amendments hereto were made on June 9, 2010. 22nd amendments hereto were made on June 10, 2011. 23rd amendments hereto were made on June 17, 2016. 24th amendments hereto were made on June 13, 2018. 25th amendments hereto were made on June 14, 2019.</p>	<p>To add the date of amendment.</p>

Discussion II: (Proposed by the Board of Directors)

Subject: Amendments to the Company's "Procedures for Acquisition or Disposal of Assets."

Remarks: I. In response to laws and establishment of Audit Committee, the Company's "Procedures for Acquisition or Disposal of Assets" are amended

accordingly. The cross reference table for the amendments is stated as follows:

II. Please kindly resolve.

Resolution:

Cross Reference Table for Amendments to Procedures for Acquisition or Disposal of Assets

Amended clauses	Existing clauses	Remarks
<p>IV. Operating procedures: (I) Credit line and level of authorization: 3. Transaction with a related party: The documents as specified under Chapter Two of the Procedure shall be submitted to, <u>approved by the Board of Directors and be further acknowledged by the Audit Committee beforehand.</u></p>	<p>IV. Operating procedures: (I) Credit line and level of authorization: 3. Transaction with a related party: The documents as specified under Chapter Two of the Procedures shall be submitted to, approved by the Board of Directors and be further acknowledged by the supervisors beforehand.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>V. Procedures for public announcements and declarations: (I) Where the Company acquires or disposes of assets and meets a situation falling within those enumerated below, the Company shall, based on the format and contents specified by the competent authority, launches public announcement and declaration through the website designated by the Financial Supervisory Commission within two (2) days from occurrence of the fact. (II) The Company shall, on a monthly basis, input the facts of transaction for derivative financial instruments conducted by the Company and subsidiaries not as a domestic public company as of the last day of the preceding month in the format as specified under the Appendix annexed hereto into the Information Declaration Website designated by the Financial Commission not later than the 10th day of every month. (IV) Where a trade which has been duly put into public announcement and declaration in accordance with Sub-paragraph (I) meets any among those enumerated below, the Company shall duly post public announcements and declarations to the website designated by the Financial Commission within two (2) days from occurrence of the fact:</p>	<p>V. Procedures for public announcements and declarations: (I) Where the Company acquires or disposes of property and meets a situation falling within those enumerated below, the Company shall, based on the format and contents specified by the competent authority, launches public announcements and declarations through the website designated by the Financial Supervisory Commission, <u>Executive Yuan</u> within two (2) days from occurrence of the fact. (II) The Company shall, on a monthly basis, input the facts of transaction for derivative financial instruments conducted by the Company and subsidiaries not as a domestic public company as of the last day of the preceding month in the formula as specified under the Appendix annexed hereto into the Information Declaration Website designated by the Financial Supervisory Commission, <u>Executive Yuan</u> not later than the 10th day of every month. (IV) Where a trade which has been duly put into public announcement and declaration in accordance with Subparagraph (I) meets any among those enumerated below, the Company shall duly post public announcements and declarations to the website designated by the Financial Supervisory Commission, <u>Executive Yuan</u> within two (2) days from the occurrence of the fact:</p>	<p>Amended in response to the government entity's name.</p>
<p>VII. Scope and credit line of investment: Other than assets acquired by the Company and the Company's subsidiaries oriented to use for business operation, the Company</p>	<p>VII. Scope and credit line of investment: Other than assets acquired by the Company and the Company's subsidiaries oriented to use for business operation, the Company</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
<p>may, as well, invest and purchase real estate and the right-of-use assets thereof and negotiable securities beyond the use for own business operations, with the restrictions upon the credit line as enumerated below: Upon calculation of the subparagraphs (IV) and (V), those participating in investment and incorporation or serving as the directors who intend to hold the investment on a long-term basis may not be counted.</p>	<p>may, as well, invest and purchase real estate and the right-of-use assets thereof and negotiable securities beyond the use for own business operations, with the restrictions upon the credit line as enumerated below: Upon calculation of Paragraphs (IV), (V), those participating in investment and incorporation or serving as the directors and <u>supervisors</u> who intend to hold the investment on a long-term basis may not be counted.</p>	
<p>VIII. The Company's control over assets acquired or disposed of by subsidiaries (II) A subsidiary of the Company shall duly acquire or dispose of assets in accordance with its "Internal Control System" and "Procedures for the Acquisition or Disposal of Assets." Such a subsidiary of the Company shall further aggregate the assets acquired or disposed of in the same attribute in a single case or in accumulation or in an amount in excess of NT\$10 million in the preceding month and declare to the Company in writing not later than the 5th day of every month. The Company's Audit Department shall enumerate the business operations by its subsidiaries in acquirement or disposal of assets as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the Board of Directors and <u>Audit Committee</u>.</p>	<p>VIII. The Company's control over assets acquired or disposed of by subsidiaries (II) A subsidiary of the Company shall duly acquire or dispose of assets in accordance with its "Internal Control System" and "Procedures for the Acquisition or Disposal of Assets." Such a subsidiary of the Company shall further aggregate the assets acquired or disposed of in the same attribute in a single case or in accumulation or in an amount in excess of NT\$10 million in the preceding month and declare to the Company in writing not later than the 5th day of every month. The Company's Audit Department shall enumerate the business operations by its subsidiaries in acquirement or disposal of assets as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the board of directors and to the supervisors.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>IX. Penalty clauses: Where a person in-charge of acquirement or disposal of assets in the Company is found to be in contravention of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Commission or the Procedures, such issue shall be duly handled in accordance with the following clauses based on the extent of violation. The violation records shall be taken as a reference in the annual performance evaluation for the individuals. (V) Where the Board of Directors or a director is found in contravention of a decision resolved in the shareholders' meeting, <u>the Audit Committee</u> shall notify the breakdown or such director to stop the offending behavior in</p>	<p>IX. Penalty clauses: Where a person in-charge of acquirement or disposal of assets in the Company is found in contravention of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission, <u>Executive Yuan</u> or the Procedures, such issue shall be duly handled in accordance with the following clauses based on the extent of violation. The violation records shall be taken as a reference in the annual performance evaluation for the individuals. (V) Where the board of directors or a director is found in contravention of a decision resolved in the shareholders' meeting, the supervisors shall notify the breakdown or such director to stop the offending behavior in accordance</p>	<p>In response to the change of the government entity's name and the Company's establishment of the Audit Committee to replace the supervisors pursuant to laws, the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
accordance with Article 218-2 of the Company Act.	with Article 218-2 of the Company Act.	
<p>XI. Resolution procedures: Where the Company intends to acquire or dispose of real estate or the right-of-use assets thereof from or to a related party or where the Company intends to acquire or dispose of assets other than real estate or the right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase, resale agreement (repo and reverse repo) or subscription to or repurchase of money market funds issued by domestic securities investment trust enterprises, the unit in enforcement shall not proceed to enter into a transaction contract or make a payment until the following documents have been approved and acknowledged by the Board of Directors: (Omitted)</p>	<p>XI. Resolution procedures: Where the Company intends to acquire or dispose of real estate or the right-of-use assets thereof from or to a related party or where the Company intends to acquire or dispose of assets other than real estate or the right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase, resale agreement (repo and reverse repo) or subscription to or repurchase of money market funds issued by domestic securities investment trust enterprises, the unit in enforcement shall not proceed to enter into a transaction contract or make a payment until the following documents have been approved by the Board of Directors and acknowledged by <u>supervisors</u>: (Omitted)</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>XIII. Requirements to be met where the imputed transaction cost is below the transaction price: (II) <u>The Audit Committee</u> shall apply Article 218 of the Company Act. (Omitted)</p>	<p>XIII. Requirements to be met where the imputed transaction cost is below the transaction price: (II) The supervisors shall handle the issue in accordance with Article 218 of the Company Act. Where the Company establishes the Audit Committee pursuant to the Act, the preceding subparagraph shall apply to the independent directors of Audit Committee mutatis mutandis. (Omitted)</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>XVI. Internal audit system: (I) The Company's internal auditors shall look into the appropriateness of internal control system in derivatives transactions on a regular basis and shall audit the department(s) in charge of transaction about their compliance in operating procedures of derivatives transactions. Whenever a significant violation is noticed, they shall immediately report to the ranking supervisor(s) designated by the Chairman and the Board of Directors and shall keep <u>the Audit Committee</u> informed in writing. (II) Deleted.</p>	<p>XVI. Internal audit system: (I) The Company's internal auditors shall look into the appropriateness of internal control system in derivatives transactions on a regular basis and shall audit the department(s) in charge of transaction about their compliance in operating procedures of derivatives transactions. Whenever a significant violation is noticed, they shall immediately report to the ranking supervisor(s) designated by the chairman and the board of directors and shall keep all supervisors informed in writing. (II) Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
(III) Deleted.	paragraph, written notice shall also be given to the independent directors. (III) Where the Audit Committee has been established in accordance with the provisions of the Act, the provisions of paragraph 1 relating to supervisors shall apply mutatis mutandis to the Audit Committee.	
XXVI. Where the Company proceeds with the acquisition or disposal of assets that is subject to the approval of the Board of Directors under the 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 <u>Audit Committee</u> . (Omitted)	XXVI. Where the Company proceeds with the acquisition or disposal of assets that is subject to the approval of the board of directors under these 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 all supervisors. (Omitted)	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
XXVII. The Procedures shall be enforced upon approval of the Audit Committee members and then approval of the Board of Directors and the Shareholders' Meeting. The same shall apply where the Procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>Audit Committee</u> . The opinions of all independent directors shall be taken into adequate account. Besides, their voices in pros and cons as well as the reasons shall be expressly entered into the minutes of the meeting.	XXVII. The Procedures shall be enforced after being approved by the Board of Directors, submitted to each supervisor, and approved by a shareholders' meeting. The same shall apply where the Procedures are amended. Whenever a director expresses dissent or a declaration in writing, the data of dissident of such director shall be submitted to all supervisors. The opinions of all independent directors shall be taken into adequate account. Besides, their voices in pros and cons as well as the reasons shall be expressly entered into the minutes of the meeting.	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.

Discussion III: (Proposed by the Board of Directors)

Subject: The amendments to the Company's "Operating Procedures for Loaning of Funds to Others" are submitted for review accordingly.

Remarks: I. In response to laws and establishment of Audit Committee, the Company's "Operating Procedures for Loaning of Funds to Others" are amended accordingly. The cross reference table for the amendments is stated as follows:

II. Please kindly resolve.

Resolution:
 Cross Reference Table for Amendments to the Operating Procedures for the Loaning of Funds to Others

Amended clauses	Existing clauses	Remarks
<p>Article 4: The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>(I) The maximum amount of the fund loaned by the Company to another company or firm with which the Company does business shall not exceed 40% of the Company's net worth. The maximum amount of the individually loaned fund shall not exceed the total amount of trading between both parties identified in the financial statements audited by the CPA for the most recent year. The total amount of trading refers to the higher of the sale or purchase amount or payment between both parties.</p> <p>(II) Where an inter-company or inter-firm short-term financing facility is necessary. The aggregate amount of the fund loaned by the Company shall not exceed 40% of the Company's net worth. The maximum amount of the fund loaned by the Company to any individual company or firm to satisfy its need for short-term financing shall not exceed 40% of the Company's net worth.</p>	<p>Article 4: The aggregate amount of loans and the maximum amount permitted to a single borrower</p> <p>The aggregate amount of the fund loaned by the Company to others shall not exceed 20% of the Company's net worth in the Company's most recent financial statements audited or certified by the CPA. The limit on loans extended by the Company to any single borrower is defined as follows based on the cause of loaning:</p> <ol style="list-style-type: none"> 1. For the borrower trading with the Company, the limit on loans shall be no more than the purchase or sales by the Company from or to the borrower in the most recent year or until the loaning of fund in current year, whichever is higher. 2. Where an inter-company or inter-firm short-term financing facility is necessary, the limit on loans shall be no more than 10% of the Company's net worth in the Company's most recent financial statements audited or certified by the CPA. 	<p>Article 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies shall apply.</p>
<p>Article V: Loaning of Funds</p> <p>(I) Procedures</p> <p>3. The Company's internal auditors shall audit the Operating Procedure for Loaning of Funds to Others and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify the Company's internal audit unit in writing of any material violation found, and then the internal audit unit shall submit the same to the <u>Audit Committee</u> in writing immediately.</p> <p>5. Where as a result of changes in conditions, the borrower no longer meets the</p>	<p>Article V: Loaning of Funds</p> <p>(I) Procedures</p> <p>3. The Company's internal auditors shall audit the Operating Procedures for Loaning of Funds to Others and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify the Company's supervisors in writing of any material violation found, and then the internal audit unit shall submit the same to the independent directors in writing immediately, if the public company has appointed the independent directors.</p> <p>5. Where as a result of changes of condition the borrower no longer meets the</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
<p>requirements herein or the amount of balance exceeds the limit, the financial unit shall prepare a corrective action plan and submit the same to the <u>Audit Committee</u>, and shall complete the corrections according to the schedule set out in the plan.</p>	<p>requirements herein, or the amount of balance exceeds the limit, the financial unit shall prepare a corrective action plan and submit the same to each supervisor, and shall complete the correction according to the schedule set out in the plan. The financial unit shall submit the same to the independent directors, if the public company has appointed the independent directors.</p>	
<p>Article IX: Procedures for controlling and managing the funds loaned by subsidiaries to others (II) A subsidiary of the Company shall duly loan funds to others, if any, in accordance with its "Internal Control System" and "Operating Procedures for Acquisition or Disposal of Assets" and also summarize the balance, counterpart and due date of loans granted in the previous month in writing to the Company by 5th day of each month. The Company's Audit Department shall enumerate the business operations by its subsidiaries in loaning of funds to others as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the Board of Directors <u>and Audit Committee</u>.</p>	<p>Article IX: Procedures for controlling and managing the funds loaned by subsidiaries to others (II) A subsidiary of the Company shall duly loan funds to others, if any, in accordance with its "Internal Control System" and "Operating Procedures for Acquisition or Disposal of Assets" and also summarize the balance, counterpart and due date of loans granted in the previous month in writing to the Company by 5th day of each month. The Company's Audit Department shall enumerate the business operations by its subsidiaries in loaning of funds to others as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the Board of Directors and supervisors.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>Article X: Penalty Clauses (V) Where the Board of Directors or a director is found to be in contravention of a decision resolved in the shareholders' meeting, <u>the Audit Committee</u> shall notify the breakdown or such director to stop the offending behavior in accordance with Article 218-2 of the Company Act.</p>	<p>Article X: Penalty Clauses (V) Where the board of directors or a director is found in contravention of a decision resolved in the shareholders' meeting, the supervisors shall notify the breakdown or such director to stop the offending behavior in accordance with Article 218-2 of the Company Act.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>Article XI: I. <u>The Operating Procedures shall be enforced upon approval of a majority of the Audit Committee members and then a resolution of the Board of Directors and approval of the shareholders' meeting. The same shall apply to any amendments hereto.</u></p>	<p>Article XI: The Operating Procedure shall be enforced after being approved by the Board of Directors, and submitted to each supervisor and approved by a shareholders' meeting. Where there is any director who expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
<p>II. <u>If the approval of a majority of all Audit Committee members referred to in the preceding paragraph is not obtained, the same may be implemented only if approved by two-thirds of the whole directors and the Audit Committee's resolution shall be specifically recorded in the minutes of the Board meeting.</u></p>	<p>supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments hereto. Where the public company has appointed independent directors, when the operating procedure for acquisition or disposal of assets are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p>	

Discussion IV: (Proposed by the Board of Directors)

Subject: Amendments to the Company's "Endorsement and Guarantee Procedures."

Remarks: I. In response to laws and establishment of Audit Committee, the Company's "Operating Procedure for Endorsements/Guarantees" are amended accordingly. The cross reference table for the amendments is stated as following:

II. Please kindly resolve.

Resolution:

Cross Reference Table for Amendments to Operating Procedure for Endorsements/Guarantees

Amended clauses	Existing clauses	Remarks
<p>V. Procedures for making of endorsements/guarantees</p> <p>II. Where the counterpart for which the Company makes the endorsement/guarantee refers to a subsidiary whose net worth is lower than half of its paid-in capital, the Company's internal auditors shall enumerate the implementation status as one of the key audit items every quarter and prepare written records to be submitted to the Board of Directors and <u>Audit Committee</u>.</p> <p>IV. The Company's internal auditors shall audit the Operating Procedure for Endorsements/Guarantees and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify <u>the Audit Committee</u> in writing of any material violation found.</p>	<p>V. Procedures for making of endorsements/guarantees</p> <p>II. Where the counterpart for which the Company makes the endorsement/guarantee refers to a subsidiary whose net worth is lower than half of its paid-in capital, the Company's internal auditors shall enumerate the implementation status as one of the key audit items every quarter and prepare written records to be submitted to the Board of Directors and <u>supervisors</u>.</p> <p>IV. The Company's internal auditors shall audit the Operating Procedure for Endorsements/Guarantees and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify the Company's supervisors in writing of any material violation found and then the internal audit unit shall submit the same to the independent directors in writing immediately, if the public company has appointed the</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
<p>VI. Where the counterpart of an endorsement/guarantee no longer meets the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, or the amount of endorsement/guarantee exceeds the limit due to the change of the calculation basis, the financial accounting unit shall prepare a corrective action plan, discharge the endorsement/guarantee amount or the amount in excess within the specific time limit upon approval of the Chairman of Board, and submit the plan to <u>the Audit Committee</u> and shall complete the correction according to the schedule set out in the plan.</p>	<p>independent directors.</p> <p>VI. Where the counterpart of an endorsement/guarantee no longer meets the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, or the amount of endorsement/guarantee exceeds the limit due to the change of the calculation basis, the financial accounting unit shall prepare a corrective action plan, discharge the endorsement/guarantee amount or the amount in excess within the specific time limit upon approval of the Chairman of Board, and submit the plan to each supervisor and shall complete the correction according to the schedule set out in the plan. The same plan shall be also submitted to the independent directors, if the public company has appointed the independent directors.</p>	
<p>VII. Procedures for controlling and managing the endorsements/guarantees made by subsidiaries</p> <p>I. The Company's subsidiaries shall duly enact the "Operating Procedure for Endorsements/Guarantees" in accordance with the requirements prescribed by the Securities and Futures Bureau, Financial Supervisory Commission (hereinafter referred to as the Securities and Futures Bureau) and have such Procedure duly resolved by the boards of directors of the subsidiaries and approved by shareholders' meetings of the subsidiaries, and submit them to the Company's Board of Directors. The same shall apply where the Procedure is amended.</p> <p>II. A subsidiary of the Company shall duly make endorsements/guarantees for others, if any, in accordance with its "Internal Control System" and "Operating Procedures for Making of Endorsements/Guarantees" and also summarize the balance, counterpart and due date of the endorsements/guarantees made in the previous month in writing to the</p>	<p>VII. Procedures for controlling and managing the endorsements/guarantees made by subsidiaries</p> <p>I. The Company's subsidiaries shall duly enact the "Operating Procedures for Making of Endorsements/Guarantees" in accordance with the requirements prescribed by the Securities and Futures Bureau, Financial Supervisory Commission of <u>Executive Yuan</u> (hereinafter referred to as the Securities and Futures Bureau) and have such Procedure duly resolved by the boards of directors of the subsidiaries and approved by shareholders' meetings of the subsidiaries, and submit them to the Company's Board of Directors. The same shall apply where the Procedure is amended.</p> <p>II. A subsidiary of the Company shall duly make endorsements/guarantees for others, if any, in accordance with its "Internal Control System" and "Operating Procedures for Making of Endorsements/Guarantees" and also summarize the balance, counterpart and due date of the</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
<p>Company by 5th day of each month. The Company's Audit Department shall enumerate the business operations by its subsidiaries in making endorsements/guarantees for others as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the Board of Directors and <u>Audit Committee</u>.</p>	<p>endorsements/guarantees made in the previous month in writing to the Company by 5th day of each month. The Company's Audit Department shall enumerate the business operations by its subsidiaries in making endorsements/guarantees for others as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the Board of Directors and supervisors.</p>	
<p>XI. Internal Audit The Company's internal auditors shall audit the Operating Procedure for Endorsements/Guarantees and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify the <u>Audit Committee</u> in writing of any material violation found.</p>	<p>XI. Internal Audit The Company's internal auditors shall audit the Operating Procedure for Endorsements/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the supervisors in writing of any material violations found.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>XII. Penalty Clauses V. Where the Board of Directors or a director is found in contravention of a decision resolved in the shareholders' meeting, <u>the Audit Committee</u> shall notify the breakdown or such director to stop the offending behavior in accordance with Article 218-2 of the Company Act.</p>	<p>XII. Penalty Clauses V. Where the Board of Directors or a director is found to be in contravention of a decision resolved in the shareholders' meeting, the supervisors shall notify the breakdown or such director to stop the offending behavior in accordance with Article 218-2 of the Company Act.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>XIII. Other Matters <u>I. The Operating Procedure shall be enforced upon approval of a majority of the Audit Committee members and then approval of the Board of Directors and the Shareholders' Meeting. The same shall apply to any amendments hereto.</u> <u>II. If the approval of a majority of all Audit Committee members referred to in the preceding paragraph is not obtained, the same may be implemented only if approved by two-thirds of the whole directors and the Audit Committee's resolution shall be specifically recorded in the minutes of the Board meeting.</u></p>	<p>XIII. Other Matters I. The implementation status about endorsements/guarantees made by the Company and its subsidiaries within each business years shall be reported to the shareholders' meeting of the next year. II. The Operating Procedures shall be enforced after being approved by the Board of Directors and submitted to each supervisor and approved by a shareholders' meeting. Where there is any director who expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments hereto. Where the public company has appointed independent directors, when the operating procedure for acquisition or disposal of assets are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
	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 meeting.	

Discussion V: (Proposed by the Board of Directors)

Subject: The amendments to the Company's "Regulations Governing Elections of Directors and Supervisors" are submitted for discussion.

Remarks: I. In response to laws and establishment of Audit Committee, the Company's "Regulations Governing Elections of Directors and Supervisors" are amended and the Regulations are renamed as "Regulations Governing Elections of Directors." The cross reference table for the amendments is stated as follows.

II. Please kindly resolve.

Resolution:

Cross Reference Table for Amendments to the Regulations Governing Elections of Directors

Amended clauses	Existing clauses	Remarks
<u>Regulations Governing the Elections of Directors</u> of the Chenming Electronic Technology Corporation	Regulations Governing the Elections of Directors and Supervisors of the Chenming Electronic Technology Corporation	The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.
I. <u>The election of the Company's directors shall adopt the open cumulative voting system. The election of the Company's directors (including independent directors) shall adopt the candidates' nomination system. The candidates shall be nominated in accordance with the candidate nomination system referred to in Article 192-1 of the Company Act.</u>	I. The elections of the Company's directors and supervisors shall be duly handled in accordance with the Regulations.	Adopted the candidates' nomination system comprehensively in response to the elections of directors (including independent directors).
II. In the election of directors, unless otherwise prescribed in the Articles of Incorporation, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. <u>The overall composition of the Board of Directors shall be taken into consideration in the election of the directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, business type, and development needs. It is advisable that the policy shall include, without being</u>	II. In the election of directors <u>and supervisors</u> , unless otherwise prescribed in the Articles of Incorporation, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. (Added)	Adopted the candidate nomination system comprehensively and qualification requirements in response to the elections of directors (including independent directors).

Amended clauses	Existing clauses	Remarks
<p><u>limited to, the following two (2) general standards:</u></p> <p><u>1. Basic Requirements and Values: Gender, age, nationality and culture, etc.</u></p> <p><u>2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience.</u></p> <p><u>All of the Board Members shall have the knowledge, skills, and experience required to perform their duties.</u></p> <p><u>The abilities that must be present in the Board as a whole are as follows:</u></p> <p><u>1. Ability to make operational judgments;</u></p> <p><u>2. Ability to perform accounting and financial analysis;</u></p> <p><u>3. Ability to conduct management administration;</u></p> <p><u>4. Ability to manage crises;</u></p> <p><u>5. Industrial knowledge;</u></p> <p><u>6. A global market view;</u></p> <p><u>7. Leadership;</u></p> <p><u>8. Ability to make decisions.</u></p> <p><u>A spousal relationship or a familial relationship within the second degree of kinship may not exist among a majority of the directors.</u></p> <p><u>The Company's Board of Directors shall consider adjusting the composition of the Board members based on the performance appraisal results.</u></p>		
<p>III. The Board of Directors shall work out the election ballots in the number equivalent to the numbers of directors to be elected and shall fill out the weight numbers thereupon and distribute them to the present shareholders.</p>	<p>III. The Board of Directors shall work out the election ballots in the number equivalent to the numbers of directors <u>or supervisors</u> to be elected and shall fill out the weight numbers thereupon and distribute them to the present shareholders.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>V. For the election of the directors, the Board of Directors shall prepare the ballot boxes which shall be opened and verified by scrutinizer(s) in public before balloting process.</p>	<p>V. For election of directors <u>and supervisors</u>, the board of directors shall prepare the ballot boxes which shall be opened and verified by scrutinizer(s) in public before balloting process.</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>
<p>IX. The Company's directors shall be elected by the shareholders' meeting from the qualified candidates. Based on the quota specified under the Articles of Incorporation and the statistical outcome of election ballots, the candidates who win more votes shall be elected as independent directors and non-independent directors, respectively. Where two or more candidates win the same election weighted number but go beyond the specified quota, those candidates who win the same weighted number shall draw lot to decide the final</p>	<p>IX. The Company's directors <u>and supervisors</u> shall be elected by the shareholders' meeting from candidates with disposing capacity. Based on the quota specified under the Articles of Incorporation and the statistical outcome of election ballots, the candidates who win more votes shall be elected as independent directors, non-independent directors <u>or supervisors</u> by that order. Where two or more candidates win the same election weighted number but go beyond the specified quota, those</p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Amended clauses	Existing clauses	Remarks
<p>winner. The chairperson shall draw lots on behalf of an absent candidate. A candidate who is elected as a director simultaneously according to Paragraph I shall choose to serve as the director at his or her discretion. Where an elected director is checked and found inconsistent with his/her personal information or the election is found invalid pursuant to related laws and regulations, a candidate winning the second highest votes in the same election process shall be announced to fill the vacancy at the given shareholders' meeting.</p>	<p>candidates who win the same weighted number shall draw lot to decide the final winner. The chairperson shall draw lots on behalf of an absent candidate. A candidate who is elected both director <u>and supervisor</u> simultaneously according to Paragraph I shall choose to serve as either director or supervisor at his or her discretion. Where an elected director <u>or supervisor</u> is checked and found inconsistent with his/her personal information or the election is found invalid pursuant to related laws and regulations, a candidate winning the second highest votes in the same election process shall be announced to fill the vacancy at the given shareholders' meeting.</p>	
<p>X. <u>The Company's independent directors shall hold the qualifications required under Article 2, Article 3 and Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies."</u> <u>The elections of the Company's independent directors shall comply with Article 5, Article 6, Article 7, Article 8 and Article 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies" and shall apply Article 24 of the "Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies."</u></p>	<p>X. The Company does not elect supervisors separately if it has set up the Audit Committee.</p>	<p>In response to the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p>
<p>XIII. The Company's Board of Directors shall issue election notices to the elected directors.</p>	<p>XIII. The Company's Board of Directors shall issue election notices to the elected directors <u>and supervisors.</u></p>	<p>The Company establishes the Audit Committee to replace the supervisors pursuant to the laws and the Rules are amended accordingly.</p>

Six. Elections

Elections: (Proposed by the Board of Directors)

Subject: Motion for the Election of Directors (including Independent Directors) of the Company

- Remarks: I. The tenure of office held by the Company's incumbent directors are going to expire by June 15, 2020. As required under the Company Act and the Articles of Incorporation, re-election of 4 directors and 3 independent directors should be held at the general shareholders' meeting on June 12, 2020.
- II. The new directors shall hold a three-year tenure of office starting from June 12, 2020 until June 11, 2023.
- III. Pursuant to the Company's Articles of Incorporation, the directors (including independent directors) shall be elected in accordance with the

candidate nomination system. The name list of candidates for directors (including independent directors) have satisfactorily passed the Resolution by the Board of Directors as enumerated below:

Category of Candidate	Name of Nominee	Number of shares held (shares)	Already served as the independent directors for three terms consecutively?	Academic background	Work experience	Current position	Name of the represented government or juristic person
Director	Lin Mu-Ho	25,000,230	-	MBA, Pacific Western University	Chenming Electronic Technology Corporation-Chairman of Board	Chenming Electronic Technology Corporation-Chairman of Board	None
Director	Lin Feng-Ran	6,612,310	-	Electronic Engineering, National Yunlin University of Science and Technology	Chenming Electronic Technology Corporation-Vice Chairman of Board	Chenming Electronic Technology Corporation-Vice Chairman of Board	None
Director	Lo Chih-Chi	573,958	-	Graduate Institute of Banking and Finance, Taking University	Chenming Electronic Technology Corporation - President	Chenming Electronic Technology Corporation - President	None
Director	Chen Hsiao-Chun	259,456	-	Shih Chien University	Central Times Arts Column - Vice President	Xi Zhi Tang Co., Ltd. - Person-in-charge	None
Independent Director	Chou Liang-Cheng	-	No	Bachelor in Law, Fu Jen Catholic University	Chia Hua Law Firm - Attorney-at-law Xin Fu Law Firm - Attorney-at-law Chen Shyuu & Pun Law Offices - Attorney-at-law	Chia Hua Law Firm - Attorney-at-law	None
Independent Director	Chen Hung-Chang	-	No	Department of Accounting and Statistics, Kuo-Chi Junior College of Commerce	De Jang Tax Account Office - President Taiwan Tax Account Quality Assurance Association - Executive Director	De Jang Tax Account Office - President	None
Independent Director	Chen Chien-Chun	-	No	Department of Finance, Southern Taiwan University of Science and Technology	Ju Cheng CPA Firm - CPA Wells Fargo Bank - Accounting and Administrative Dept., clerk	Ju Cheng CPA Firm - CPA	None

IV. Please hold election process as necessary

Outcome of the election:

Seven. Other Motions

Other Motions: (Proposed by the Board of Directors)

Subject: The Motion for Release the Prohibition on New Directors from Participation in Competitive Business is submitted for discussion.

- Remarks: I. As expressly provided for in Article 209 of the Company Act: A director who does anything for himself or herself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- II. For directors newly elected for the current session, it is proposed for Release the Prohibition on Directors from Participation in Competitive Business.
- III. The New Directors from Participation in Competitive Business are stated as following:

Director	Currently holding the position that is within the scope of the Company's business.
Lin Mu-Ho	Dongguan Chenming Electronics Co., Ltd.- Chairman of Board Chenming Electronic (Ningbo) Co., Ltd.- Chairman of Board

IV. Motion for Release the Prohibition on said directors from Participation in Competitive Business.

V. Please kindly resolve.

Resolution:

Eight. Extemporany motions

Nine. Adjournment of the meeting

Chenming Electronic Technology Corporation
2019 Business Report

Recalling 2019, the Sino-US Trade War rendered impact to the global economy and business activities had to deal with critical challenges. By continuously implementing the relevant automated modules and e-process management into current outperforming manufacturing process, Chenming improves productivity and product quality, balance quality and quantity, satisfy customers' needs for diversified production, and enhance the awareness toward quality under the existing product manufacturing management to achieve the cost-saving effect. Looking forward to the future, Chenming will use its best efforts to increase revenue and assets size and also seek for ceaseless growth of profits, so as to enhance shareholders' equity, in response to the upcoming age of IoT, AI and 5G. The 2019 business operation and 2020 business prospect are explained as follows:

Business operation and R&D outcomes in 2019

The 2019 consolidated operating revenue, net was NT\$6,028,702 thousand. The 2019 net profit was NT\$132,900 thousand, with EPS of NT\$0.82, growing by 26.15% from that of NT\$0.65 in 2018. The Company will uphold the ethical management policy to expand its business actively and ensure the ongoing business growth in the intensive industrial competition.

R&D outcomes

- (1) Complete the development of high-temperature and high-strength Inconel 713C MIM process.
- (2) Complete the development of CIM (Ceramic Injection Molding) surface finish technique.
- (3) Complete High Strength Non-Magnetic Austenitic Stainless Steel, 15 CrMnMoN 17-11-3) MIM process.
- (4) Complete the development of the anti-corrosion and wear-resistant non-magnetic cobalt-based alloy F75 (Co-28Cr-6Mo) thermal-de-binding NIM process.
- (5) Complete the development of automatic visualizing cosmetic inspection equipment.

2020 business prospect and R&D plan

Chenming will utilize its excellent ability in integration of resources and establishment of distribution channels to continue sprouting the development of cloud server and NIM (metal powder injection molding) products, implement Industry 4.0 smart production automated equipment and establish tangible and virtual platforms to establish high-effect logistic system and management system, provide services rapidly and cut costs, orient the development toward smart production and application of technology, and solidify the foundation of the Company's sustainability.

R&D plan

- (1) Develop the soft magnetic materials, Fe-49Co-2V acid-deformation formula injection materials with high magnetic induction in line with the continuous furnace production NIM process.
- (2) Continue to develop CIM (Ceramic Injection Molding) surface finish technique.
- (3) Develop the continuous furnace production MIM process for High Strength Non-Magnetic Austenitic Stainless Steel, X15 CrMnMonN 17-11-3.
- (4) Develop the anti-corrosion and wear-resistant non-magnetic cobalt-based alloy F75 (Co-28Cr-6Mo) thermal-de-binding formula in line with continuous furnace production NIM process.
- (5) Develop smart shaping NIM manufacturing technique and process.

Upon implementation of the new technology including smart production and smart factory and rapid development of IoT, AI, big data, cloud, information security and 5G, the consumable electronic parts and information products are still expected to generate outstanding performance in production and sales. The Company will keep aiming at intelligence, innovation, technological application, industrial evolution and cloud computing to upgrade its competitiveness and control the market opportunity.

By continuously improving the R&D, technology, quality and design ability to satisfy the trend for diversified products, sustain the steady and positive development for any competition from the industry in the future. We will endeavor for the sound corporate governance, implementation of corporate social responsibility and enhancement of shareholders' interests as a return of shareholders' supports and expectation.

Chairman: Lin Mu-Ho General Manager: Lo Chih-Chi Chief Accountant: Su Chung-Ching

Chenming Electronic Technology Corporation
Supervisor's Review Report

This is to certify that

The 2019 Financial Statements of the Company submitted by the Board of Directors have been audited by the independent auditors, Yen Hsing-Fu and Wang Yi-Weng, CPAs of KPMG. Along with the Business Report and Earnings Distribution Plan, the Financial Statements were submitted and reviewed by the supervisors and deemed in compliance with the Company Act and relevant laws. The financial statements herewith, in accordance with Article 219 of the Company Act, are submitted for your review.

To:

2020 Shareholders' general meeting

Supervisor: Lin Po-Hsiang

Lin Pei-Yu

March 12, 2020

**CHENMING ELECTRONIC
TECHNOLOGY CORP.
AND SUBSIDIARIES**

**(Formerly CHENMING MOLD IND. CORP.
AND Subsidiary)**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended
December 31, 2019 and 2018**

Representation Letter

The entities that are required to be included in the combined financial statements of Chenming Electronic Technology Corp. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chenming Electronic Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chenming Electronic Technology Corp.

Chairman: Lin, Mu-Ho

Date: March 12, 2020

Independent Auditors' Report

To the Board of Directors of CHENMING ELECTRONIC TECHNOLOGY CORP.:

Opinion

We have audited the consolidated financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in note (3)(a), the Group initially adopted the IFRS 16, "Leases" at January 1, 2019 and applied the modified retrospective approach, with no restatement of comparative period amounts. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Inventory valuation

Please refer to Note (4)(h) and Note (5) for accounting policy of uncertainty of the valuation of inventory. Information of inventories and related expenses is disclosed in note (6)(c) of the consolidated financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price variability for the inventories of the Group are expected to change. Therefore, the test of inventory valuation is one of the significant evaluation in our audit procedures.

Our principal audit procedure included: testing the related controls of production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories, to determine whether they are in compliance with the Group's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Group.

Other Matter

CHENMING ELECTRONIC TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance (including the Supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin Fu Yen and Yi Wen Wang.

KPMG

Taipei, Taiwan (Republic of China)

March 12, 2020

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019				December 31, 2018					December 31, 2019				December 31, 2018			
Assets	Amount		%		Amount		%		Liabilities and Equity	Amount		%		Amount		%	
Current assets:									Current liabilities:								
1100 Cash and cash equivalents (note (6)(a))	\$	348,611	7		421,014	8		2100 Short-term loans (note (6)(h))	\$	390,000	8		370,000	7			
1170 Notes and trade receivables, net (notes (6)(b) and (p))		2,053,094	42		1,973,332	39		2130 Current contract liabilities (note (6)(p))		1,221	-		2,023	-			
1310 Inventories, net (note (6)(c))		973,795	20		1,006,649	20		2170 Notes and trade payables		1,380,417	28		1,502,298	29			
1476 Other current financial assets		743	-		16,142	-		2200 Other payables		257,112	5		298,483	6			
1479 Other current assets		75,236	1		68,490	1		2220 Other payables-related parties (notes (6)(d) and (7))		25,783	1		-	-			
		3,451,479	70		3,485,627	68		2230 Current tax liabilities		29,300	1		26,350	1			
Non-current assets:									2280 Current lease liabilities (note (6)(j))		4,382	-		-	-		
1600 Property, plant, and equipment (notes (6)(e) and (8))		969,922	20		1,137,662	22		2300 Other current liabilities		16,832	-		18,659	-			
1755 Right-of-use assets (note (6)(f))		243,743	5		-	-				2,105,047	43		2,217,813	43			
1760 Investment property, net (notes (6)(g) and (8))		197,636	4		198,873	4		Non-current liabilities:									
1780 Intangible assets		1,390	-		2,368	-		2540 Long-term loans (note (6)(i))		306,000	6		282,000	6			
1840 Deferred income tax assets (note(6)(m))		4,850	-		1,418	-		2570 Deferred income tax liabilities(note(6)(m))		4,931	-		5,062	-			
1980 Other non-current financial assets (note (8))		24,422	-		21,020	-		2580 Non-current lease liabilities (note (6)(j))		5,693	-		-	-			
1985 Long-term prepaid rents (note (8))		-	-		247,063	5		2645 Guarantee deposits		7,691	-		6,389	-			
1990 Other non-current assets (note(6)(l))		43,511	1		27,385	1				324,315	6		293,451	6			
		1,485,474	30		1,635,789	32		Total liabilities		2,429,362	49		2,511,264	49			
Total assets		\$ 4,936,953	100		5,121,416	100		Equity attributable to owners of parent (note (6)(n)):									
								3100 Ordinary shares		1,629,350	33		1,699,350	33			
								3200 Capital surplus		82,967	2		52,485	1			
								3300 Retained earnings		736,745	15		685,887	14			
								3410 Exchange differences on translation of foreign financial statements		(81,209)	(2)		(45,218)	(1)			
								3500 Treasury shares		(49,810)	(1)		(52,027)	(1)			
								Total equity attributable to owners of parent		2,318,043	47		2,340,477	46			
								36XX Non-controlling interests		189,548	4		269,675	5			
								Total equity		2,507,591	51		2,610,152	51			
								Total liabilities and equity		\$ 4,936,953	100		5,121,416	100			

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHEMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (note 6(p))	\$ 6,028,702	100	6,186,402	100
5000	Operating costs (notes (6)(c), (l) and (12))	5,463,795	91	5,714,259	92
5900	Gross profit from operations	<u>564,907</u>	<u>9</u>	<u>472,143</u>	<u>8</u>
6000	Operating expenses (notes (6)(l) and (12)):				
6100	Selling expenses	135,274	2	137,813	2
6200	Administrative expenses	194,692	3	199,781	3
6300	Research and development expenses	49,128	1	35,697	1
		<u>379,094</u>	<u>6</u>	<u>373,291</u>	<u>6</u>
6900	Net operating income	<u>185,813</u>	<u>3</u>	<u>98,852</u>	<u>2</u>
7000	Non-operating income and expenses:				
7050	Finance costs, net	(10,307)	-	(8,696)	-
7100	Interest income	1,473	-	1,695	-
7110	Rent revenue (notes (6)(k) and (7))	14,421	1	15,078	-
7190	Other income	13,076	-	17,482	-
7230	Foreign exchange gains net	8,519	-	63,883	1
7590	Other expense and losses	(556)	-	(3,027)	-
		<u>26,626</u>	<u>1</u>	<u>86,415</u>	<u>1</u>
7900	Profit from continuing operations before tax	212,439	4	185,267	3
7950	Less: Income tax expenses (note (6)(m))	<u>55,431</u>	<u>1</u>	<u>40,762</u>	<u>1</u>
	Profit	<u>157,008</u>	<u>3</u>	<u>144,505</u>	<u>2</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(980)	-	(1,729)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	(196)	-	(357)	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(784)</u>	<u>-</u>	<u>(1,372)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(41,010)	(1)	(19,614)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(41,010)</u>	<u>(1)</u>	<u>(19,614)</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>(41,794)</u>	<u>(1)</u>	<u>(20,986)</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 115,214</u>	<u>2</u>	<u>123,519</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of parent	\$ 132,900	3	110,051	1
8620	Non-controlling interests	24,108	-	34,454	1
		<u>\$ 157,008</u>	<u>3</u>	<u>144,505</u>	<u>2</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 96,125	2	94,557	2
8720	Non-controlling interests	19,089	-	28,962	-
		<u>\$ 115,214</u>	<u>2</u>	<u>123,519</u>	<u>2</u>
	Earnings per share (expressed in NTD) (note (6)(o)):				
9750	Basic earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	
9850	Diluted earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent						Other component of equity Exchange differences on translation of foreign financial statements	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings					
			Legal reserve	Special reserve	Unappropriated retained earnings						
Balance on January 1, 2018	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	2,382,915	240,713	2,623,628
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051	34,454	144,505
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)	(5,492)	(20,986)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557	28,962	123,519
Purchase of treasury shares	-	-	-	-	-	-	-	(52,027)	(52,027)	-	(52,027)
Balance on December 31, 2018	1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477	269,675	2,610,152
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	11,005	-	(11,005)	-	-	-	-	-	-
Special reserve	-	-	-	14,123	(14,123)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(48,881)	(48,881)	-	-	(48,881)	-	(48,881)
Profit for the year ended December 31, 2019	-	-	-	-	132,900	132,900	-	-	132,900	24,108	157,008
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(784)	(784)	(35,991)	-	(36,775)	(5,019)	(41,794)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	132,116	132,116	(35,991)	-	96,125	19,089	115,214
Purchase of treasury shares	-	-	-	-	-	-	-	(102,322)	(102,322)	-	(102,322)
Retirement of treasury share	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	32,644	-	32,644
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(99,216)	(99,216)
Balance on December 31, 2019	\$ 1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043	189,548	2,507,591

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 212,439	185,267
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	245,649	247,607
Amortization expense	1,743	2,168
Expected credit loss (gain)	(1,764)	1,310
Interest expense	10,307	8,696
Interest income	(1,473)	(1,695)
Loss (gain) from disposal of property, plant, and equipment, net	103	(194)
Other	(12)	12,392
Total adjustments to reconcile profit (loss)	254,553	270,284
Changes in operating assets and liabilities:		
Decrease (increase) in notes and trade receivables	(105,592)	(509,844)
Decrease (increase) in inventories	22,925	(231,770)
Decrease (increase) in other current assets	(6,746)	20,405
Decrease (increase) in other financial assets	15,399	(2,433)
Increase (decrease) in contract liabilities	(802)	2,023
Increase (decrease) in notes and trade payables	(104,312)	305,522
Increase (decrease) in other payables and other current liabilities	(30,598)	32,099
Total changes in operating assets and liabilities	(209,726)	(383,998)
Total adjustments	44,827	(113,714)
Cash inflow generated from (used in) operations	257,266	71,553
Interest received	1,473	1,695
Income taxes paid	(55,324)	(37,747)
Net cash flows from (used in) operating activities	203,415	35,501
Cash flows from (used in) investing activities:		
Acquisition of property, plant, and equipment	(78,615)	(229,264)
Proceeds from disposal of property, plant and equipment	-	3,157
Decrease (increase) in prepayment for business facilities	(20,807)	(4,453)
Decrease (increase) in refundable deposits	(3,402)	(2,368)
Acquisition of intangible assets	(798)	(955)
Net cash flows from (used in) investing activities	(103,622)	(233,883)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	20,000	220,000
Proceeds from long-term debt	200,000	160,000
Repayment of long-term debt	(176,000)	(88,000)
Increase (decrease) in guarantee deposits	1,302	657
Payment of lease liabilities	(6,170)	-
Distribution in cash dividends	(48,881)	(84,968)
Payments to acquire treasury shares	(102,322)	(52,027)
Interest paid	(10,354)	(8,558)
Acquisition of non-controlling interests	(40,789)	(47,616)
Net cash flows from (used in) financing activities	(163,214)	99,488
Effect of exchange rate changes on cash and cash equivalents	(8,982)	(13,979)
Net increase (decrease) in cash and cash equivalents	(72,403)	(112,873)
Cash and cash equivalents at beginning of period	421,014	533,887
Cash and cash equivalents at end of period	\$ 348,611	421,014

**CHENMING ELECTRONIC TECHNOLOGY
CORP.
(Formerly CHENMING MOLD IND. CORP.)
FINANCIAL STATEMENTS
With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

Independent Auditors' Report

To the Board of Directors of CHENMING ELECTRONIC TECHNOLOGY CORP.:

Opinion

We have audited the financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. (“the Company”), which comprise the balance sheets as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

The share of profit (loss) of associates and joint ventures accounted for using equity method - Subsidiary's Inventory valuation

Please refer to Note (4)(g) and Note (5) for accounting policy of uncertainty of the valuation of inventory from using equity method - subsidiary. Information of the share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method - subsidiary's inventory valuation is disclosed in notes (6)(c) of the financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price variability for the inventories of the Company are expected to change. Therefore, the test of the share of profit (loss) of associates and joint ventures accounted for using equity

method - subsidiary's inventory valuation is one of the significant evaluation in our audit procedures.

Audit Procedure:

Our principal audit procedure included: testing the related controls of subsidiary's production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories, to determine whether they are in compliance with the Company's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Company.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance (including the Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements 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.

The engagement partners on the audit resulting in this independent auditors' report are Hsin Fu Yen and Yi Wen Wang.

KPMG

Taipei, Taiwan (Republic of China)

March 12, 2020

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018			December 31, 2019		December 31, 2018			
	Amount	%	Amount	%		Amount	%	Amount	%		
Assets					Liabilities and Equity						
Current assets:					Current liabilities:						
1100	Cash and cash equivalents (note (6)(a))	\$ 71,449	2	171,611	5	2100	Short-term loans (note (6)(h))	\$ 390,000	11	370,000	11
1170	Notes and trade receivables, net (note (6)(b) and (p))	902,006	25	933,216	26	2170	Notes and trade payables	3,063	-	10,592	-
1310	Inventories, net (note (6)(c))	16,154	-	63	-	2180	Trade payables to related parties (note (7))	505,434	15	486,788	14
1479	Other current assets	4,517	-	589	-	2230	Current tax liabilities	15,591	-	26,350	1
		<u>994,126</u>	<u>27</u>	<u>1,105,479</u>	<u>31</u>	2200	Other payables	47,379	1	47,984	1
Non-current assets:					Non-Current liabilities:						
1550	Investments accounted for using equity method, net(note (6)(d))	2,069,928	58	1,937,814	54	2280	Current lease liabilities (note (6)(j))	1,491	-	-	-
1600	Property, plant, and equipment (notes (6)(e) and (8))	309,099	9	311,662	9	2300	Other current liabilities	6,682	-	6,369	-
1755	Right-of-use assets (note (6)(f))	3,793	-	-	-			<u>969,640</u>	<u>27</u>	<u>948,083</u>	<u>27</u>
1760	Investment property, net (note (6)(g) and (8))	197,636	5	198,873	5	2540	Long-term loans (note (6)(i))	306,000	9	282,000	8
1840	Deferred income tax assets (note (6)(m))	4,850	-	1,418	-	2570	Deferred income tax liabilities (note (6)(m))	4,931	-	5,062	-
1980	Other non-current financial assets	1,470	-	20	-	2580	Non-current lease liabilities (note (6)(j))	2,306	-	-	-
1990	Other non-current assets (note (6)(l))	23,288	1	24,166	1	2645	Guarantee deposits	3,270	-	3,810	-
		<u>2,610,064</u>	<u>73</u>	<u>2,473,953</u>	<u>69</u>			<u>316,507</u>	<u>9</u>	<u>290,872</u>	<u>8</u>
		<u>\$ 3,604,190</u>	<u>100</u>	<u>3,579,432</u>	<u>100</u>			<u>1,286,147</u>	<u>36</u>	<u>1,238,955</u>	<u>35</u>
Total assets					Total liabilities						
					Equity attributable to owners of parent (note (6)(n)):						
						3100	Ordinary shares	1,629,350	45	1,699,350	47
						3200	Capital surplus	82,967	2	52,485	1
						3300	Retained earnings	736,745	20	685,887	19
						3410	Exchange differences on translation of foreign financial statements	(81,209)	(2)	(45,218)	(1)
						3500	Treasury shares	(49,810)	(1)	(52,027)	(1)
								<u>2,318,043</u>	<u>64</u>	<u>2,340,477</u>	<u>65</u>
								<u>\$ 3,604,190</u>	<u>100</u>	<u>3,579,432</u>	<u>100</u>
								Total liabilities and equity			

(English Translation of Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

	<u>2019</u>		<u>2018</u>	
	Amount	%	Amount	%
4000 Operating revenue(note (6)(p) and (7))	\$ 2,827,726	100	3,138,229	100
5000 Operating costs (note (6)(c) and (7))	2,632,141	93	2,913,952	93
5900 Gross profit from operations	195,585	7	224,277	7
6000 Operating expenses (note (6)(l) and (12)):				
6100 Selling expenses	35,807	1	31,013	1
6200 Administrative expenses	80,042	3	77,056	2
6300 Research and development expenses	19,026	1	15,753	1
	<u>134,875</u>	<u>5</u>	<u>123,822</u>	<u>4</u>
6900 Net operating income	<u>60,710</u>	<u>2</u>	<u>100,455</u>	<u>3</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net	(9,831)	-	(6,888)	-
7100 Interest income	694	-	720	-
7110 Rent revenue (note (6)(k) and (7))	12,368	-	13,062	-
7190 Other income (note (7))	4,998	-	4,444	-
7230 Foreign exchange gains (losses), net	(13,097)	-	36,749	1
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	89,364	3	2,271	-
	<u>84,496</u>	<u>3</u>	<u>50,358</u>	<u>1</u>
7900 Profit from continuing operations before tax	145,206	5	150,813	4
7951 Less: Income tax expenses (note (6)(m))	12,306	-	40,762	1
	<u>132,900</u>	<u>5</u>	<u>110,051</u>	<u>3</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(980)	-	(1,729)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	(196)	-	(357)	-
	<u>(784)</u>	<u>-</u>	<u>(1,372)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(35,991)	(1)	(14,122)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>(35,991)</u>	<u>(1)</u>	<u>(14,122)</u>	<u>-</u>
8300 Other comprehensive income (loss)	<u>(36,775)</u>	<u>(1)</u>	<u>(15,494)</u>	<u>-</u>
8500 Comprehensive income	<u>\$ 96,125</u>	<u>4</u>	<u>94,557</u>	<u>3</u>
Earnings per share (expressed in dollars) (note (6)(o)):				
9750 Basic earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	
9850 Diluted earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	

(English Translation of Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP.

Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements		
Balance at January 1, 2018	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	2,382,915
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557
Purchase of treasury shares	-	-	-	-	-	-	-	(52,027)	(52,027)
Balance at December 31, 2018	1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	11,005	-	(11,005)	-	-	-	-
Special reserve	-	-	-	14,123	(14,123)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(48,881)	(48,881)	-	-	(48,881)
Profit (loss) for the year ended December 31, 2019	-	-	-	-	132,900	132,900	-	-	132,900
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(784)	(784)	(35,991)	-	(36,775)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	132,116	132,116	(35,991)	-	96,125
Purchase of treasury shares	-	-	-	-	-	-	-	(102,322)	(102,322)
Retirement of treasury share	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	32,644
Balance at December 31, 2019	\$ 1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 145,206	150,813
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,810	4,585
Amortization expense	1,018	1,274
Expected credit loss (gain)	(600)	412
Interest expense	9,831	6,888
Interest income	(694)	(720)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(89,364)	(2,271)
Total adjustments to reconcile profit (loss)	(74,999)	10,168
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	31,810	(174,956)
Decrease (increase) in inventories	(16,091)	(63)
Decrease (increase) in other current assets	(3,928)	(185)
Increase (decrease) in notes and trade payables	11,117	(67,256)
Increase (decrease) in other payables and other current liabilities	(541)	(11,870)
Other	(26)	242
Total changes in operating assets and liabilities	22,341	(254,088)
Total adjustments	(52,658)	(243,920)
Cash inflow generated from (used in) operations	92,548	(93,107)
Interest received	694	720
Income taxes paid	(26,432)	(37,747)
Net cash flows from (used in) operating activities	66,810	(130,134)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(46,097)	(46,684)
Acquisition of property, plant and equipment	(378)	(76)
Acquisition of intangible assets	(798)	(956)
Other	(1,450)	250
Net cash flows from (used in) investing activities	(48,723)	(47,466)
Cash flows from (used in) financing activities:		
Increase in short-term loans	20,000	220,000
Proceeds from long-term debt	160,000	160,000
Repayments of long-term debt	(136,000)	(88,000)
Payment of lease liabilities	(628)	-
Distribution in cash dividends	(48,881)	(84,968)
Payments to acquire treasury shares	(102,322)	(52,027)
Interest paid	(9,878)	(6,750)
Other	(540)	-
Net cash flows from (used in) financing activities	(118,249)	148,255
Net increase (decrease) in cash and cash equivalents	(100,162)	(29,345)
Cash and cash equivalents at beginning of period	171,611	200,956
Cash and cash equivalents at end of period	\$ 71,449	171,611

Chenming Electronic Technology Corporation Articles of Incorporation

Chapter One General Provisions

- Article I: The Company is incorporated according to The Company Act, and has been named Chenming Electronic Technology Corporation.
- Article II: The Company's business activities include the following:
- I. A variety of metallic machines, punching machines, steel molds, metallic electrical parts & components purchase, manufacturing, import and export, buy & sales.
 - II. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
 - III. CC01060 Wired Communication Equipment and Apparatus Manufacturing.
 - IV. CC01050 Data Storage Media Units Manufacturing.
 - V. CC01070 Telecommunication Equipment and Apparatus Manufacturing.
 - VI. CC01080 Electronic Parts and Components Manufacturing.
 - VII. E605010 Computing Equipments Installation Construction.
 - VIII. F113070 Wholesale of Telecom Instruments.
 - IX. F213060 Retail Sale of Telecom Instruments.
 - X. F601010 Intellectual property.
 - XI. I301010 Software Design Services.
 - XII. I301020 Data Processing Services.
 - XIII. I301030 Digital Information Supply Services.
 - XIV. I501010 Product Designing.
 - XV. IE01010 Telecommunications Number Agencies.
 - XVI. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article II-I: The Company may offer guarantees to external parties.
- Article II-II: The Company may invest more than 40% of paid-up capital in other businesses.
- Article III: The Company is headquartered in Taipei City, and may establish domestic or foreign branches subject to board of directors' approval.
- Article IV: Public announcements of the Company shall be duly made in accordance with Article 28 of The Company Act.

Chapter Two Shares

- Article V: The Company has an authorized capital of Two Billion Four Hundred and Seventy-two Million New Taiwan Dollars in two hundred and forty-seven million two hundred thousand shares of Ten New Taiwan Dollars each, which the board of directors is authorized to issue in multiple offerings as deemed necessary to support the Company's business activities.
- The total capital mentioned in the above Paragraph shall have NT\$200 million, in 20 million shares of NT\$10 each, reserved to accommodate exercising of employee warrants, preferred shares with embedded warrant, or

corporate bonds with embedded warrant.

- Article V-I: Where the Company intends to issue employee stock option certificates at price of issue below the price of the Company's common shares closed on the day of issue, a decision shall be duly resolved by two-thirds majority vote in the shareholders' meeting which is attended by shareholders who account for a majority of the Company's outstanding shares beforehand.
Where the Company intends to transfer shares to employees at a price below the average price in actual buyback, a decision shall be duly resolved by two-thirds majority vote in the latest shareholders' meeting which is attended by shareholders who account for a majority of the Company's outstanding shares beforehand.
- Article VI: Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.
- Article VII: The Company issues owner-registered shares only. Every share certificate shall be legally certified and issued with signatures of directors capable of representing the Company.
- Article VIII: Transfer of share ownership shall be suspended during the 60 days prior to an annual general meeting, or during the 30 days prior to an extraordinary shareholder meeting, or during the 5 days prior to the baseline date of dividend, bonus or rights distribution.

Chapter Three Shareholders' meeting

- Article IX: The shareholders' meeting of the Company is in two categories, i.e., shareholders' meeting and special shareholders' meeting. The shareholders' regular meeting shall be duly convened by the board of directors once per annum within six months from closing of each fiscal year. A special shareholders meeting shall be duly convened according to law whenever necessary.
- Article X: If a shareholder is unable to attend the shareholder meeting in person, a proxy can be appointed by completing the Company's proxy form and by specifying the scope of delegated authority.
- Article XI: Shareholders of the Company are entitled to one vote per share, except in circumstances where voting rights are restricted, as outlined in Article 179 of The Company Act.
- Article XII: Unless otherwise provided for in the Company Act, decisions in the shareholders' meeting shall be resolved by a majority vote in the meeting which is attended by shareholders who represent a majority of the total issued shares.

Chapter Four Directors and Supervisors

- Article XIII: Directors and supervisors shall be elected in shareholder meetings from candidates of adequate capacity, using a nomination system and a method that complies with Article 192-1 of The Company Act to serve a term of three years. Term of service can be extended if re-elected.
- Article XIII-I: Pursuant to Article 14-2 of Securities and Exchange Act, the Company shall have seven directors including at least two independent directors that comprise no less than one-fifth of the board.

In election of directors, each share is entitled to the electing power equivalent to the number of directors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates. The candidates who win more election powers shall be elected the directors. The independent directors and non-independent directors shall be elected in the same package and the numbers of elected ones shall be calculated respectively.

Article XIII-II: The Company's independent directors shall be duly elected in candidate nomination system. The Company's shareholders who hold over 1% of the total outstanding shares and the board of directors may nominate the candidates for independent directors. The board of directors shall review and screen those nominees and then submit the qualified nominees to the shareholders' meeting. The shareholders' shall elect independent directors out of those qualified candidates for independent directors. The nominated candidates for independent directors shall be duly accepted and promulgated in accordance with Company Act, Securities and Exchange Act and laws and ordinances concerned.

Article XIII-III. The Company may set two supervisors. In election of supervisors, each share is entitled to the electing power equivalent to the number of supervisors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates. The candidates who win more election powers shall be elected the supervisors.

Article XIII-IV: Since the assembly of Audit Committee in 2020, all clauses pertaining to supervisors in the Articles of Incorporation shall no longer apply. The Audit Committee consists entirely of independent directors. Matters concerning duties and authority of the committee are subject to comply with relevant laws, for which the board of directors is required to implement separate policies.

Article XIV: Board of Directors shall be organized by directors. By attendance of two-thirds majority of directors and by a majority vote of the attending directors, one chairman and one vice chairman shall be duly elected. The chairman shall represent the Company externally.

Article XV: If the Chairman is unable to perform duties due to leave of absence or any reason, a delegate shall be appointed in accordance with Article 208 of The Company Act. The Board meeting shall be duly convened in accordance with Article 204 of the Company Act. The notices for a Board meeting may be served in writing, by e-mail or by FAX. Where a director commissions another director to attend a Board meeting, the proxies shall be duly handled in accordance with Article 205 of the Company Act.

Article XVI: The board of directors is authorized to determine remuneration for all directors and supervisors in reference to peer levels. The amount of travel or transportation allowance to directors and supervisors shall be duly resolved by the board of directors. The remuneration to directors and supervisors for their performance of duty shall be granted disregarding whether the Company operates at a profit. The Company may acquire liability insurance for the directors and supervisors to lower or disperse their potential risks of critical impairment to the Company and to shareholders in case of a fault in their exercise of their duties.

Chapter Five Managers

Article XVII: The Company has one President position. Appointment, dismissal and remuneration shall comply with Article 29 of The Company Act.

Chapter Six Accounting

Article XVIII: The board of directors shall prepare: (1) A Business Report, (2) Financial statements, and (3) Earnings appropriation or loss reimbursement proposal at the end of each financial year. The above documents are to be submitted to the supervisors for review at least 30 days prior to an annual general meeting, and presented for acknowledgment during annual general meeting afterwards.

Article XIX: With the Company's profit before tax of a year after deduction of the remuneration to employees and remuneration to directors and supervisors as well as the sum to make up previous loss, if any, a sum 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum 2% maximum shall be appropriated with the balance as the remuneration to directors and supervisors.

The remuneration to employees and remuneration to directors and supervisors may be distributed either in stocks or in cash at the percentages which shall be resolved by a majority vote in the Board meeting which is attended by directors who account for two-thirds of the aggregate total of director seats. The percentages so resolved shall be reported to the shareholders' meeting.

The remuneration to employees may be distributed either in stocks or in cash and may be distributed to employees of subordinate company (ies) who satisfy the specified qualification requirements.

Article XIX-I: Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve and provision or reversal of special reserve as the laws or the authority may require. The residual balance is then added to undistributed earnings accumulated from previous years, for which the board of directors will propose an earnings appropriation plan and seek resolution in a shareholder meeting before distribution.

The Company may distribute earnings through cash dividend or stock dividend given consideration of the Company's financial standing and business performance and such factors and shall be preferentially distributed in cash dividend. The cash dividend shall be at the ratio not below 10% of the aggregate total dividend to be distributed in the year.

Chapter VII Supplementary provisions

Article XX: Any matters that are not addressed in the Articles of Incorporation shall be governed by the Company Act.

Article XXI: These Articles were duly enacted on June 4, 1976;
Duly amended on July 20, 1976 as the 1st amendment;
amended on January 10, 1977 as the 2nd amendment;
amended on June 26, 1982 as the 3rd amendment;
amended on July 12, 1985 as the 4th amendment;
amended on April 6, 1987 as the 5th amendment;

amended on October 8, 1992 as the 6th amendment;
amended on October 28, 1997 as the 7th amendment;
amended on January 7, 1998 as the 8th amendment;
amended on June 30, 1998 as the 9th amendment;
amended on June 20, 1999 as the 10th amendment;
amended on May 24, 2000 as the 11th amendment;
amended on May 16, 2001 as the 12th amendment;
amended on May 20, 2002 as the 13th amendment;
amended on March 10, 2003 as the 14th amendment;
amended on June 6, 2003 as the 15th amendment;
amended on June 11, 2004 as the 16th amendment;
amended on June 10, 2005 as the 17th amendment;
amended on June 15, 2007 as the 18th amendment;
amended on June 13, 2008 as the 19th amendment;
amended on June 10, 2009 as the 20th amendment;
amended on June 9, 2010 as the 21st amendment;
amended on June 10, 2011 as the 22nd amendment;
amended on June 17, 2016 as the 23rd amendment;
amended on June 13, 2018 as the 24th amendment.
amended on June 14, 2019 as the 25th amendment;

**Chenming Electronic Technology Corporation
Parliamentary Rules for Shareholders' Meetings**

- I. The Company's shareholders' meeting shall be duly convened in accordance with these Procedure Rules unless otherwise prescribed in laws concerned.
- II. In a shareholders' meeting, the sign-in book shall be prepared for the present shareholders to sign in. Or the present shareholders' may submit sign-in cards instead of the sign-in process. The number of shares represented by present shareholders shall be duly calculated based on the sign-in book or the sign-in cards submitted by present shareholders.
- III. The presence and voting in a shareholders' meeting shall be duly calculated based on the number of shares so represented.
- IV. A shareholders' meeting shall be convened at a venue where the Company is located or a location appropriate for a shareholders' meeting to be convened. A shareholders' meeting shall be convened at a timeframe not earlier than 9:00 a.m. or later than 3:00 p.m.
- V. A shareholders' meeting shall be chaired by the chairman if convened by the board of directors. In case the chairman of the board of directors is on leave or absent or can not exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case there is no vice chairman, or the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the managing directors, or where there is no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting chairman of the board of directors.
Where a shareholders' meeting is convened by a convener beyond the board of directors, that shareholders' meeting shall be chaired by that convener.
- VI. An Attorney-at-Law, a Certified Public Accountant or a person concerned commissioned by the Company may participate in a shareholders' meeting as a non-voting (guest) participant.
The staff taking charge of a shareholders' meeting shall wear identity certificates or armbands.
- VII. The entire process of a shareholders' meeting shall be audio recorded or videotaped and such audio record or videotape shall be archived for one year minimum.
- VIII. The chairperson shall call the meeting to order when the time is up. In the event that the present shareholders are not up to the quorum for a majority of the total outstanding shares, the chairperson may announce a postponement of the meeting. The aggregate total of the postponements shall not exceed twice and the aggregate total of postponements in accumulation shall not be in excess of one hour. Where the number of shareholders present does not constitute the specified quorum after postponements twice but those present shareholders represent one-third or more of the total number of issued shares, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act.
In the event that the issued shares represented by present shareholders are up to a majority of the total issued shares before the current meeting ends, the chairperson may pose the tentative resolution so resolved to the shareholders' meeting for voting anew in accordance with Article 174 of the Company Act.

- IX. Where a shareholders' meeting is convened by the board of directors, the agenda shall be fixed by the board of directors. The shareholders' meeting shall be duly handled in accordance with the scheduled agenda which shall not be changed unless duly resolved in the shareholders' meeting.
- The provision set forth under the preceding Paragraph is applicable mutatis mutandis to shareholders' meeting which is convened by a person beyond the board of directors.
- Unless duly resolved, the chairperson shall not declare adjournment of the meeting until the issues set in the agenda in the two preceding Paragraphs (including extraordinary motions) are concluded.
- After a shareholders' meeting is Adjourned, the shareholders shall not elect another chairperson to continue the meeting at the same venue or a new venue. Where the chairperson proves in contravention of Procedure Rules for Shareholders' Meeting by declaring adjournment of the meeting unlawfully, nevertheless, a new chairperson may be elected by a majority vote of the present shareholders to continue the meeting.
- X. A present shareholder shall fill out and submit the floor note, giving the gist of the speech, shareholder number (or code of the participation certificate) and name of account holder before he or she takes the floor. Then the chairperson may fix the order of floor.
- A present shareholder who has submitted the floor note but does not take the floor is deemed as having not taken the floor. Where a present shareholder speaks contents inconsistent with the contents shown on the floor note, the contents actually spoken shall prevail.
- While a present shareholder takes the floor, other shareholder(s) shall not speak to interfere with the floor unless consented by the chairperson and the speaking shareholder. The chairperson shall stop the offender, if any.
- XI. A shareholder shall not speak more than two times for one motion, unless he has obtained the prior consent from the chairman, and each speech shall not exceed 5 minutes.
- Where a shareholder violates the provision set forth under the preceding Paragraph or speaks beyond the scope of the subject issue, the chairperson may stop his or her speech.
- XII. Where a juristic person is commissioned to participate in a shareholders' meeting as a proxy, that juristic person may assign only one person to participate in the shareholders' meeting.
- A juristic person who assigns two or more representatives to participate in a shareholders' meeting may appoint only one person to take the floor on the same issue.
- XIII. After a present shareholder completes the floor, the chairperson may answer the floor either in person or by assigning a person concerned to respond.
- XIV. Where an issue is found having been discussed enough up to the extent of resolution, the chairperson may announce discontinuance from discussion and put that issue to vote.
- XV. For the voting process, the ballot scrutinizer and the tally clerk shall be appointed by the chairperson. The ballot scrutinizer shall, nevertheless, be appointed from among the shareholders. The outcome of the voting process shall be reported on-the-spot and put into the minutes.
- XVI. During progress of the meeting, the chairperson may set an intermission as appropriate.
- XVII. Unless otherwise provided for in the Company Act and the Articles of Incorporation, the decision of an issue shall be resolved by a majority vote in the meeting which is

attended by shareholders who represent a majority of the total issued shares.

During the voting process, an issue which proves to meet no objection in response to the inquiry by the chairperson is deemed duly passed in the validity same as an issue duly resolved through balloting process.

- XVIII. Where a same issue is accompanied with an amendment or an alternate, the chairperson shall rule the voting order for the amendment or alternate in consolidation with the original bill. Where one bill among them is passed, other bill(s) is(are) deemed having been vetoed without a need for voting any more.
- XIX. The chairperson may command picket personnel (or security guard(s)) to maintain the order of the meeting venue. The picket personnel (or security guard(s)) shall wear “picket personnel” armbands while serving the meeting site to maintain the order.
- XX. This same provision is applicable mutatis mutandis to an event of amendment. There Regulations shall be put into enforcement after being resolved in the shareholders’ meeting.

**Chenming Electronic Technology Corporation
Regulations Governing Elections of Directors and Supervisors**

- I. The Company's directors and supervisors shall be duly handled in accordance with these Regulations
- II. In election of directors and supervisors, unless otherwise prescribed in the Articles of Incorporation, each share is entitled to the electing power equivalent to the numbers of directors and supervisors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates.
- III. The board of directors shall work out election ballots in the number equivalent to the numbers of directors and supervisors to be elected and shall fill out the weight numbers thereupon and distribute them to the present shareholders.
- IV. Before start of the election process, the chairperson shall appoint certain numbers of ballot scrutinizer(s) and tally clerk(s) to exercise the duties concerned.
- V. For election of directors and supervisors, the board of directors shall prepare the ballot boxes which shall be opened and verified in public before balloting process.
- VI. Where a candidate holds status as a shareholder, the electors shall fill out the shareholder ID name and shareholder number in the box. Where a candidate is not a shareholder, the electors shall fill out the name and Identity Certificate Number of the candidate. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.
- VII. The election ballots of directors shall be cast for independent directors and non-independent directors in consolidation and shall be elected respectively.
- VIII. An election ballot is null and void if meeting any among those enumerated below:
 - (I) Not as an election ballot stipulated under these Regulations.
 - (II) Where a blank election ballot is put into the ballot box.
 - (III) Where the election ballot bears illegible wording or has been tampered with.
 - (IV) Where the shareholder account name, shareholder number is found inconsistent with the entries in the shareholders register if the candidate is a shareholder; or where the name and Identity Certificate Number are found non-conforming through verification if the candidate is not a shareholder.
 - (V) Where the ballot is found containing wording other than the candidate's account name (name) or shareholder account number (Identity Certificate Number) and the distributed weight number.
 - (VI) Where the candidate's account name (name) or shareholder account number (Identity Certificate Number) is found absent on the election ballot.
 - (VII) Where a same election ballot is named two or more candidates.

IX. The Company's directors and supervisors shall be elected by the shareholders' meeting from candidates with disposing capacity. Based on the quota specified under the Articles of Incorporation and the statistical outcome of election ballots, the candidates who win more election weight numbers shall be elected independent directors, non-independent directors or supervisors by that order. Where two or more candidates win the same election weight number but go beyond the specified quota, those candidates who win the same weight number shall draw lot to decide the final winner. The chairperson shall draw lot on behalf of an absent candidate.

A candidate who is elected both director and supervisor simultaneously according to Paragraph I, he or she shall choose either director or supervisor at his or her discretion. Where an elected director or supervisor is checked and found inconsistent with personal information or found with election invalidated according to laws and ordinances concerned, a candidate winning next large number in election ballots in the same election process shall be announced to replace the vacancy.

X. The Company does not elect supervisor if it has set up the Audit Committee.

XI. The ballot box shall be opened in public upon completion of the balloting process. The outcome of ballot opening shall be announced by the chairperson on-the-spot.

XII. The winning in an election is null and void if found inconsistent with the requirements set forth under Paragraphs 3, 4 of Article 26-3 of Securities and Exchange Act.

XIII. The Company's board of directors shall issue election notices to the elected directors and supervisors.

XIV. Any matters not adequately provided for in these Regulations shall be subject to handling in accordance with the Company Act, Articles of Incorporation and laws and ordinances concerned.

XV. These Regulations shall be put into enforcement after being passed in the shareholders' meeting. This same provision is applicable mutatis mutandis to an event of amendment.

Chenming Electronic Technology Corporation Procedures for Acquisition or Disposal of Assets

Chapter One General Provisions

- I. Objectives and statutory authority:
These Procedures are duly enacted in accordance with Article 36-1 of Securities and Exchange Act and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” in an effort to strengthen management over assets and implement thoroughly open and transparent information policy.
- II. Scope of application for assets:
- (I) Investment in stocks, government bonds, corporate bonds, financial bonds, negotiable securities manifesting funds, deposit receipt certificates (DRC), share subscription (sales) warrants, beneficiary securities and asset-backed securities.
 - (II) Real estate (including land, building, investment properties, and construction in progress), plant and equipment.
 - (III) Membership certificates
 - (IV) Patent rights, copyrights, trademark rights, franchises and such intangible assets.
 - (V) Right-of-use assets.
 - (VI) Debt entitlements of a financial institution (including receivables, bills purchased, discounts, loans, and overdue receivables).
 - (VII) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, 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. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
 - (VIII) Assets acquired or disposed through legal merger, divestment, acquisition or share exchange.
 - (IX) Other material assets.
- III. Appraisal procedures:
- (I) Before the Company acquires or disposes of investment in negotiable securities or engages in transaction in derivative financial instruments, the Financial Department and Accounting Department shall conduct analyses on the relevant benefits and assessment of potential risks. Before the Company acquires or disposes of real estate and other assets, the department(s) concerned shall work out capital expenditure plans and assess the feasibility of the objectives of acquirement or disposal and the anticipated benefit. In case of transaction with a related party, evaluation of the rationality shall be duly conducted in accordance with Chapter Two of these Procedures beforehand.
 - (II) When acquiring or disposing securities, the Company shall obtain the latest audited or auditor-reviewed financial statements or relevant information of the underlying company before the date of occurrence to serve as pricing reference for the transaction. Acquisition/disposal of non-TWSE and non-TPEX listed security, privately placed security, membership, intangible asset and

right-of-use asset thereof that amounts to more than 20% of the Company's paid-up capital or NT\$300 million in value shall be supported with CPA's opinion with regards to the rationality of the transaction price, unless the counterparty is a domestic government agency. CPAs may cite expert reports in their opinions, subject to compliance with Statement of General Auditing Procedures No. 20 published by the ARDF.

- (III) Acquisition/disposal of property, plant, equipment or right-of-use asset that amounts to more than 20% of the Company's paid-up capital or NT\$300 million in value shall be supported with professional valuation report obtained before the date of occurrence, and shall proceed according to the asset valuation process stated herein.
- (IV) Where a public 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 rationality of the transaction terms is appraised, if the transaction amount reaches 10% or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.
- (V) Where the Company conducts a merger, demerger, acquisition, or transfer of shares, the Company shall, before the decision is resolved by the board of directors retain a independent Certified Public Accountant, Attorney-at-Law or securities underwriter about the opinion on the reasonableness of the share conversion ratio, acquisition price, cash in distribution to shareholders or other properties and submit such expert opinion to the board of directors for discussion and resolution.

In case of a public company that merges a subsidiary which holds 100% of outstanding shares either directly or indirectly or a merger among its subsidiaries, nevertheless, the opinion on rationality to be issued by the aforementioned experts may be exempted.

- (VI) For the means of price determination and supporting reference materials where the Company acquires or disposes of assets, other than the aforementioned expert appraisal, opinions from independent Certified Public Accountant or such experts, the Company shall duly handle based on the situations below:
 1. The prices for purchase or sales of the negotiable securities which have been traded in centralized securities exchanges or over-the-counter exchange shall be determined based on the prices of the equity or bond prevalent that time.
 2. The prices for purchase or sales of the negotiable securities which have not been traded in centralized securities exchanges or over-the-counter exchange shall be determined with reference to the net worth per share, capability in technology or profitability, potential of future development, interest rate prevalent in the market, interest rates shown through face amount of the bonds and the debtor's credit standing and further with reference to the latest closed prices.
 3. For acquisition or disposal of membership certificates, the Company shall take into account the yieldable benefits with reference to the latest closing prices. For acquisition or disposal of patent rights, copyrights, trademark rights, franchise and such intangible assets, the Company should take reference to customs prevalent in international community or markets, durable years and the impact upon the Company in technology or business operation.
 4. Pricing for acquisition/disposal of real estate property or right-of-use asset

thereof and other fixed assets shall be negotiated based on government-declared value, the appraised current value, actual transaction price or book value of nearby property or right-of-use asset thereof, or suppliers' quotations. Where the Company acquires assets from a related party, the Company shall, first of all, conduct imputation in the means as set forth under Chapter Two of these Procedures so as to appraise whether the trading prices are reasonable.

5. Where the Company engages in transaction in derivative financial instruments, the Company shall take reference to the trading conditions in the futures exchange, trends in exchange rate and interest rate.
6. Where the Company conducts a merger, demerger, acquisition, or transfer of shares, the Company shall take into account attribute of the business operation, net worth per share, asset value, capability in technology and profitability as well as potential in future growth.

IV. Operating procedures:

(1) Credit line and level in authorization:

1. In case of negotiable securities: The Company shall authorize its general manager to proceed with the transaction within the credit line set forth under Article 7 of these Procedures. Where the negotiable securities prove consistent with the criteria for declaration set forth under Article V, the Company shall declare the issue to the chairman for recordation on the ensuing day and shall further submit the case to the latest Board meeting for retrospective acknowledgement. Where the Company acquires or disposes of stocks, corporate bonds, negotiable securities in private placement beyond the centralized securities exchanges or over-the-counter exchange with amount in transaction up to the criteria for public announcement and declaration, the case shall first be duly resolved in the board of directors beforehand. Where the Company intends to invest in Mainland China, the Company shall first obtain consent from the shareholders' meeting or the shareholders' meeting shall authorize the board of directors for enforcement and the Company shall further apply to and get approved from Investment Commission, Ministry of Economic Affairs beforehand.
2. Transaction in derivative financial instruments
 - (1) Hedge trade: Pursuant to the Company's sales revenues and change in the risk positions, the personnel designated by the chairman may proceed with the trade which is below US\$3 million (or other currency of equivalent value) in single transaction or accumulated position. A case beyond US\$3 million shall not be traded until applied to and approved by the chairman.
 - (2) Non-hedge trade: In an effort to minimize potential risk, a case which is below US\$3 million (or other currency of equivalent value) in single transaction or accumulated position may be conducted after being approved by the chairman. A case beyond US\$3 million shall not be conducted until being approved by the board of directors.
 - (3) To assure that the authorization by the Company may be under coordination with the correspondent superintendence and management from the bank, the authorized trading personnel shall keep the trade informed to the bank.
 - (4) Trade for derivative financial instruments as authorized under the

aforementioned terms shall be reported to the board of directors afterwards.

3. Transaction with a related party: The documents as specified under Chapter Two of these Procedures shall be submitted to, approved by the board of directors and be further acknowledged by the supervisors beforehand.
4. In case of merger, demerger, acquisition, or transfer of shares: The Company shall duly proceed with the relevant procedures and prepare for documents in accordance with Chapter Four of these Procedures. Among the transactions, merger, demerger, acquisition shall be subject to resolution in the shareholders' meeting beforehand unless otherwise prescribed in laws which exempt convening of a shareholders' meeting. Transfer of shares may be conducted after being duly resolved in the board of directors.
5. Others: Other transactions shall proceed according to the internal control system and procedures outlined in the approval authority policy. Transactions that amount to the announcement/reporting criteria outlined in Article 5 are subject to board of directors' resolution before execution, except for acquisition/disposal of machinery, equipment, real estate property or right-of-use asset thereof in business operations, which can be approved upfront and acknowledged by board of directors afterwards. Transactions that meet any of the conditions listed in Article 185 of The Company Act are subject to shareholder meeting resolution before proceeding.

(II) Units in enforcement and transaction procedures

All security investments and derivative transactions involving the Company shall be executed by finance and accounting departments and personnel appointed by the Chairman. Transactions of real estate property or right-of-use asset thereof and other assets shall be executed by the department in use and accountable units. Transactions such as merger, divestment, acquisition or share exchange shall be executed by the unit appointed by Chairman. For acquisition or disposal of assets, after the appraisal process is completed and approval is obtained, the unit in enforcement may proceed with execution of contract, acceptance and granting of payment, delivery and final acceptance check process and shall duly handle the case in accordance with the attribute of the assets and the operating procedures. In addition, transactions with related parties that involve acquisition of real estate property or right-of-use asset thereof, trading of derivative, merger, divestment, acquisition or share exchange shall also proceed according to Chapters Two ~ Four of the procedures.

V. Procedures for public announcement and declaration:

- (I) Where the Company acquires or disposes of property and meets a situation falling within those enumerated below, the Company shall, based on the format and contents specified by the competent authority, launches public announcement and declaration through the website designated by the Financial Supervisory Commission, Executive Yuan within two (2) days from occurrence of the fact.
 1. Acquisition/disposal of real estate property or right-of-use asset thereof, or acquisition/disposal of asset other than real estate property and right-of-use asset thereof that amounts to more than 20% of paid-up capital, 10% of total assets or NT\$300 million in value. This excludes trading of domestic government bond, repurchase/resale agreement, and subscription or

- redemption of money market funds issued by domestic securities investment trust companies.
2. Where the Company launches merger, demerger, acquisition or accepts transfer of shares
 3. Where the Company engages in transaction derivative financial instruments and, as a result, undergoes a loss up to the amount set forth under Article 14, Chapter Three of these Procedures or the maximum limit in the loss in an individual contract.
 4. An event while a financial institution disposes of creditor's right or investment in Mainland China in a transaction other than those set forth under three preceding Paragraphs, with amount of transaction up to 20% of the Company's paid-in capital or an amount of NT\$300 million. Except, nevertheless, a situation among those enumerated below:
 - (1) Trading of domestic government bonds.
 - (2) Repurchase/resale agreements, or subscription/redemption of money market funds issued by domestic securities investment trust companies.
 - (3) Acquisition or disposal of operating equipment or right-of-use assets thereof with an unrelated party, and the transaction amount meets any of the following requirements:
 - (a) For public companies with paid-up capital less than NT\$10 billion, the transaction amounts to NT\$500 million and above.
 - (b) For public companies with paid-up capital of at least NT\$10 billion, the transaction amounts to NT\$1 billion and above.
 - (4) Acquisition of real estate property in the form of development over purchased land, development over leased land, joint development with separate ownership, joint development with proportional holding, or joint development with partial sale, where the counterparty is unrelated and in which the Company expects to invest no more than NT\$ 500 million.
- (II) The Company shall, on a monthly basis, input the facts of transaction for derivative financial instruments conducted by the Company and subsidiaries not as a domestic public company as of the last day of the preceding month in the formula as specified under the Appendix annexed hereto into the Information Declaration Website designated by the Financial Supervisory Commission, Executive Yuan not later than the 10th day of every month.
- (III) If errors or omissions are discovered in the mandatory announcements where rectifications are required, the Company shall start afresh and announce/report all items again within two days from the date of knowledge.
- (IV) Where a trade which has been duly put into public announcement and declaration in accordance with Subparagraph (I) meets any among those enumerated below, the Company shall duly effect public announcement and declaration to the website designated by the Financial Supervisory Commission, Executive Yuan within two (2) days from occurrence of the fact::
1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 3. Change to the originally publicly announced and reported information.

VI. Procedures for appraisal of assets:

Except for transactions involving domestic government agency, commissioned development of purchased land, commissioned development of leased land, and acquisition/disposal of equipment or right-of-use assets thereof relevant to business operations, all other acquisitions and disposals of property and equipment or right-of-use assets thereof amounting to more than 20% of the Company's paid-up capital or NT\$ 300 million and above shall be supported with valuation reports issued by professional valuers prior to the date of occurrence (refer to Attachment 1 for mandatory report details). These valuation reports shall also comply with the following. Where the Company acquires or disposes of assets through auction procedures with a court, the verifying document issued by that court is acceptable instead of the appraisal report or the Certified Public Accountant's opinion.

- (I) In special circumstances where the Company adopts restrictive pricing or uses a specific price to serve as pricing reference, the underlying transaction shall be resolved by the board of directors before proceeding. The same requirement applies to any change of transaction term thereafter.
- (II) Where the amount of transaction is in excess of NT\$1 billion, the Company shall retain two or more expert appraisers for appraisal.
- (III) Where the outcome of appraisal by the expert appraisers is found meeting any among those enumerated below, except an event where the appraisal outcomes are above the trading amount in case of acquirement of assets or where the appraisal outcomes are below the trading amount in case of disposal of assets, the Company shall consult with the independent Certified Public Accountant to handle the case in accordance with Statement of General Auditing Procedures No. 20 published by the ARDF, Republic of China (hereinafter referred to as ARDF) and to issue concrete opinions on the appropriateness of the trading price:
 1. Where the appraisal outcome and the trading amount show a differential gap above 20%.
 2. Where the outcome of two or more expert appraisers shows a differential gap above 10%.
- (IV) The date while the expert appraisers issued the reports shall not be more than three(3) months from the date of execution of this contract. If the official land price latest promulgated by the government of the same term is applicable and is not beyond six (6) months, the opinions issued by the same expert appraisers are acceptable.

VII. Scope and credit line of investment:

Except for assets acquired for business use, investment and purchase of non-business related securities and real estate properties or right-of-use assets thereof by the Company and subsidiaries are subject to the following limits. Upon calculation of Paragraphs (IV), (V), those participating in investment and incorporation or serving as the directors and supervisors who intend to hold the investment on a long-term basis may not be counted.

- (I) The sum of non-business related real estate properties and right-of-use assets thereof shall not exceed 10% of the Company's and subsidiary's net worth, as shown in the latest financial statements.
- (II) The aggregate total amount of negotiable securities shall not exceed 150% of the net worth of the as shown through the latest financial statements of the Company and shall not exceed 100% of the net worth of the as shown through the latest financial statements of the Company's subsidiaries.
- (III) The restriction upon investment in negotiable securities shall not exceed 100%

of the net worth of the as shown through the latest financial statements of the Company and shall not exceed 100% of the net worth of the as shown through the latest financial statements of the Company's subsidiaries.

- (IV) The net investment amounts of the Company and the Company's subsidiaries on a single company listed in the Taiwan Stock Exchange Corporation (TSEC) or a company listed on over-the-counter exchange shall not exceed 10% of the net worth of such respective companies the as shown through the latest financial statements of those respective companies.
- (V) The shares held by the Company and the Company's subsidiaries shall not exceed 10% of the aggregate total outstanding shares of any single company listed in the Taiwan Stock Exchange Corporation (TSEC) or listed on over-the-counter exchange.

VIII. The Company's control over assets acquired or disposed of by subsidiaries

- (I) The Company's subsidiaries shall duly enact "Procedures for the Acquisition or Disposal of Assets" in accordance with Letter Tai-Cai-Zheng-Yi-Zi 0910006105 of the Securities & Futures Institute and have such Production duly resolved by the boards of directors of the subsidiaries and approved by shareholders' meetings of the subsidiaries, and submit them to the Company's board of directors. This same provision is applicable mutatis mutandis to an event of amendment.
- (II) A subsidiary of the Company shall duly acquire or dispose of assets in accordance with its "Internal Control System" and "Procedures for the Acquisition or Disposal of Assets". Such a subsidiary of the Company shall further aggregate the assets acquired or disposed of in the same attribute in a single case or in accumulation, or in amount in excess of NT\$10 million in the preceding month and declare to the Company in writing not later than the 5th day of every month. The Company's Audit Department shall enumerate the business operations by its subsidiaries in acquirement or disposal of assets as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the board of directors and to the supervisors.
- (III) Where a subsidiary of the Company which is not a public company and the assets acquired or disposed of by such subsidiary are not up to the criteria for public announcement and declaration, such subsidiary shall notify the Company within the date of occurrence of the fact and the Company shall launch announcement and declaration to public through the designated website..

IX. Penalty clauses:

Where a person in-charge of acquirement or disposal of assets in the Company is found in contravention of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission, Executive Yuan or these Procedures, such issue shall be duly handled in accordance with the following clauses based on the extent of violation. The violation records shall be taken as the reference in annual performance evaluation for the individuals.

- (I) Delegation of authorization for violation: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (II) Procedures to evaluate an offense: A first time offender shall receive an oral

warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.

- (III) Announcement and declaration to public for an offense: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (IV) The superior supervisor of an offender is subject to penalty as well unless he or she is able to explain that he or she has conducted adequate preventive measures beforehand.
- (V) Where the board of directors or a director is found in contravention of a decision resolved in the shareholders' meeting, the supervisors shall notify the breakdown or such director to stop the offending behavior in accordance with Article 218-2 of the Company Act.

Chapter Two Transaction with related parties

X. Authority to identify a related party:

Transactions by the Company with related parties A related party shall be duly identified in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. Upon the process of identification, the substantial relationship should be taken into account other than statutory formality.

XI. Resolution procedures:

Acquisition/disposal of real estate property or right-of-use asset thereof with a related party, or acquisition/disposal of asset other than real estate property and right-of-use asset thereof that amounts to more than 20% of paid-up capital, 10% of total assets or NT\$300 million in value, shall be approved by the board of directors and acknowledged by supervisors before proceeding with contracting and payment, except for trading of domestic government bonds, repurchase/resale agreements, and subscription/redemption of domestic money market funds. In which case, the transaction executor is required to prepare the following information for board approval and supervisors' acknowledgment:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a trading counterparty.
- (III) Information relating to assessment on the rationality of transaction term, as mentioned in Articles 12 and 13, for the acquisition of real estate property or right-of-use asset thereof from related party.
- (IV) 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.
- (V) The monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.
- (VII) The restrictive covenants and other important stipulations associated with the transaction.

- XII. Evaluation over reasonableness for the terms of transaction:
Acquisition/disposal of real estate property or right-of-use asset thereof with a related party, or acquisition/disposal of asset other than real estate property and right-of-use asset thereof with a related party that amounts to more than 20% of paid-up capital, 10% of total assets or NT\$300 million in value, shall be subject to rationality assessment except for the four circumstances below: (1) The related party had acquired the real estate property or right-of-use asset thereof through inheritance or gift in the first place; (2) 5 years have passed since the relate party last acquired the real estate property or right-of-use asset thereof; (3) The real estate property is acquired from related party through an arrangement characterized as joint construction agreement, development over purchased land or development over leased land; and (4) Acquisition of right-of-use in a real estate property for business operations by a public company from its parent or subsidiary, or between 100% directly and indirectly held subsidiaries of the public company. Except for the four circumstances described above, the Company shall assess the rationality of transaction cost using the following methods, and seek verification and opinions from certified public accountants.
- (I) Pursuant to the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. Interests on capital are calculated at the weighted average interest rate that the Company would have incurred if it finances the asset purchase in the year acquired. However, this rate shall not exceed the maximum lending rate for non-financial institutions, as regulated by the Ministry of Finance.
 - (II) The total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as the collateral for a loan; provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. This does not apply if the financial institution is a related party to one of the counterparties.
 - (III) For purchases or leases that involve both land and buildings, the transaction costs of land and building can be evaluated separately using any of the methods listed Subparagraph (1) or (2) above.
- XIII. Agendum required where the imputed transaction cost is below the transaction price:
Where the transaction costs appraised based on the preceding Article are below the actual transaction price, except a situation among those enumerated below which are backed up with objective proof and expert opinions from expert real estate appraisers and independent Certified Public Accountant for the reasonableness, the case shall be duly handled in accordance with Paragraph III.
- (I) Where the related party acquired undeveloped virgin land or leased land for development, the Company shall submit proof of compliance with one of the following conditions:
 - 1. Where undeveloped virgin land is appraised in accordance with the means set forth under 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 term "reasonable markup" is defined as the lower between the average gross profit margin of the related party's construction department in the last 3 years, or the latest gross profit margin of the entire construction industry published by the Ministry of Finance.
 - 2. Completed transaction by unrelated party within the preceding year

involving other floor of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are considered similar after accounting for reasonable price discrepancies due to floor or regional differences in accordance with standard property market or leasing practices.

- (II) Where the Company acquiring real property or real estate leasehold rights thereof from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

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

Where a public company transacts with a related party and the results of appraisals conducted in accordance with the preceding Article are uniformly lower than the transaction price and all situations set forth under Paragraph I of this Article prove nonexistent, the following steps shall be taken:

- (I) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Special reserves provided on such transactions can be utilized only: when the Company recognizes loss of value upon valuation or disposal of an asset purchased at a higher price, when the Company compensates landlord or restores property to its original condition upon lease termination, or under other reasonable circumstances supported by evidence, subject to approval of the Financial Supervisory Commission, Executive Yuan.
- (II) The supervisors shall handle the issue in accordance with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
- (III) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Chapter Three Control of Derivative Transactions

XIV. Principles and policies of transaction:

- (I) Categories of transaction: The categories of derivative financial instruments the Company may engage in include forward contracts, options, swap of interest rate and exchange rate, futures and combined contracts of aforementioned merchandise in consolidation. The Company shall not engage in transaction in derivative financial instruments until the issue is submitted for a pass in advance by the board of directors.
- (II) Managerial and hedging strategies: The transaction in derivative financial instruments the Company may engage in is classified into hedge-oriented and

non-hedge-oriented objectives (i.e., for the purposes of transaction). The strategies are primarily intended to hedge managerial risks. The Company shall choose merchandise for transaction oriented to hedging risks in foreign exchange revenues and expenditures, assets or liabilities. In case of a change in objective environments, the Company shall appropriately choose “non-hedging transaction” of derivative financial instruments in optimal timing in an effort to help the Company gain added nonoperating revenues or minimize nonoperating loss. Besides, the Company shall choose the financial institutions in business with the Company as far as possible for transaction counterparties to prevent potential credit risks. The Company shall, prior to transaction, appropriately define the transaction modes in financial operation for hedge or for pursuit of investment gains.

(III) Limits of transaction:

1. Hedge transaction: The net foreign currencies position after combined assets and liabilities (including the net position anticipated to yield in the future) shall be taken as the maximum limit.
2. Non-hedge transaction: Not in excess of US\$3 million. The transaction personnel shall, prior to implementation, submit analytical reports about foreign exchange trends. The contents of such report shall expressly specify trend analyses on foreign exchange markets and the proposed modes for operation which shall not be put into enforced until approved.

(IV) The amounts of loss ceiling for entire and individual contracts.

1. Hedge transaction: Hedge transaction is a sort of transaction aiming at the Company’s substantial need for which the stop-loss points shall be set not above the maximum limit at 20% of the transaction contract amount.
2. Non-hedge trade: Set the cut loss point after establishing the position of trade to prevent excessive loss. The cut loss point is set at 20% of the contract amount in the transactions.

(V) Division of authority and responsibility

1. Department of Finance: Pursuant to the Procedures, the Department of Finance shall take charge of implementation of transactions and shall try to collect market updates all the time and get familiar with laws and ordinances concerned and operating skills so as to provide the management with adequate information in real time.
2. Accounting Department: The Accounting Department takes charge of confirmation of transaction, settlement and registration of details.

(VI) Key points in performance evaluation

1. Hedge transaction:
The Company shall take the profit and/or loss yielded financial transaction in derivative financial instruments as shown on the account books as the ground to evaluate performance. The Company shall evaluate performance twice per month as the minimum and provide the performance evaluation outcome to the management for reference.
2. Transaction on earmarked purposes.
The Company shall take the profit and/or loss actually incurred as the grounds for performance evaluation and shall conduct once every week as the minimum and shall provide the outcome of performance evaluation to the management for reference.

XV. Measures on risk management:

While engaging in derivatives transactions, the Company shall take risk control within

the scope and measures enumerated below:

- (I) Consideration in credit exposure risks: The Company shall aim at highly reputable financial institutions and futures brokers which are capable of offering professional information as the key transaction counterparties in principle.
- (II) Consideration in market risks: Where derivatives are subject to high fluctuation in prices in future markets which might lead to uncertain losses, the Company shall strictly stick to the set up stop-loss points after the position is set up.
- (III) Consideration in liquidity risks: In an effort to assure sound liquidity of merchandise in transaction, the transaction institutions shall be in adequate equipment & facilities, information and transaction capability to proceed with transaction in any markets.
- (IV) Consideration in operating risks: The Company shall faithfully comply with the authorized credit lines, operating procedures to prevent potential risks in business operation.
- (V) Consideration in legal risks: For any contract documents to be executed with financial institutions, the Company shall adopt internationally standardized formats as far as possible to prevent potential legal risks.
- (VI) Consideration in merchandise risks: All internal trading crew shall be those who have possessed complete and accurate professional expertise to prevent potential misuse in derivatives and avoid potential loss so incurred.
- (VII) Consideration in cash settlement risks: The authorized trading crew shall strictly comply with the authorized credit lines and shall, besides, closely watch cash flow in the Company to assure that the Company holds adequate cash to deal with transactions at the moment of settlement.
- (VIII) The trading personnel and the personnel in charge of confirmation and settlement shall not serve more than one post among themselves concurrently.
- (IX) The personnel in charge of confirmation shall reconcile accounts and verify by mail with correspondent banks on a regular basis and shall check and verify the aggregate totals in the transactions to make sure of no excess beyond the ceiling limit.
- (X) The personnel in charge of risk weighing, superintendence and control shall not come from the department(s) of personnel defined under (I) and shall report to the board of directors or high ranking supervisor(s) who is(are) not in charge of transaction of policymaking process in position.
- (XI) All positions shall be duly evaluated and adjusted on a weekly basis as the minimum. Where the business operation involves hedge transaction, nevertheless, such positions shall be evaluated twice per month as minimum. The evaluation report shall be submitted to the ranking supervisor authorized by the board of directors (Note: The Company shall point a ranking supervisor beyond the unit of enforcement).

XVI. Internal audit system:

- (I) 'The Company's internal auditors shall look into the appropriateness of internal control system in derivatives transactions on a regular basis and shall audit the department(s) in charge of transaction about their compliance in operating procedures of derivatives transactions. Whenever a significant violation is noticed, they shall immediately report to the ranking supervisor(s) designated by the chairman and the board of directors and shall keep all supervisors informed in writing.
- (II) Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the

supervisors under the preceding paragraph, written notice shall also be given to the independent directors.

- (III) Where an audit committee has been established in accordance with the provisions of the Act, the provisions of Paragraph 1 relating to supervisors shall apply mutatis mutandis to the audit committee.
- (IV) The Company's auditors shall enumerate derivatives transactions into the audit plans and shall declare and report to the Securities & Futures Institute about performance in audit plans in the preceding fiscal year in late February of the ensuing year and shall further declare the rectification performance over abnormalities to the Securities & Futures Institute not later than late May of the ensuing year as the latest deadline.

XVII. Means of regular evaluation and countermeasures to deal with abnormalities

- (I) Transaction over derivatives shall be conducted either on a monthly basis or on a weekly basis. The profit and/or loss and uncovered positions of the non-hedge transaction shall be aggregated for the week or for the month either on a weekly basis or on a monthly basis and submitted to the ranking supervisor authorized by the board of directors to function as reference in evaluation over performance and risks
- (II) The ranking supervisor authorized by the Company's board of directors shall closely watch the superintendence and control over the derivatives transactions all the time. The board of directors shall evaluate the derivatives transactions to make sure whether the transactions are consistent with the established managerial strategies and whether the risks are within the scope tolerable to the Company.
- (III) The ranking supervisor authorized by the board of directors shall manage derivatives transactions in accordance with the following principles:
 - 1. To evaluate the risk control measures currently adopted on a regular basis to make them whether they are appropriate and to proceed with the operation exactly in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Securities & Futures Institute and these Procedures.
 - 2. To oversee the transaction and profit and/or loss and to adopt countermeasures and report to the board of directors forthwith whenever an abnormality is noticed. The Board meeting shall be attended by independent director(s) to speak up opinions.
- (IV) While engaging the derivatives transactions, the Company shall set up a memorandum book which shall bear entries in detail of the categories, amounts of the derivatives transactions, the date when adopted in the board of directors, regular monthly or weekly evaluation reports and the regular evaluation by the ranking supervisor authorized by the board of directors.

Chapter Four Merger, demerger, acquisition, or transfer of shares

XVIII. Where engaging in merger, demerger, acquisition, or transfer of shares, the Company shall, before the Board meeting is convened for resolution, retain independent Certified Public Accountant(s), Attorney(s)-at-Law or securities underwriters to offer their expert opinions about the share swap ratios, acquisition prices, rationality of cash or other property to be distributed to shareholders and submit such opinions to the board of directors for a pass through resolution.

XIX. For merger, demerger, acquisition, or transfer of shares by the Company, the Company

shall duly work out unclassified documents to all shareholders and serve them along with the expert opinions mentioned in the preceding Article and notices to shareholders' meeting to all shareholders before the shareholders' meeting is convened as the handy reference to decide the merger, demerger, acquisition, or transfer of shares should be approved; This excludes circumstances where the Company is exempted by law to resolve business merge, divestment, or acquisition through a shareholder meeting. Whenever any single company which participates in merger, demerger, acquisition fails to convene the shareholders' meeting due to any reason, resolve the decision to pass, vetoes the participation through its shareholders' meeting, the Company shall immediately hold an open presentation to public to state the causes, subsequent actions and the date scheduled to convene the shareholders' meeting.

XX. Unless otherwise prescribed in laws or duly reported to and approved by the Securities & Futures Institute beforehand, while the Company participates in merger, demerger, acquisition, the Company shall duly convene the Board meeting and shareholders' meeting to pass with resolution the issues of merger, demerger, acquisition on the same day as all other participating companies. Where the Company participates in transfer of shares, the Company shall convene the Board meeting on the same day as other participating companies.

XXI. Percentage of share swap and acquisition prices:

The percentage of share swap and acquisition prices for merger, demerger, acquisition, or transfer of shares shall not be changed except an occurrence of any among those enumerated below

- (I) Where the Company proceeds with cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- (II) Where the Company proceeds with an action, e.g., a disposal of major assets that would affect the Company's financial operations.
- (III) Where the Company develops an event, e.g., a major disaster or major change in technology, that would affect shareholder equity or share price.
- (IV) Where the Company participates in an adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- (V) In case of an increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (VI) Where other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

XXII. Entries required for the contents of a contract

Where the Company participates in merger, demerger, acquisition, or transfer of shares, the contract shall expressly bear the rights & obligations of the participating companies, facts about the change in share swap ratios or acquisition prices mentioned in the preceding Article and shall further expressly bear the issues enumerated below:

- (I) Measures to deal with default in contract.
- (II) 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.
- (III) The amount of treasury stock the participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

- (IV) The manner of handling changes in the number of participating entities or companies.
 - (V) Preliminary progress schedule for plan execution, and the date scheduled for completion.
 - (VI) Date scheduled to convene the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.
- XXIII. Other key points that call for attention where the Company participates in merger, demerger, acquisition, or transfer of shares:
- (I) The Company shall request each and every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares to issue a written commitment to confidentiality and not to disclose the content of the plan prior to public disclosure of the information and not to trade, in the name of their own or 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.
 - (II) After the information of merger, demerger, acquisition, or transfer of shares is made public, 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 an event 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.
 - (III) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to comply with the provisions set forth under Article 21 and two preceding Paragraph of these Procedures.

Chapter Five Other significant issues

- XXIV. The Company while acquiring or disposing of assets shall archive all relevant contracts, meeting minutes, memorandum books, appraisal reports and expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter at the Head Office of the Company for five (5) years minimum unless otherwise prescribed.
- XXV. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that, The Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
- (I) No previous violation against the Act, The Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or Regulation on Business Entity Accounting Act, and no conviction of fraud, breach of trust, misappropriation, forgery or any crime relating to business activities resulting in a sentence of one-year imprisonment or higher. 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.

- (II) Must not be related to the transaction counterparty.
- (III) In situations where the Company is required to obtain valuation reports from two or more professional valuers, the valuation firms or valuers shall not be related in any way.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- (I) Assess own professional capacity, practical experience and independence before undertaking the case.
- (II) Make appropriate plans and procedures, and execute accordingly to form conclusions, reports or opinions. Complete the worksheet with details of the executed procedures, the collected data and the final conclusion.
- (III) Evaluate the completeness, correctness and rationality of the data, parameters and information used to issue a valuation report or opinion.
- (IV) Issue declarations on the professionalism and independence of relevant personnel, the rationality and correctness of information used, and compliance-related matters.

XXVI. Where the Company proceeds with acquisition or disposal of assets that is subject to the approval of the board of directors under these 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 all supervisors. Where the Company has duly set up independent directors in accordance with Securities and Exchange Act, while the issues for transaction in acquisition or disposal of assets is submitted to the board of directors for discussion, the opinions of the independent directors shall be put into adequate account. Whenever an independent director expresses dissent or a reserved opinion, such dissent or reserved opinion shall be expressly entered into the Board meeting minutes. Where the Company has duly set up Audit Committee in accordance with Securities and Exchange Act, transaction in major assets or derivatives shall be subject to approval from the Audit Committee by a majority vote of all Committee members and shall be submitted to the board of directors for approval through a resolution. If a transaction is not approved by the Audit Committee by a majority vote of all Committee members, it may be approved by the board of directors through a two-thirds majority of all directors. The decision so resolved in the Audit Committee shall be expressly entered into the Board meeting minutes. The numbers of the Audit Committee members and all directors shall be counted only for those incumbent ones.

XXVII. These Procedures shall be put into enforcement after being approved by the board of directors, submitted to the supervisors and approved by the shareholders' meeting. This same provision is applicable mutatis mutandis to an event of amendment. Whenever a director expresses dissent or a declaration in writing, the data of dissident of such director shall be submitted to all supervisors. The opinions of all independent directors shall be taken into adequate account. Besides, their voices in pros and cons as well as the reasons shall be expressly entered into the minutes of the meeting.

Chenming Electronic Technology Corporation Operating Procedures for Loaning of Funds to Others

- Article I. The following procedures have been established according to Article 36-1 of the Securities and Exchange Act for enhanced management and transparency of loans granted to external parties. All external party lending shall proceed accordingly unless otherwise regulated by law.
- Article II. The Company may extend loans to external parties that meet any of the following conditions:
- (I) Businesses that the Company has business dealing with.
 - (II) Companies or businesses in need of short-term liquidity, provided that such financing amount shall not exceed 40 percent of the lender's net worth.
"Short-term" refers to a period of one year or one business cycle (whichever the longer). "Amount of loan" refers to the cumulative balance of short-term lending made by the public company.
 - (III) Lending between the Company's 100% directly or indirectly held foreign subsidiaries are not subject to the above restrictions, provided that outstanding balance does not exceed 100% of net worth of the respective companies, and that the tenor does not exceed 3 years.
 - (IV) The borrower's person-in-charge shall bear joint liability to repay the lender in the event that Paragraph 1 is violated. If the violation causes any damage to the company, the person-in-charge shall also be held liable for compensations.
- Article III. The Company shall grant loans primarily to business partners that it has transaction relationship with. The amount of loan shall be capped at the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of lending.
Lending for short-term liquidity shall be limited only to the following circumstances:
- (I) Lending to the Company's equity-accounted investees for bank loan repayment, equipment purchase or working capital.
 - (II) Lending to affiliated enterprises in which the Company owns more than 50% indirect shareholding for bank loan repayment, equipment purchase or working capital.
 - (III) Lending to affiliated enterprises in which the Company owns more than 50% direct or indirect shareholding for business investment, and that the invested business is relevant and beneficial to the Company's business prospect.
- Article IV: Total and individual lending limits
The sum of loans granted to external parties shall not exceed 20% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements. Individual borrower limits shall be determined as follows:
- 1. The Company may lend to business partners that it has business dealing with up to the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of lending.
 - 2. When lending for liquidity, the sum of loans granted to individual borrowers shall not exceed 10% of the Company's net worth, as shown in

the latest audited or auditor-reviewed financial statements.

Article V: The lending process

(I) Procedures

1. All external party lending, whether transaction-related or for short-term liquidity, shall be reviewed by the responsible department and are subject to the Chairman's approval and the board's resolution.
2. The finance department shall maintain a registry of details relating to external party lending. Once external party lending has been resolved by the board, details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under the review procedures shall be recorded in the registry.
3. Internal auditors shall conduct audits on loans granted to external parties at least on a quarterly basis, and produce written reports of audit findings. Any major violations discovered shall be escalated immediately in writing to supervisors. If the public company has independent directors in place, the independent directors shall also be notified in writing at the same time.
4. The finance department shall prepare monthly statements of external party lending transactions occurred and canceled during the month to facilitate control, tracking, announcement and regulatory reporting. Adequate levels of loan loss provision shall be assessed and provided on a quarterly basis. Information regarding external party lending shall be disclosed in financial statements along with details of financial statement auditors.
5. In the event that the Company is found to have loaned to an ineligible party or in excess of authorized limits due to change of circumstances, the finance department shall propose a correction plan to the supervisors and complete corrections according to plan. If the public company has independent directors in place, the correction plan shall also be sent to independent directors at the same time.
6. Lending between the Company's parent and subsidiaries, or lending among subsidiaries, shall be raised for resolution by the parent's board of directors. The Chairman can be authorized to approve loan disbursements in multiple drawdowns or on a revolving basis for a period no more than one year, up to the credit limit that the board of directors had resolved per borrower. The authorization limit mentioned in the preceding Paragraph shall be capped at 10% of borrower's net worth, as shown in the latest financial statements, and applies to aggregate loans granted by the Company and subsidiaries.

(II) Review procedures

1. Before proceeding with external party lending, the Company shall request the borrower to provide financial information and explanation on the purpose of loan. All applications are to be submitted in writing.
2. Once the Company accepts the application, the responsible department shall investigate and assess external party lending on several aspects including the necessity and rationality of transaction, existence of direct (indirect) business dealing with the borrower, financial performance, solvency, credibility and profitability of the borrower, the purpose of loan, and impact of external party lending on

the Company's business risk, financial position and shareholders' equity. Findings shall be compiled into written reports and submitted to the board of directors for review.

3. All external party lending, whether transaction-related or for short-term liquidity, shall be secured by promissory notes of equivalent amount. Movable or real estate properties may be obtained as collateral if necessary; in which case, the underlying collateral shall be assessed on a quarterly basis to determine whether the value covers the outstanding loan balance. Additional collaterals should be obtained when necessary. The abovementioned debt security can be waived if the borrower is able to find an individual or company of adequate financial strength to guarantee the debt; in which case, the accountable department shall assess the acceptability of such a guarantee and advise the board of directors on the final decision. If the guarantor is a corporate entity, investigate whether the corporate guarantor's Articles of Incorporation allows it to offer guarantees to external parties.

Article VI. Loan tenor and interest accrual

External party lending should be no longer than one year.

External party lending shall accrue interests monthly at no lower than the Company's average short-term financial institution borrowing rate. Adjustments can be made under special circumstances subject to the consent of the board of directors.

Article VII: Post-lending management and procedures on overdue loans

After loan disbursement, the finance department shall regularly monitor changes in borrower's and guarantor's financial position, business performance and credibility, as well as changes in collateral value. All findings shall be recorded in writing. Any material changes to the above shall be reported immediately to the President and the responsible department for follow-up.

Upon loan maturity or early repayment, the borrower shall be instructed to repay the amount of outstanding principal plus interest before returning promissory note to the borrower or proceeding with lien removal on the pledged collateral.

If the borrower is unable to repay on time, the Company may claim against the pledged collateral or guarantor in a manner permitted by law.

Article VIII: Announcement and reporting procedures

- (I) Before the 10th calendar day of each month, the finance department shall notify the accounting department the balance of external party loan granted by the Company and subsidiaries in the previous month, along with revenue figures, for monthly announcement and regulatory reporting onto the reporting website designated by the Financial Supervisory Commission (FSC) within the specified timeframe.
- (II) In addition to making monthly reports on loan balance, the finance department shall also prepare relevant data and notify the accounting department to proceed with public announcement and regulatory reporting within two days from the time the balance of external party loans granted by the Company and subsidiaries is found to have met any of the following

criteria:

1. When the balance of loans to external parties amounts to more than 20% of the Company's net worth, as shown in the latest financial statements.
2. When the balance of loans granted to a single entity amounts to more than 10% of the Company's net worth, as shown in the latest financial statements.
3. Where loans are granted for transaction-related purpose, the balance exceeds the sum of business dealing in the last year.
4. When additional loans amounting to more than NT\$10 million and 2% of net worth, as shown in the latest financial statements, are granted after making the announcements/regulatory reports described in Items 1-3 above.

Article IX: Controls on external-party lending by subsidiaries

- (I) Subsidiaries of the Company are required to establish "External Party Lending Procedures" in accordance with rules of the Securities and Futures Bureau. The procedures are subject to board approval, supervisor review and shareholder meeting resolution within each subsidiary and shall be reported to the Company's board of directors afterwards. The same applies to all subsequent amendments.
- (II) Subsidiaries of the Company shall implement their own "internal control systems" and "External Party Lending Procedures" to govern loans granted to external parties. Subsidiaries are required to report to the Company in writing before the 5th calendar day each month all relevant information on loans granted to external parties in the previous month, such as balance, borrowers, tenors etc. The audit department shall include subsidiaries' external party lending as part of its monthly audit focus, and make audit progress as part of the mandatory issues to be reported to the board of directors and supervisors.
- (III) Subsidiaries that are not public companies are required to notify the Company on the day the external party loan balance meets the announcement/reporting criteria listed in Paragraph 2, Article 8. Upon receiving notification, the Company shall make the announcement and report according to rules using the designated website.

Article X: Penalties

Any employee involved in external party lending found in violation against the Securities and Futures Bureau's "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or the procedures shall be subject to the following treatments, depending on the severity. The violation records shall be taken as the reference in annual performance evaluation for the individuals.

- (I) Delegation of authorization for violation: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (II) Violation of review procedures: First-time offenders will be given a verbal warning, whereas second-time offenders are subject to written warning

and compulsory participation in internal control training. Employees should be removed from current role for recurring offense or violation of high severity.

- (III) Announcement and declaration to public for an offense: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (IV) The violator's line manager shall also be subject to disciplinary action, unless there is justifiable reason not to take precautions beforehand.
- (V) Where the board of directors or a director is found in contravention of a decision resolved in the shareholders' meeting, the supervisors shall notify the breakdown or such director to stop the offending behavior in accordance with Article 218-2 of the Company Act.

Article XI. This procedure, once approved by the board of directors, shall be referred to supervisors and implemented with approval sought during shareholder meeting. Where directors have expressed objections on record or in writing, such objections shall also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.

Where a public company has appointed independent directors, when it submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.

Appendix VI

Chenming Electronic Technology Corporation Operating Procedures for Endorsements/Guarantees

One. Purpose

The following procedures have been established according to Article 36-1 of the Securities and Exchange Act for enhanced financial and risk management over external endorsements/guarantees, unless otherwise regulated by law.

Two. Applicability

Endorsements and guarantees mentioned in the procedures shall include:

- I. Endorsements and guarantees for financing arrangements:
 - (I) Cheque discounts.
 - (II) Endorsements or guarantees provided to facilitate financing of other companies.
 - (III) Negotiable instruments issued to non-financial institutions as security for the Company's financing activities.
- II. Customs-related endorsements and guarantees: Endorsements and guarantees for customs duty-related purposes, either for the Company or for other companies.
- III. Other endorsements and guarantees: Endorsements and guarantees that can not be classified into any of the above.

Pledge of movable or real estate properties as collaterals for loans undertaken by other companies shall also comply with the procedures.

Three. The endorsed / guaranteed

The Company shall provide endorsements/guarantees only to the following companies, except for endorsements/guarantees given to other peers or partners in relation to a construction contract, or to investees in a joint investment arrangement proportionate to shareholders' ownership interests.

- I. Businesses with which the Company has business dealing.
- II. Businesses in which the Company holds more than 50% direct or indirect voting interest.
- III. Business that holds more than 50% direct or indirect voting interest in the Company.
- IV. Businesses in which the Company holds more than 90% direct and indirect voting interest may provide endorsements and guarantees to each other, provided that the amount of endorsements and guarantees does not exceed 10% of net worth of the respective companies. This restriction does not apply to endorsements and guarantees among investees in which the Company holds 100% direct or indirect voting interest.

Four. Endorsement/guarantee limit

The Company and subsidiaries shall not provide endorsements/guarantees to external parties exceeding 80% of the Company's net worth on an aggregate basis, or exceeding 40% of the Company's net worth for individual parties. Aggregate endorsements/guarantees exceeding 50% of the Company's net worth shall have necessity and rationality explained during shareholder meetings.

Transaction-related endorsements/guarantees granted to business partners shall be subject to the single-business limits mentioned in the preceding Paragraph, and are capped at the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of endorsement/guarantee.

Five. Endorsement and guarantee procedures

- I. When providing endorsement or guarantee, the finance department shall review each request on several aspects including applicants' eligibility, limit, compliance with the procedures and whether the transaction meets the announcement/reporting criteria. The outcome of its review, along with assessments conducted in accordance with section Six of the procedures, shall be submitted to the Chairman for approval and to the board of directors for resolution before execution. If the transaction is still within authorized limit, the Chairman may approve the transaction first based on credibility and financial position of the endorsed/the guaranteed party, and seek acknowledgment afterwards during the upcoming board of directors meeting.
- II. If the endorsed/the guaranteed party is a subsidiary with net worth below 50% of paid-up capital, internal auditors shall follow up on the endorsement/guarantee as part of its quarterly audit focus, and produce written reports for review by the board of directors and the supervisors.
- III. The finance department shall maintain a registry of details relating to external party endorsements/guarantees. Once endorsement/guarantee has been resolved by the board of directors or approved by the Chairman, the transaction may proceed to sign-off according to the prescribed procedures, and shall have details such as the name of the endorsed/the guaranteed, the amount, the board's/Chairman's approval date, the issuance date of endorsement/guarantee and matters subject to due diligence assessment described in section Six of the procedures recorded in the registry. Meanwhile, relevant documents such as negotiable instruments and contracts shall be photocopied and held in proper custody.
- IV. The Company's internal auditors shall conduct quarterly audits on endorsements and guarantees granted to external parties, and produce written reports of audit findings. Any major violations discovered shall be escalated immediately in writing to supervisors. If the public company has independent directors in place, the independent directors shall also be notified in writing at the same time.
- V. The finance department shall prepare monthly statements of external party guarantees occurred and canceled during the month to facilitate control, tracking, announcement and regulatory reporting. Contingent losses shall be assessed and recognized on a quarterly basis. Information regarding external party endorsement/guarantee shall be disclosed in financial statements along with details of financial statement auditors.
- VI. If the endorsed/guaranteed party initially conformed with eligibility requirements but fails to comply with Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies on a later date, or if the amount endorsed/guaranteed exceeds the prescribed limits due to change of the calculation basis, the finance department shall propose a correction plan with respect to the amount endorsed/guaranteed or the excess. All excess shall be resolved within a specified period upon approval by the Chairman. These correction plans shall be presented to supervisors for review and executed by accountable parties according to schedule. If the public company has independent directors in place, the correction plan shall also be sent to independent directors at the same time.
- VII. Prior to the expiry of endorsement/guarantee, the finance department shall take initiative in notifying the guaranteed party that the Company will be recovering guarantee notes from the bank or creditor, and will be revoking any documents related to the endorsement/guarantee.

Six. Due diligence review procedures

In an endorsement/guarantee, the finance department is required to perform the following reviews and assessments while maintain records of its progress:

- (I) Establish the relationship between the endorsed/the guaranteed party and the Company, the purpose of loan, the use of capital, and relevance or significance to the Company's business activities. The necessity and rationality of existing endorsement/guarantee limits and balances shall also be assessed.
- (II) Obtain annual report, financial report and relevant information from the endorsed/the guaranteed party to analyze its operations, financial position, credibility and source of repayment, and assess possible risks.
- (III) Analyze the percentage of outstanding endorsements/guarantees relative to net worth, liquidity and cash flow position, and take into consideration the results of (I) and (II) above to assess impacts in terms of business risk, financial position and shareholders' equity.
- (IV) Depending on the nature of guarantee, credibility of the guaranteed party and outcomes from (I) - (III) above, evaluate whether it is necessary to obtain collaterals from the guaranteed party and monitor on a quarterly basis whether the collateral value covers outstanding balance of endorsement/guarantee. Additional collaterals should be obtained when necessary.

Seven. Controls on external-party endorsement/guarantee by subsidiaries

- I. Subsidiaries of the Company are required to establish "Endorsement and Guarantee Procedures" in accordance with rules of the Securities and Futures Bureau (SFB), Financial Supervisory Commission. The procedures are subject to board approval, supervisor review and shareholder meeting resolution within each subsidiary and shall be reported to the Company's board of directors afterwards. The same applies to all subsequent amendments.
- II. Subsidiaries of the Company shall implement their own "internal control systems" and "Endorsement and Guarantee Procedures" to govern endorsements/guarantees granted to external parties. Subsidiaries are required to report to the Company in writing before the 5th calendar day each month all relevant information on endorsements/guarantees granted to external parties in the previous month, such as balance, counterparties, duration etc. The audit department shall include subsidiaries' external party endorsement/guarantee as part of its monthly audit focus, and make audit progress as part of the mandatory issues to be reported to the board of directors and supervisors.
- III. Subsidiaries that are not public companies are required to notify the Company on the day the external party endorsement/guarantee balance meets the announcement/reporting criteria listed in Paragraph 2 of the procedures. Upon receiving notification, the Company shall make the announcement and report according to rules over the designated website.
- IV. Endorsement and guarantee between subsidiaries in which the Company holds more than 90% direct and indirect voting interest are subject to board of directors' resolution before proceeding. This excludes endorsements and guarantees between entities in which the Company holds 100% direct/indirect voting rights.

Eight. Levels of decision-making and approval authority

- I. Endorsements and guarantees are subject to the approval procedures outlined in section Five, and shall be executed with board of directors' resolution. However, in situations where timing is of concern, the board of directors may authorize the

Chairman to approve endorsements/guarantees within the single-party limit upfront and seek acknowledgment afterwards in the upcoming board of directors meeting.

- II. Any business-related endorsement/guarantee above the limits mentioned herein that is deemed necessary and in conformity with the criteria outlined in the Endorsement and Guarantee Procedures shall be approved in a board of directors meeting and have more than half of board members jointly guaranteeing the likely losses before proceeding. In which case, the Company shall revise the procedures and seek acknowledgment later in a shareholder meeting; if shareholders do not agree to the proposal, plans shall be devised to eliminate the excess within a specified period of time

Nine. Seal custody and procedures

- I. The Company shall register a common seal with the Ministry of Economic Affairs specifically for endorsements and guarantees. This seal shall be held in custody by the finance department with the approval of the board of directors; any subsequent change in the seal custodian is subject to the board's approval. The seal held in custody shall be included as part of the hand-over list.
- II. Once an endorsement/guarantee has been resolved by the board of directors or approved by the Chairman, the finance department shall raise a "Seal Usage Request" and present relevant documents such as the proof of approval, the endorsement/guarantee contract or guarantee note for approval by the head of finance before referring to the seal custodian for seal usage.
- III. The seal custodian shall check for proof of approval, verify whether the "Seal Usage Registry" has been approved by the head of finance and compare details of the seal request before affixing the seal. Update the Seal Usage Registry once the seal has been affixed.
- IV. When offering guarantee in favor of a foreign company, the Company's letter of guarantee shall be signed by the Chairman or the President with authorization from the board of directors.

Ten. Announcement Procedures

- I. Before the 10th calendar of each month, the finance department shall notify the accounting department the balance of external party endorsements/guarantees granted by the Company and subsidiaries in the previous month, along with revenue figures, for monthly announcement and regulatory reporting onto the reporting website designated by FSC within the specified timeframe.
- II. In addition to making monthly reports on guarantee/endorsement balance, the finance department shall also prepare relevant data and notify the accounting department to proceed with public announcement and regulatory reporting within two days from the time the balance of external party endorsements/guarantees granted by the Company and subsidiaries is found to have met any of the following criteria:
 - (I) When the balance of endorsements/guarantees to external parties amounts to more than 50% of the Company's net worth, as shown in the latest financial statements.
 - (II) When the balance of endorsements/guarantees granted to a single entity amounts to more than 20% of the Company's net worth, as shown in the latest financial statements.
 - (III) When the balance of endorsements/guarantees granted to a single entity amounts to NTD 10 million or above, while the balance of endorsements,

guarantees, book value of investments accounted using the equity method, and loans to that entity amounts to more than 30% of the Company's net worth, as shown in the latest financial statements.

- (IV) Where endorsements/guarantees are granted for transaction-related purpose, the balance exceeds the sum of business dealing in the last year.
- (V) When additional endorsements/guarantees amounting to more than NT\$30 million and 5% of net worth, as shown in the latest financial statements, are granted after making the announcements/regulatory reports described in Items 1-4 above.

Eleven. Internal audit

Internal audit staff shall perform audits relating to the execution of endorsement and guarantee at least on a quarterly basis, and produce written reports on audit findings. Any violation discovered shall be notified immediately to all supervisors in writing.

Twelve. Discipline

Any employee involved in external party endorsement/guarantee found in violation against the SFB's "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or the procedures shall be subject to the following treatments, depending on the severity. The violation records shall be taken as the reference in annual performance evaluation for the individuals.

- I. Violation of approval authority: First-time offenders will be given verbal warning, whereas second-time offenders are subject to written warning and compulsory participation in internal control training. Employees should be removed from current role for recurring offense or violation of high severity.
- II. Violation of review procedures: First-time offenders will be given verbal warning, whereas second-time offenders are subject to written warning and compulsory participation in internal control training. Employees should be removed from current role for recurring offense or violation of high severity.
- III. Violation of announcement/reporting requirement: First-time offenders will be given verbal warning, whereas second-time offenders are subject to written warning. Employees should be removed from current role for recurring offense or violation of high severity.
- IV. The violator's line manager shall also be subject to disciplinary action, unless there is justifiable reason not to take precautions beforehand.
- V. For any violation against company policies or shareholder meeting resolutions involving the board or its directors, the supervisors are obligated under Article 218-2 of The Company Act to instruct the board or its directors to cease such conducts.

Thirteen. Other Terms

- I. Endorsements and guarantees made by the Company and subsidiaries each year shall be reported during the next shareholder meeting.
- II. This procedure, once approved by the board of directors, shall be implemented with the consent of supervisors and shareholders' approval in a shareholder meeting. Where directors have expressed objections on record or in writing, these objections shall also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments. Where a public company has appointed independent directors, when it submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into

full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.

Appendix VII

Chenming Electronic Technology Corporation Parliamentary Rules for Directors' Meetings

- Article I (Basis for the adoption of these Rules)
To establish a strong governance system and sound supervisory capabilities for this Company's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article II (Scope of these Rules)
With respect to the board of directors meetings ("board meetings") of the Company, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.
- Article III (Convening and notice of board meetings)
The board of directors shall meet at least quarterly.
A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.
The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients.
All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.
- Article IV (Meeting notification and meeting materials)
The designated unit responsible for the board meetings of the Company shall be Finance Department.
The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.
A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.
- Article V (Preparation of attendance book and other documents; attendance by proxy)
When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.
Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the Company's Articles of Incorporation. Attendance by video conference will be deemed attendance in person. Directors seeking proxy attendance from another director are required to issue a separate proxy letter for every board meeting, and specify the extent of delegated authority for each motion.
A director may accept the appointment to act as the proxy referred to in the preceding Paragraph of one other director only.
- Article VI (Principles for determining the place and time of a board meeting)

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

Article VII (Chair and acting chair of a board meeting)

Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the acting chair shall be appointed pursuant to Article 208 of the Company Act.

Article VIII (Reference materials, non-voting participants, and holding board meetings)

When a board meeting is held, the management (or the designated unit responsible for the board meetings) shall furnish the attending directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements provided that they shall leave the meeting when deliberation or voting takes place.

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

The number of "all directors," as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2, shall be counted as the number of directors then actually in office.

Article IX (Commencement of board of directors' meeting)

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

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a board meeting is held by video conference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article X (Agenda items)

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

- I. Reporting matters:
 - (I) Minutes of the last meeting and action taken.
 - (II) Important financial and business matters.

- (III) Internal audit activities.
 - (IV) Other important matters to be reported.
 - II. Discussion matters:
 - (I) Items for continued discussion from the last meeting.
 - (II) Items for discussion at this meeting.
 - III. Extraordinary motions.
- Article XI (Discussion of proposals)
- A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.
- The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.
- At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 3 shall apply *mutatis mutandis*.
- Article XII (Matters requiring discussion at a board meeting)
- The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:
- I. The Company's Business Plan.
 - II. Annual Financial and Semi-annual Financial Reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be audited by a certified public accountant.
 - III. Establishment or amendment of internal control system, and assessment of effectiveness of the internal control system according to Article 14-1 of the Securities and Exchange Act (SEA).
 - IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
 - V. The offering, issuance, or private placement of any equity-type securities.
 - VI. The appointment or discharge of a financial, accounting, or internal audit officer.
 - VII. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
 - VIII. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors' meeting, or any such significant matter as may be prescribed by the competent authority.
- The term "related party" mentioned in Subparagraph 7 above shall adhere to the definitions stipulated in Regulations Governing the Preparation of Financial Reports by Securities Issuers. Major donation to non-related party shall refer to any single or cumulative donations that amount to NT\$100 million or above in a year to the same party, or amounts that accumulate to more than 1% of net revenues or 5% of paid-up capital, as shown in the latest audited financial statements.

The one-year period mentioned above shall refer to the one year dating back from the current board meeting. Amounts that have already been passed in previous board meetings may be excluded from calculation.

For foreign companies whose stock has no par value or a par value other than NT\$10, the “5 percent of paid-in capital” in paragraph 2 above shall be calculated instead as 2.5 percent of shareholder equity.

At least one independent director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the board of directors under paragraph 1, each independent director shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board meeting minutes. An independent director intending to express an objection or reservation but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.

Article XIII (Voting—I)

When the chair at a board meeting 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 a vote.

Motion of a board of directors meeting is considered passed if the chairperson receives no objection from any attending directors. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

I. A show of hands or a vote by voting machine.

II. A roll call vote.

III. A vote by ballot.

IV. A vote by a method selected at the Company’s discretion.

“Attending directors,” as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 15, paragraph 1.

Article XIV (Voting—II and methods for vote monitoring and counting)

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

When there is an amendment or 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. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

The outcome of the voting process shall be reported on-the-spot and put into the minutes.

Article XV (Recusal system for directors)

If a director or a juristic person that the director represents is an interested party

in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Board resolutions that involve directors who are prohibited from exercising voting rights, as mentioned above, are governed by Paragraph 3, Article 206 and Paragraph 2, Article 180 of The Company Act.

Article XVI (Meeting minutes and sign-in matters)

Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

- I. The meeting session (or year) and the time and place of the meeting.
- II. The name of the chairperson.
- III. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
- IV. The names and titles of those attending the meeting as non-voting participants.
- V. The name of the minute taker.
- VI. The matters reported at the meeting.
- VII. Agenda items: The method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 5.
- VIII. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.
- IX. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:

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

The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company.

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

The meeting minutes of paragraph 1 may produced and distributed in electronic form.

Article XVII (Principles with respect to the delegation of powers by the board)

With the exception of matters required to be discussed at a board meeting under Article 12, paragraph 1, the chairperson is fully authorized to exercise the powers of the board for the following matters:

- (I) Discretion over loan limits and terms of borrowing with financial institutions depending on the Company's capital requirements. Outcome of decision to be reported to the board of directors.
- (II) Offering of endorsement/guarantee within the limits specified in Endorsement and Guarantee Procedures and transaction within the limits specified in Procedures for the Acquisition or Disposal of Assets depending on the Company's capital requirements. Outcome of decision to be reported to the board of directors.
- (III) Appointment of directors, supervisors and representatives in subsidiaries (including overseas offices).
- (IV) Adjustment to the Company's organization and foundation principles.

Article XVIII (Supplementary provisions)

These Rules of Procedure shall be adopted by the approval of meeting of the board of directors and shall be reported to the shareholders' meeting.

Appendix VIII

Chenming Electronic Technology Corporation Ethical Management Best-Practice Principles

- Article I This Code of Conduct has been created to support a corporate culture of integrity, business growth and provide a framework for good commercial conducts.
The Code of Conduct shall apply to all subsidiaries, all non-profit organizations that the Company has funded directly or indirectly for more than 50%, and entities and organizations of the same group (collectively referred to as Group Affiliates below).the Company), except those that have implemented their own internal rules based on Business Integrity Code of Conduct or relevant policies.
- Article II When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the Company or persons having substantial control over such companies (“substantial controllers”) shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (“unethical conduct”) for purposes of acquiring or maintaining benefits.
Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article III “Benefits” in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article IV The Company is bound to comply with The Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act and any laws that pertain to business conduct of TWSE/GTSM listed companies. These regulations provide the foundation for the Company’s integrity management.
- Article V The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article VI The Company shall develop clear and comprehensive solutions based on the philosophy and policy described in the preceding Article to prevent dishonest conducts (collectively referred to as “Preventions” below). These solutions should include operating procedures, behavioral guidelines, training etc. Preventions developed by the Company shall conform to legal requirements in various places of operation.
The Company should communicate with employees, unions, key business counterparties or other stakeholders when establishing Preventions.
- Article VII When developing Preventions, the Company shall identify business activities that present high risks of dishonest conduct and adopt enhanced preventive measures accordingly.
Preventions adopted by the Company shall prevent at least the following misconducts:

- I. Offering and acceptance of bribes.
 - II. Illegal political donations.
 - III. Improper charitable donations or sponsorship.
 - IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
 - V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
 - VI. Engaging in unfair competitive practices.
 - VII. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.
- Article VIII The Company and Group Affiliates shall state explicitly in policies and external documents their commitments to business integrity, which the board of directors and the management shall commit to fulfilling. These commitments also have to be reflected in internal management practices and external commercial activities.
- Article IX The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.
Prior to engaging in commercial transactions, the Company shall evaluate the legitimacy of its distributors, suppliers, customers and counterparties, investigate whether they were previously involved in dishonest conducts, and avoid dealing with entities that demonstrate poor integrity.
Contracts signed with an external party should include an integrity clause that gives the Company the right to terminate the contract if the counterparty is found to have been involved in dishonest conducts.
- Article X When conducting business, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.
- Article XI When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- Article XII When making or offering donations and sponsorship, The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- Article XIII The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- Article XIV The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

- Article XV The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.
- Article XVI In the course of research and development, procurement, manufacture, provision, or sale of products and services, The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.
- Article XVII The directors, supervisors, managers, employees, mandataries, and substantial controllers of a TWSE/GTSM listed company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.
- To achieve sound ethical corporate management, The Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:
- I. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
 - II. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.
 - III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
 - IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
 - V. Developing a whistle-blowing system and ensuring its operating effectiveness.
 - VI. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures

- Article XVIII The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.
- Article XIX The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company. When a Company director, supervisor, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of this Corporation would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. The Company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.
- Article XX The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The internal audit unit has the duty to audit the Company's compliance with the above policies on a regular basis, and report findings to the board of directors in the form of an audit report. The internal audit unit may also engage CPAs to perform audit, and seek help from professionals if necessary.
- Article XXI The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:
- I. Standards for determining whether improper benefits have been offered or accepted.
 - II. Procedures for offering legitimate political donations.
 - III. Procedures and the standard rates for offering charitable donations or sponsorship.
 - IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
 - V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
 - VI. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
 - VII. Handling procedures for violations of these Principles.
 - VIII. Disciplinary measures on offenders.
- Article XXII Chairman, President and senior managers shall constantly convey the importance of integrity with directors and employees. The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial

controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

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

- I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.
- II. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
- III. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
- IV. Confidentiality of the identity of whistle-blowers and the content of reported cases.
- V. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
- VI. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the TWSE/GTSM listed company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.

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

Article XXV The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

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

Article XXVII This Business Integrity Code of Conduct shall be implemented upon approval of the board of directors and raised for acknowledgment during shareholder meeting. The same applies to subsequent amendments.

Article XVIII This Code of Conduct was established on December 24, 2014.

Appendix IX

**Chenming Electronic Technology Corporation
Shareholdings by the Directors and Supervisors**

Record date: April 14, 2020

Title	Name	Date when elected	Number of shares held when elected			Number of shares held currently.			Remarks
			Type of share	Number of shares	Accounting for ___% of outstanding shares	Type of share	Number of shares	Accounting for ___% of outstanding shares	
Chairman	Lin Mu-Ho	June 16, 2017	common shares	25,000,230	14.71%	common shares	25,000,230	15.68%	
Vice Chairman	Lin Feng-Ran	June 16, 2017	common shares	6,612,310	3.89%	common shares	6,612,310	4.15%	
Director	Chen Hsiao-Chun	June 16, 2017	common shares	259,456	0.15%	common shares	259,456	0.16%	
Director	Lo Chih-Chi	June 16, 2017	common shares	573,958	0.34%	common shares	573,958	0.36%	
Director	Ching Chi-Ben	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Chang Yi-Min	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Lin Chiang-Feng	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Supervisor	Lin Pei-Yu	June 16, 2017	common shares	4,512,755	2.66%	common shares	4,512,755	2.83%	
Supervisor	Lin Po-Hsiang	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Total				36,958,709			36,958,709		

Total number of shares issued on June 16, 2017: 169,935,018 shares

Total number of shares issued on April 14, 2020: 159,435,018 shares

Note: The total number of shares required to be held by all directors of the Company: 9,566,101 shares. As of April 14, 2020, the total shareholding is: 32,445,954 shares

The total number of shares required to be held by all supervisors of the Company: 956,610 shares. As of April 14, 2020, the total shareholding is: 4,512,755 shares

© The shares held by independent directors are not counted towards the directors' shareholdings.