

Stock Code:1590

AIRTAC INTERNATIONAL GROUP
Handbook for the 2016 Annual Meeting of
Shareholders

MEETING TIME: MAY 18, 2016

PLACE: No.63, Daxue Rd., Sanxia Dist., New Taipei City 237,
Taiwan (R.O.C.) (Fullon Hotel)

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I. Meeting Procedure

AIRTAC INTERNATIONAL GROUP

(亞德客國際集團)

(Incorporated in the Cayman Islands with limited liability)

Procedure of 2016 Annual General Meeting of Shareholders

1. Commencement of the Meeting

2. Chairperson Remarks

3. Matters for Discussion

4. Matters to Report

5. Matters for Recognition

6. Matters for Election

7. Matters for Discussion

8. Ad Hoc Motions

9. Adjournment

II. Meeting Agenda

AIRTAC INTERNATIONAL GROUP

(亞德客國際集團)

(Incorporated in the Cayman Islands with limited liability)

Year 2016

Agenda of Annual Meeting of Shareholders

Time: Thursday, 9:00 am May 18, 2016

Venue: No.63, Daxue Rd., Sanxia Dist., New Taipei City 237, Taiwan (R.O.C.) (Fullon Hotel)

Chairman : Shih-Chung Wang, Chairman of the Board of Directors

1. Commencement of the Meeting
2. Chairperson Remarks
3. Matters for Discussion:
 - (1) The amendments to the Amended and Restated Memorandum and Articles of Association of the Company.
4. Matters to Report:
 - (1) 2015 operation and business report.
 - (2) 2015 audit committee's audit report.
 - (3) Report of profit distributable to the employees as compensation for 2015.
5. Matters for Recognition:
 - (1) The Company's operational and business report and consolidated financial statements for 2015.
 - (2) The Company's earnings distribution for 2015.
6. Matters for Election:
 - (1) Election of the directors (including independent directors) of the fourth term of the Company.
7. Matters for Discussion
 - (2) Release from the prohibition on the directors of the fourth term from participation in competing businesses.
8. Ad Hoc Motions
9. Adjournment

Matters for Discussion

1.

Proposed by the Board

Proposal:

The amendments to the Amended and Restated Memorandum and Articles of Association of the Company.

Explanation:

The amendments to the M&A of the Company (as set forth in Exhibits A, P.10-P.12) were approved by the Board of Directors on January 14, 2016, which shall be adopted by a special resolution pursuant to Article 14.1 of the M&A as the new M&A of the Company in substitution for and to the exclusion of all the existing M&A of the Company. It is hereby submitted to this meeting for approval.

Resolution:

Matters to Report

Report No. 1

2015 operation and business report

Explanation:

Please refer to Exhibit B (pp.13-15) for the 2015 operation and business report of the Company.

Report No. 2

2015 audit committee's audit report

Explanation:

Please refer to Exhibit C (pp.16-17) for the 2015 audit committee's audit report of the Company.

Report No. 3

Report of profit distributable to the employees as compensation for the year 2015.

Explanation:

Pursuant to Article 34.1 of M&A of the Company, the Company's profit distributable to the employees as compensation for the year 2015 at 2.5% of the profits before tax of the same year after deducting employees' compensation of the Company. The amount of the profit distributable is RMB 9,370,000, to be paid in cash, to employees including the employees of the Company's affiliates.

Matters for Recognition

1. Proposed by the Board

Proposal:

Adoption of the Company's operational and business report and consolidated financial statements for the year 2015.

Explanation:

- (1) The consolidated Financial Statements for the year 2015 were duly audited by the CPAs of Deloitte & Touche, Ming-Zhong Hsieh and Bo-Ren Weng, with an unqualified opinion report. The financial statements were approved by Board of Director on February 25, 2015. The consolidated financial statements and the operational and business report for the year 2015 are hereby submitted to this annual

- general meeting of the shareholders for Recognition.
- (2) The aforementioned reports as set forth in Exhibits B as pp.13-15 and D as pp.18-25, are hereby submitted to the shareholders for Recognition.

Resolution:

2. Proposed by the Board

Proposal:

Adoption of the proposal for the Company's earnings distribution for the year 2015.

Explanation:

- (1) The Board has adopted a proposal for the Company's earnings distribution for the year 2015 in accordance with the Amended and Restated Memorandum & Articles of the Company. Please refer to the 2015 EARNINGS DISTRIBUTION TABLE below.
- (2) 2015 net profit after tax amounted to RMB272,420,811, adding reversal of special reserve of RMB2,594,065 and adjusted unappropriated earnings of RMB569,725,247, the maximum distributable earnings amounted to RMB844,740,123 in total. The Company proposes to distribute cash dividends of RMB0.792 (NT\$4.0) per share, and the total cash dividend is RMB141,787,798.
- (3) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the record date for the distribution and other relevant issues..
- (4) In the event that, before the distribution record date, the proposed profit distribution is affected by an amendment to relevant laws or regulations, a request by the competent authorities, or a buyback of shares or for equity conversion in connection with domestic or overseas convertible corporate bonds or other convertible securities or employee stock options, it is proposed that the Board of Directors be authorized to adjust the cash and stock to be distributed to each share based on the number of actual shares outstanding on the record date for distribution.
- (5) The Company's 2015 earnings distribution proposal shall be adopted by ordinary resolution.
- (6) Please refer to the Profit Distribution Table as follows:

AIRTAC INTERNATIONAL GROUP 2015 EARNING DISTRIBUTION TABLE	
Items	RMB
Un-appropriated Earnings as of January 1, 2015	568,736,502
Impact from retrospective application and restatement- Re-measurement of defined benefit plan impact recognized in other equity	988,745
Adjusted Un-appropriated Earnings	569,725,247
Add: 2015 Net Profit	272,420,811
Reversal of Special Reserve	2,594,065
Maximum Distributable Earnings	844,740,123
Items for Distribution:	
Shareholders' dividends- in Cash (NT\$4 per share, equivalent to approximately RMB 0.792 per share)	141,787,798
Un-appropriated Earnings after Distribution	702,952,325

Notes:

Note 1: Dividend distributed to the shareholders are based on 179,024,998 issued and outstanding shares as of the date hereof.

Note 2: Dividend per share is based on the exchange ratio of 1: 0.1980 (NTD to RMB).

Note 3: Cash dividend would be distributed in integer of RMB (round down to integer of RMB) with fractions of RMB be accounted for as other income of the Company.

Resolution:**Matters for Election****1. Proposed by the Board****Proposal:**

Election of the directors (including independent directors) of the fourth term of the Company.

Explanation:

- (1) The term of the current directors (including independent directors) of the Company will expire on May 21, 2016. According to the M&A of the Company and to accommodate the convening of the 2016 shareholders' general meeting for the re-election of the directors, all directors (including independent directors) intend to be dismissed in advance on May 18, 2016.
- (2) Subject to the M&A of the Company, the directors of the fourth term shall be elected at the annual general meeting. Nine directors will be elected (including 3 independent directors). The newly elected directors (including independent directors) will be on duty immediately upon election, and the term of such directors shall commence from May 18, 2016 to May 17, 2019.
- (3) The nominees of independent directors of the Company were approved by the Board of Directors on March 25, 2016. The relevant information set forth as below:

No.	Name	Main Qualification and Experience	Number of Shares Held
1	Chang Bao-Guang	Professor, Department of Accounting, Tamkang University	0
2	Leong Kam Son	Former J W Childs Operating Partner Former President of Asia-Pacific Region, York International Corporation Director and Partner of HLL Partners	0
3	Lin Ku-Tung	Chairman of Accountant Associations of the Republic of China CPA of Deloitte & Touche Chairman of the Board, Director of Deloitte & Touche	0

- (4) Please refer to Appendix C as pp.61-63 for Rules for Election of Director of the Company.
- (5) Please take a vote.

Voting Results:

Matters for Discussion

2.

Proposed by the Board

Proposal:

Release the prohibition on the directors of the fourth term from participation in competitive business.

Explanation:

- (1) According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain the essential contents of such action in the shareholders' meeting and obtain the shareholders' meeting's approval.
- (2) Considering the operation needs of the Company, the Company requires the aid of the expertise and relevant experience of the directors, it is proposed to release the prohibition on the directors of the fourth term from participation in competitive business and the proposal shall be adopted by supermajority resolution.

Resolution:

Ad Hoc Motions

Adjournment

III. Exhibits

Exhibit A

Comparison Table for the Amendments to the Amended and Restated M&A the Company

AIRTAC INTERNATIONAL GROUP

Comparison Table for the amendments to the Amended and Restated M&A of the Company in 2016

Original Articles	The Revised Articles	Explanation
Front Cover		
<p>THE COMPANIES LAW (2013 REVISION) OF THE CAYMAN ISLANDS COMPANY LIMITED BY SHARES</p> <p>The Sixth amendments to the Amended and Restated M&A AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF AIRTAC INTERNATIONAL GROUP (亞德客國際集團)</p> <p>(as adopted by a Special Resolution dated May 28, 2015)</p>	<p>THE COMPANIES LAW (2013 REVISION) OF THE CAYMAN ISLANDS COMPANY LIMITED BY SHARES</p> <p>The Seventh amendments to the Amended and Restated M&A AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF AIRTAC INTERNATIONAL GROUP (亞德客國際集團)</p> <p>(as adopted by a Special Resolution dated May 18, 2016)</p>	<ol style="list-style-type: none"> 1. Update the number of times to amend the M&A. 2. Update the date proposing to pass the amendments of the M&A by a Special Resolution
Memorandum of Association of the Company		
<p>THE COMPANIES LAW (2013 REVISION) OF THE CAYMAN ISLANDS COMPANY LIMITED BY SHARES</p> <p>The Sixth amendments to the Amended and Restated M&A AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF AIRTAC INTERNATIONAL GROUP (亞德客國際集團)</p> <p>(as adopted by a Special Resolution dated May 28, 2015)</p>	<p>THE COMPANIES LAW (2013 REVISION) OF THE CAYMAN ISLANDS COMPANY LIMITED BY SHARES</p> <p>The Seventh amendments to the Amended and Restated M&A AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF AIRTAC INTERNATIONAL GROUP (亞德客國際集團)</p> <p>(as adopted by a Special Resolution dated May 18, 2016)</p>	<ol style="list-style-type: none"> 1. Update the number of times to amend the M&A. 2. Update the date proposing to pass the amendments of the M&A by a Special Resolution.
Articles of Association of the Company		
<p>34.1 The Company may distribute profits in accordance with a proposal for distribution of profits prepared by the Directors and approved by the Members by an Ordinary Resolution. The Directors shall prepare such proposal as follows: <u>the proposal shall begin with the</u> Company's Annual Net Income <u>after tax</u> and offset its losses in previous years that have not been previously offset; <u>then set</u></p>	<p>34.1 The Company may distribute profits in accordance with a proposal for distribution of profits prepared by the Directors and approved by the Members by an Ordinary Resolution. The Directors shall prepare such proposal as follows: the Company's Annual Net Income <u>before tax and the distribution of the compensation of employees and directors</u>, and offset its losses in previous years that have not</p>	<p>In line with the amendment of Article 235, 235-1 and 240 of the Company Act.</p>

Original Articles	The Revised Articles	Explanation
<p><u>aside a statutory capital reserve or special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge; and</u> then may set aside 2% to 5% of the profits proposed to be distributed, as bonus to employees of the Company, which may be distributed under an incentive programme approved pursuant to Article 11.1 above. <u>The Directors shall specify the exact percentages or amounts to be distributed as bonuses to employees in preparing the proposal for distribution of profits, and the Members may amend such proposal prior to its approval.</u> A Director who also serves as an executive officer of the Company <u>and/or its Subsidiaries</u> may receive <u>a bonus in his/her capacity as a Director and a bonus</u> in his/her capacity as an employee. Any balance left over may be distributed as Dividends in accordance with the Statute and the Applicable Public Company Rules, and after taking into consideration of the profits of the current year and the capital structure of the Company, <u>any future funding requirement and long term financial planning, the distribution of retained earnings may proceed by way of cash dividend or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rate to the Members.</u> Unless otherwise resolved by</p>	<p>been previously offset; <u>the Company</u> then may set aside 2% to 5% of the profits proposed to be distributed, as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. A Director who also serves as an executive officer of the Company may receive a compensation in his/her capacity as an employee of <u>the Company. The percentage of the distribution of compensation to employees and to Directors, and whether the distribution to employees shall be made by shares or cash, shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and the decision of the Directors shall be reported to the Members at the general meeting. The employees that are entitled to receive the shares or cash may include qualified employees of any Subsidiary of the Company. If there is any Annual Net Income (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings); then a special capital reserve shall be set aside in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. The board shall prepare and propose a profit distribution</u></p>	

Original Articles	The Revised Articles	Explanation
<p>Directors at the board meeting and the Members <u>in</u> general meeting by an Ordinary Resolution, the amount of profits distributed to Members shall not be lower than 60% of <u>profits (after tax)</u> of the <u>then</u> current year and the amount of cash dividends distributed shall not be less than 10% of the profits proposed to be distributed of the <u>then</u> current year.</p>	<p><u>proposal to the shareholders' meeting for a dividend distribution of any surplus, plus the undistributed earnings (include the adjusted amount of undistributed earnings) to be resolved and adopted by the shareholders' meeting.</u></p> <p>Any balance left over may be distributed as Dividends in accordance with the Statute and the Applicable Public Company Rules, and after taking into consideration of the profits of the <u>current year, current and future development plan, investment environment, funding requirements, the competition condition of domestic and foreign companies, as well as the shareholders' interest</u> and the capital structure of the Company. Unless otherwise resolved by <u>the</u> Directors <u>at the</u> board meeting and the Members at the general meeting by an Ordinary Resolution, the amount of profits distributed to Members shall not be lower than 50% of <u>the Annual Net Income</u> of the current <u>fiscal</u> year and the amount of cash dividends distributed shall not be less than 10% of the profits proposed to be distributed of the current <u>fiscal</u> year.</p>	

Exhibit B

Business Report for 2015

Business Report for 2015

Global economic environment downturn and weaker activity in China market reflected low and flat level demand in the overall pneumatic market. AirTAC continues to increase market share to support the stable growth of turnover by developing new products and expanding sales channels. Although the growth of AirTAC 2015 consolidated revenue was slightly, it was still better than other competitors in the industry, and hit a record high again.

Airtac 2015 consolidated revenue amounted to TWD8,797,169,000, a growth of 4.99% compared to TWD8,378,961,000 of 2014. Gross margin was 51.58%, down from 54.94% a year earlier. Our consolidated net income after tax dropped by 23.01% compared with 2014 of TWD 1,786,112,000, amounting to TWD 1,375,086,000. EPS was TWD7.64. Stockholders' equity was TWD10,258,596,000. Net worth was TWD57.30 per share.

Besides expanding capacity in existing businesses, Airtac set up a new Tainan factory and a second R&D center in Taiwan for developing high-precision pneumatic products, electric cylinders and other new products and components. In China, Airtac has continued to set up local sales branches and offices, and established a logistics center in Kunshan to improve operational efficiency. As for the overseas operation base, Airtac plans to improve the operations of Japan and Malaysia sales subsidiaries gradually. Thailand sales subsidiary which was set up in 2015 has started operation in 2016. It is expected to set up USA sales office in Houston in 2016 to improve the operation scale for capturing more market shares and increase our profit. In the future, we will set up operation units in Indonesia and Vietnam, develop electric cylinders and other related new products, agent other automation related components and products by using our dense marketing system in China and around the world to improve the rate of return to shareholders.

The development in industrial automation is fast-growing. With the goals of seeking stable, sustainable operation and maximum benefits for shareholders, we will continue to explore new clients, develop new products, upgrade production technologies and improve production processes to shore up our overall competitiveness. We also aim for higher profits by improving our operational efficiency and effective cost control. As automation upgrade is the future trend of industry, even if Airtac will experience future overall economic and market demand cycle, the adverse effects of Airtac will be reduced by our dispersal sales of proportion in various industries, providing lower product prices with higher product quality and better sales service to customers to enhance competitiveness for obtaining market share from competitors. We believe that under support of the continued efforts of 4,200 employees worldwide and our shareholders, Airtac will create a new record again in the exploration and development of industrial automation processes.

Chairman	Wang Shih-Chung
President	Lan Shun-Cheng
CFO	Tsao Yung-Hsiang

Exhibit C

Audit Committee's Audit Report for 2015

AIRTAC INTERNATIONAL GROUP

Audit Committee's Audit Report

We have examined the 2015 consolidated financial statements, together with business report and earnings distribution proposal prepared by the Board of Directors and audited and certified by the Audit Committee and did not find any discrepancy. We hereby produce this report in accordance with provisions specified in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submit it for your review.

To

2016 General Shareholders' Meeting

AirTAC International Group

Member of Audit: Chang Bao-Guang

Independent Director: Chiang Chih-Chun

Independent Director: Leong Kam-Son

February 25, 2016

Exhibit D

2015 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Airtac International Group

We have audited the accompanying consolidated balance sheets of Airtac International Group (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of December 31, 2015 and 2014 and the related consolidated statements of comprehensive income for the years ended December 31, 2015 and 2014, as well as the consolidated statements of changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our audits in accordance with Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 3, 2016

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,083,830	10	\$ 1,644,721	9
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	1,001,937	5	785,364	4
Debt investments with no active market - current (Notes 4, 8 and 30)	6,344	-	64,156	-
Notes receivable (Notes 4, 5 and 9)	990,146	5	1,006,503	5
Trade receivables (Notes 4, 5, 9 and 29)	2,046,292	9	1,771,534	9
Other receivables (Notes 4 and 5)	36,273	-	125,372	1
Inventories (Notes 4, 5 and 10)	1,964,243	9	1,847,481	10
Other current assets (Notes 14 and 15)	<u>277,775</u>	<u>1</u>	<u>185,006</u>	<u>1</u>
Total current assets	<u>8,406,840</u>	<u>39</u>	<u>7,430,137</u>	<u>39</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4, 5 and 12)	109,809	1	221,383	1
Property, plant and equipment (Notes 4, 13 and 30)	12,082,831	56	10,429,741	55
Goodwill (Note 4)	21,829	-	22,253	-
Other intangible assets (Note 4)	85,805	-	80,476	-
Deferred tax assets (Notes 4 and 22)	188,941	1	158,095	1
Long-term prepayments for lease (Note 14)	126,393	1	132,108	1
Other non-current assets (Note 15)	<u>433,569</u>	<u>2</u>	<u>462,336</u>	<u>3</u>
Total non-current assets	<u>13,049,177</u>	<u>61</u>	<u>11,506,392</u>	<u>61</u>
TOTAL	<u>\$ 21,456,017</u>	<u>100</u>	<u>\$ 18,936,529</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	\$ 6,385,542	30	\$ 5,321,066	28
Short-term bills payable (Note 16)	40,000	-	70,000	-
Notes payable (Note 17)	43,011	-	5,346	-
Trade payables (Note 17)	350,092	2	397,249	2
Other payables (Note 18)	548,613	2	579,955	3
Current tax liabilities (Note 4)	113,343	-	146,162	1
Current portion of long-term loans (Notes 16 and 50)	460,763	2	23,188	-
Other current liabilities (Note 18)	<u>144,413</u>	<u>1</u>	<u>95,858</u>	<u>1</u>
Total current liabilities	<u>8,085,777</u>	<u>37</u>	<u>6,638,824</u>	<u>35</u>
NON-CURRENT LIABILITIES				
Long-term loans (Notes 15 and 30)	2,636,467	12	1,899,664	10
Deferred tax liabilities (Notes 4 and 22)	296,552	2	310,887	2
Accrued pension liabilities (Notes 4, 5 and 19)	<u>28,369</u>	<u>-</u>	<u>29,341</u>	<u>-</u>
Total non-current liabilities	<u>2,961,388</u>	<u>14</u>	<u>2,239,892</u>	<u>12</u>
Total liabilities	<u>11,047,165</u>	<u>51</u>	<u>8,878,716</u>	<u>47</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share Capital	1,790,250	9	1,705,000	9
Capital surplus	3,906,960	18	3,906,960	21
Retained earnings	4,137,247	19	3,677,512	19
Other equity	<u>424,139</u>	<u>2</u>	<u>615,843</u>	<u>3</u>
Total equity attributable to owners of the Company	10,258,596	48	9,905,315	52
NON-CONTROLLING INTERESTS	<u>150,256</u>	<u>1</u>	<u>152,498</u>	<u>1</u>
Total equity	<u>10,408,852</u>	<u>49</u>	<u>10,057,813</u>	<u>53</u>
TOTAL	<u>\$ 21,456,017</u>	<u>100</u>	<u>\$ 18,936,529</u>	<u>100</u>

The Financial Statements have been audited by Deloitte Touche Tohmatsu Limited ◦

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4 and 29)	\$ 8,797,169	100	\$ 8,378,961	100
OPERATING COSTS				
Cost of goods sold (Notes 10 and 21)	<u>(4,259,821)</u>	<u>(48)</u>	<u>(3,775,784)</u>	<u>(45)</u>
GROSS PROFIT	<u>4,537,348</u>	<u>52</u>	<u>4,603,177</u>	<u>55</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	(1,456,473)	(17)	(1,234,776)	(15)
General and administrative expenses	(717,881)	(8)	(693,457)	(8)
Research and development expenses	<u>(290,176)</u>	<u>(3)</u>	<u>(286,026)</u>	<u>(4)</u>
Total operating expenses	<u>(2,464,530)</u>	<u>(28)</u>	<u>(2,214,259)</u>	<u>(27)</u>
PROFIT FROM OPERATIONS	<u>2,072,818</u>	<u>24</u>	<u>2,388,918</u>	<u>28</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Other income	27,848	-	18,228	-
Other gains and losses	(172,137)	(2)	50,661	1
Finance costs	<u>(88,953)</u>	<u>(1)</u>	<u>(69,265)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(233,242)</u>	<u>(3)</u>	<u>(376)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,839,576	21	2,388,542	28
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(464,490)</u>	<u>(6)</u>	<u>(602,430)</u>	<u>(7)</u>
NET PROFIT FOR THE PERIOD	<u>1,375,086</u>	<u>15</u>	<u>1,786,112</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefits plans	1,817	-	12,453	-
Exchange differences arising on translation to the presentation currency	(214,522)	(2)	346,627	4
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>17,717</u>	<u>-</u>	<u>(46,155)</u>	<u>-</u>

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
Other comprehensive income for the period, net of income tax	<u>(194,988)</u>	<u>(2)</u>	<u>312,925</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,180,098</u>	<u>13</u>	<u>\$ 2,099,037</u>	<u>25</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 1,367,550	16	\$ 1,770,731	21
Non-controlling interests	<u>7,536</u>	<u>-</u>	<u>15,381</u>	<u>-</u>
	<u>\$ 1,375,086</u>	<u>16</u>	<u>\$ 1,786,112</u>	<u>21</u>
TOTAL COMPREHENSIVE INCOME AT- TRIBUTABLE TO:				
Owner of the Company	\$ 1,171,681	13	\$ 2,080,041	25
Non-controlling interests	<u>8,417</u>	<u>-</u>	<u>18,996</u>	<u>-</u>
	<u>\$ 1,180,098</u>	<u>13</u>	<u>\$ 2,099,037</u>	<u>25</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 7.64</u>		<u>\$ 9.89</u>	
Diluted	<u>\$ 7.63</u>		<u>\$ 9.88</u>	

(Concluded)

The Financial Statements have been audited by Deloitte Touche Tohmatsu Limited

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Non-controlling Interests	Total Equity
							Other Equity		Total			
	Share Capital		Organization Reconstruction	Capital Surplus		Retained Earnings		Exchange Differences on Translating Foreign Operations		Remeasurement of Defined Benefits Plans		
Shares (In Thousands)	Ordinary Shares	Additional Paid-in Capital		Donations	Unappropriated Earnings	Special Reserve						
BALANCE AT JANUARY 1, 2014	170,500	\$ 1,705,000	\$ 704,640	\$ 3,160,768	\$ 41,552	\$ 2,925,958	\$ 50,808	\$ 315,371	\$ (4,673)	\$ 8,899,424	\$ 144,161	\$ 9,043,585
Special reserve reversed under Rule No. 1010012865 issued by the FSC	-	-	-	-	-	18,052	(18,052)	-	-	-	-	-
Appropriation of 2013 earnings												
Cash dividends distributed by the Company	-	-	-	-	-	(1,074,150)	-	-	-	(1,074,150)	-	(1,074,150)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(10,659)	(10,659)
Net profit for the year ended December 31, 2014	-	-	-	-	-	1,770,731	-	-	-	1,770,731	15,381	1,786,112
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	-	300,472	8,838	309,310	3,615	312,925
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	1,770,731	-	300,472	8,838	2,080,041	18,996	2,099,037
BALANCE AT DECEMBER 31, 2014	170,500	1,705,000	704,640	3,160,768	41,552	3,640,591	32,756	615,843	4,165	9,905,315	152,498	10,057,813
Appropriation of 2014 earnings												
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	-	(44,718)	44,718	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(818,400)	-	-	-	(818,400)	-	(818,400)
Share dividends distributed by the Company	8,525	85,250	-	-	-	(85,250)	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(10,659)	(10,659)
Net profit for the year ended December 31, 2015	-	-	-	-	-	1,367,550	-	-	-	1,367,550	7,536	1,375,086
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	(196,843)	974	(195,869)	881	(194,988)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	1,367,550	-	(196,843)	974	1,171,681	8,417	1,180,098
BALANCE AT DECEMBER 31, 2015	179,025	\$ 1,790,250	\$ 704,640	\$ 3,160,768	\$ 41,552	\$ 4,059,773	\$ 77,474	\$ 419,000	\$ 5,139	\$ 10,258,596	\$ 150,256	\$ 10,408,852

The Financial Statements have been audited by Deloitte Touche Tohmatsu Limited °

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,839,576	\$ 2,388,542
Adjustments for:		
Depreciation expenses	630,925	539,605
Amortization expenses	15,649	11,251
Impairment loss recognized (reversal of impairment loss) on trade receivables	45,443	(1,381)
Net gain on financial assets at fair value through profit or loss	(30,606)	(18,223)
Finance costs	88,953	69,265
Interest income	(27,848)	(18,228)
Share of losses of associates	11,559	4,532
Loss on disposal of property, plant and equipment	8,354	4,966
Write-down of inventories	15,876	3,652
Impairment loss recognized on investment in subsidiaries	-	48,000
Amortization of prepayments for lease	3,222	3,150
Changes in operating assets and liabilities:		
Increase in notes receivable	(2,766)	(252,593)
Increase in trade receivables	(356,507)	(225,217)
Decrease in other receivables	99,708	41,064
Increase in inventories	(179,755)	(216,499)
Increase in other current assets	(96,236)	(79,186)
Increase (decrease) in notes payable	38,055	(7,892)
Decrease in trade payables	(39,892)	(38,038)
Increase (decrease) in other payables	22,181	(9,550)
Increase in other current liabilities	50,766	60,356
Decrease in accrued pension liabilities	(972)	(5,673)
Cash generated from operations	2,135,685	2,301,903
Interest received	27,814	15,381
Interest paid	(86,028)	(68,450)
Income tax paid	(551,180)	(717,070)
Net cash generated from operating activities	<u>1,526,291</u>	<u>1,531,764</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(5,848,462)	(4,071,342)
Proceeds on sale of financial assets designated as at fair value through profit or loss	5,645,744	3,451,904
Purchase of debt investments with no active market	(68,781)	(193,349)
Proceeds on sale of debt investments with no active market	125,803	131,359
Net cash inflow on disposal of subsidiaries	100,000	-
Payments for property, plant and equipment	(2,467,544)	(2,518,198)
Proceeds from disposal of property, plant and equipment	14,508	9,397
Increase in refundable deposits	(18,063)	(8,522)
Decrease in refundable deposits	9,416	6,175
		(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
Acquisitions of intangible assets	(22,280)	(41,897)
Increase in prepayments for equipment	<u>-</u>	<u>(151,644)</u>
Net cash used in investing activities	<u>(2,529,659)</u>	<u>(3,386,117)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	859,188	2,240,812
Repayments of short-term bills payable	(30,000)	(60,000)
Proceeds from long-term loans	1,195,120	1,708,347
Repayments of long-term loans	(23,073)	(802,842)
Dividends paid to owners of the Company	(818,400)	(1,074,150)
Dividends paid to no-controlling interest	<u>(10,659)</u>	<u>(10,659)</u>
Net cash generated from financing activities	<u>1,172,176</u>	<u>2,001,508</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BAL- ANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>270,301</u>	<u>27,872</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV- ALENTS	439,109	175,027
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,644,721</u>	<u>1,469,694</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PE- RIOD	<u>\$ 2,083,830</u>	<u>\$ 1,644,721</u>

The Financial Statements have been audited by Deloitte Touche Tohmatsu Limited ° (Concluded)

IV. Appendices

Appendix A

M&A of the Company (Before Amendments)

(The Chinese translation is for reference only, the English version shall prevail)

THE COMPANIES LAW (2013 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

OF

AIRTAC INTERNATIONAL GROUP

(亞德客國際集團)

- Incorporated on September 16, 2009 -

(as adopted by a Special Resolution dated May 28, 2015)

**THE COMPANIES LAW (2013 REVISION)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION
OF
AIRTAC INTERNATIONAL GROUP
(亞德客國際集團)**

(as adopted by a Special Resolution dated May 28, 2015)

- 1 The name of the Company is AIRTAC INTERNATIONAL GROUP (亞德客國際集團) .
- 2 The registered office of the Company shall be at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as the Directors may from time to time decide.
- 3 The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2013 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.
- 4 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.
- 5 The authorised capital of the Company is New Taiwan Dollars 2,000,000,000 divided into 200,000,000 ordinary shares with a par value of New Taiwan Dollars 10.00 per share; provided always that subject to the provisions of the Companies Law (2013 Revision) as may be amended from time to time and the Articles of Association of the Company, the Company shall have power to redeem or purchase any or all of such shares and to issue all or any part of its capital with priority or subject to any conditions or restrictions whatsoever and every issue of shares whether stated to be Ordinary, Preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
- 6 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be de-registered in the Cayman Islands.
- 7 Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

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THE COMPANIES LAW (2013 Revision)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

AMENDED AND RESTATED ARTICLES OF ASSOCIATION
OF
AIRTAC INTERNATIONAL GROUP
(亞德客國際集團)

(as adopted by a Special Resolution dated May 28, 2015)

1 Interpretation

- 1.1 In the Articles, Table A in the First Schedule to the Statute does not apply unless there is something in the subject or context inconsistent therewith:

“Applicable Public Company Rules”	means the R.O.C. laws, rules and regulations stipulating public reporting companies or companies listed on any R.O.C. stock exchange or securities market, including, without limitation, the relevant provisions of the Company Law, Securities and Exchange Law, the Enterprise Mergers and Acquisitions Law, the rules and regulations promulgated by the Ministry of Economic Affairs, the rules and regulations promulgated by the Financial Supervisory Commission (“ FSC ”), the Taiwan Stock Exchange (“ TWSE ”) and the Acts Governing Relations Between Peoples of the Taiwan Area and the Mainland Area and its relevant regulations.
“Annual Net Income”	means the audited annual net profit of the Company in respect of the applicable year.
"Articles"	means these articles of association of the Company.
"Company"	means AIRTAC INTERNATIONAL GROUP (亞德客國際集團) .
"Directors"	means the directors for the time being of the Company (which, for clarification, includes any and all Independent Director(s)).
“Dividend”	Includes an interim dividend.
"Electronic Record"	has the same meaning as in the Electronic Transactions Law.
"Electronic Transactions Law"	means the Electronic Transactions Law (2003 Revision) of the Cayman Islands.
“FSC”	means the Financial Supervisory Commission, R.O.C. (Taiwan).
“Independent Directors”	means the Directors who are elected by the Members at a general meeting and designated as "Independent Directors" for

	the purpose of the Applicable Public Company Rules which are in force from time to time.
"Market Observation Post System"	means the internet information reporting system designated by the FSC.
"Member"	has the same meaning as in the Statute.
"Memorandum"	means the memorandum of association of the Company.
"Merger"	means a transaction whereby (i) all of the companies participating in such transaction are dissolved, and a new company is incorporated to generally assume all rights and obligations of the dissolved companies or (ii) all but one company participating in such transaction are dissolved, and the surviving company generally assumes all rights and obligations of the dissolved companies, and in each case the consideration for the transaction being the shares of the surviving or newly incorporated company or any other company, cash or other assets.
"Short-form Merger"	means a Merger in which one of the merging companies holds issued shares that together represent at least 90% of the voting power of the outstanding shares of the other merging company.
"Ordinary Resolution"	means a resolution passed by a simple majority of votes cast by the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting.
"Private Placement"	means obtaining subscriptions for, or the sale of, Shares, options, warrants, rights of holders of debt or equity securities which enable those holders to subscribe further securities (including Shares), or other securities of the Company, either by the Company itself or a person authorized by the Company, primarily from or to specific investors or approved by the Company or such authorized person, but excluding any employee incentive programme or subscription agreement, warrant, option or issuance of Shares under Articles 11 of these Articles.
"Register of Members"	means the register maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate Register of Members.
"Registered Office"	means the registered office for the time being of the Company.
"R.O.C."	means the Republic of China.
"Seal"	means the common seal of the Company and includes every duplicate seal.
"Share" and "Shares"	means a share or shares in the Company and includes a fraction of a share.
"Share Certificate" and "Share Certificates"	means a certificate or certificates representing a Share or Shares.

“Simple Majority”	means more than one-half.
“Share Exchange”	means a company transferring all its issued shares to another company as a consideration in exchange for the issuance of new shares in that other company to its shareholders or for raising necessary share capital for establishment of that other company.
"Solicitor"	means any Member, a trust enterprise or a securities agent mandated by Member(s) who solicits an instrument of proxy from any other Member to appoint him/her/it as a proxy to attend and vote at a general meeting instead of the appointing Member pursuant to the Applicable Public Company Rules.
"Special Resolution"	means a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as special resolution has been duly given.
“Spin-off”	refers to an act wherein a company transfers all of its independently operated business or any single independently operated business to an existing or a newly incorporated company as consideration for that existing company or that newly incorporated company to issue new shares to the company or to shareholders of the company.
"Statute"	means the Companies Law (2013 Revision) of the Cayman Islands, as amended, and every statutory modification or re-enactment thereof for the time being in force.
“Subsidiary” and “Subsidiaries”	means (i) a subordinate company in which the total number of voting shares or total share equity held by the Company represents more than one half of the total number of issued voting shares or the total share equity of such subordinate company; or (ii) a company in which the total number of shares or total share equity of that company held by the Company, its subordinate companies and its controlled companies, directly or indirectly, represents more than one half of the total number of issued voting shares or the total share equity of such company.
“Supermajority Resolution”	means (i) a resolution adopted by a majority vote of the Members present and entitled to vote on such resolution at a general meeting attended in person by Members who represent two-thirds or more of the total issued, outstanding Shares of the Company or, (ii) if the total number of Shares represented by the Members present at the general meeting is less than two-thirds of the total issued, outstanding Shares of the Company, but more than half of the total issued, outstanding Shares of the Company, a resolution adopted at such general meeting by the Members who represent two-thirds or more of the Shares present and entitled to vote on such resolution.

“TDCC”	means the Taiwan Depository & Clearing Corporation.
“Treasury Shares”	means a Share held in the name of the Company as a treasury share in accordance with the Statute and the Applicable Public Company Rules.
“TWSE”	means the Taiwan Stock Exchange.

1.2 In the Articles:

- (a) words importing the singular number include the plural number and vice versa;
- (b) words importing the masculine gender include the feminine gender;
- (c) words importing persons include corporations;
- (d) "written" and "in writing" include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;
- (e) references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;
- (f) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (g) headings are inserted for reference only and shall be ignored in construing the Articles; and
- (h) Section 8 of the Electronic Transactions Law shall not apply.

2 Commencement of Business

- 2.1 After incorporation, the Company may operate its business at the time the board of Directors deems fit.
- 2.2 The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred from or in connection with the formation and establishment of the Company.

3 Issue of Shares

- 3.1 Subject to the provisions, if any, in the Statute, the Memorandum, the Articles and Applicable Public Company Laws (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing Shares, the board of Directors may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether in regard to Dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper, and the Company shall have power to redeem, purchase, spin-off or consolidate any or all of such Shares and to issue all or any part of its capital whether priority or special privilege or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide, every issue of Shares whether stated to be Ordinary, Preference or otherwise, shall be subject to the powers on the part of the Company hereinbefore provided.

- 3.2 The Company shall not issue Shares to bearer.
- 3.3 The Company shall not issue any unpaid Shares or partly paid-up Shares.

4 Register of Members

- 4.1 The board of Directors shall keep, or cause to be kept, the Register of Members at such place as the board of Directors may from time to time determine and, in the absence of any such determination, the Register of Members shall be kept at the Registered Office.
- 4.2 If the board of Directors consider it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the board of Directors think fit. The principal register and the branch register(s) shall together be treated as the Register of Members for the purposes of the Articles.
- 4.3 For so long as any Shares are listed on TWSE, title to such listed Shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of TWSE that are or shall be applicable to such listed Shares and the Register of Members maintained by the Company in respect of such listed Shares may be kept by recording the particulars required by section 40 of the Statute; provided, however, that if such recording is otherwise required to be in compliance with the laws applicable to and the rules and regulations of TWSE applicable to such listed Shares, such other form shall be complied with.

5 Closing Register of Members or Fixing Record Date

- 5.1 For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend, or in order to make a determination of Members for any other purpose, the board of Directors shall determine the period that the Register of Members shall be closed for transfers and that such period shall not be less than the minimum period of time prescribed by the Applicable Public Company Rules.
- 5.2 Subject to Article 5.1 hereof, in lieu of, or apart from, closing the Register of Members, the board of Directors may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any Dividend or in order to make a determination of Members for any other purpose. In the event the board of Directors designates a record date in accordance with this Article 5.2, the board of Directors shall make a public announcement of such record date via the Market Observation Post System in accordance with the Applicable Public Company Rules.
- 5.3 The rules and procedures governing the implementation of book closed periods of the Register of Members, including notices to Members in regard to book closed periods of the Register of Members, shall be in accordance with policies adopted by the board of Directors from time to time, which policies shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules.

6 Share Certificates

- 6.1 Subject to the provisions of the Statute, the Memorandum and Articles and the Applicable Public Company Rules, the Company shall issue Shares without printing Share Certificates for the Shares issued and Shares shall be delivered by book-entry transfer, and in accordance with the Applicable Public Company Rules, the issuance, transfer or

cancellation of the Shares be handled in accordance with the relevant rules of Taiwan Depository & Clearing Corporation (TDCC). A Member shall only be entitled to a Share Certificate if the board of Directors resolves that Share Certificates shall be issued. Share Certificates, if any, shall be in such form as the board of Directors may determine. Share Certificates shall be signed by one or more Directors authorised by the board of Directors. The board of Directors may authorise Share Certificates to be issued with the authorised signature(s) affixed by mechanical process. All Share Certificates shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All Share Certificates surrendered to the Company for transfer shall be cancelled subject to the rules set forth in the Articles. No new Share Certificate shall be issued until the former Share Certificate representing a like number of relevant Shares shall have been surrendered and cancelled.

- 6.2 In the event that the board of Directors resolve that Share Certificates shall be issued pursuant to Article 6.1 hereof, the Company shall deliver the Share Certificates to the subscribers within thirty days from the date such Share Certificates may be issued pursuant to the Statute, the Memorandum, the Articles and the Applicable Public Company Rules, and shall make a public announcement prior to the delivery of such Share Certificates pursuant to the Applicable Public Company Rules.
- 6.3 No Shares may be registered in the name of more than one Member.
- 6.4 If a Share Certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the board of Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old Share Certificate.

7 Preferred Shares

- 7.1 The Company may issue Shares with rights which are preferential to those of ordinary Shares issued by the Company ("**Preferred Shares**") with the approval of a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors and with the approval of a Special Resolution.
- 7.2 Prior to the issuance of any Preferred Shares approved pursuant to Article 7.1 hereof, the Articles shall be amended to set forth the rights and obligations of the Preferred Shares, including but not limited to the following terms, and provided that such rights and obligations of the Preferred Shares shall not contradict the mandatory provisions of Applicable Public Company Rules regarding the rights and obligations of such Preferred Shares, and the same shall apply to any variation of rights of Preferred Shares:
 - (a) Order, fixed amount or fixed ratio of allocation of dividends and bonus on Preferred Shares;
 - (b) Order, fixed amount or fixed ratio of allocation of surplus assets of the Company;
 - (c) Order of or restriction on the voting right(s) (including declaring no voting rights whatsoever) of preferred Members;
 - (d) Other matters concerning rights and obligations incidental to Preferred Shares; and
 - (e) The method by which the Company is authorized or compelled to redeem the Preferred Shares, or relevant regulations that redemption rights shall not apply.

8 Issuance of New Shares

- 8.1 The issue of new Shares of the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors. The issue of new Shares shall at all times be subject to the sufficiency of the authorised capital of the Company.
- 8.2 Unless otherwise resolved by the Members in general meeting by Ordinary Resolution, where the Company increases its capital by issuing new Shares for cash, the Company shall, after reserving Shares for Public Offering (defined below) and Shares for Employees' Subscription (defined below) in accordance with Article 8.3, make a public announcement and notify each Member that he/she/it is entitled to exercise a pre-emptive right to purchase his/her/its pro rata portion of any new Shares issued in the capital increase in cash. A waiver of such pre-emptive right may be approved at the same general meeting where the subject issuance of new Shares is approved by the Members. The Company shall state in such announcement and notices to the Members that if any Member fails to purchase his/her/its pro rata portion of the newly-issued Shares within the prescribed period, such Member shall be deemed to forfeit his/her/its pre-emptive right to purchase the newly-issued Shares. Subject to Article 6.3, in the event that Shares held by a Member are insufficient for such Member to exercise the pre-emptive right to purchase one newly-issued Share, Shares held by several Members may be calculated together for joint purchase of newly-issued Shares or for purchase of newly-issued Shares in the name of a single Member pursuant to the Applicable Public Company Rules. If the total number of the new Shares to be issued has not been fully subscribed by the Members within the prescribed period, the Company may offer any un-subscribed new Shares to be issued to the public in the R.O.C. or to specific person or persons according to the Applicable Public Company Rules.
- 8.3 Where the Company increases its capital in cash by issuing new Shares in the R.O.C., the Company shall allocate 10% of the total amount of the new Shares to be issued, for offering in the R.O.C. to the public unless it is not necessary or appropriate, as determined by the board of Directors according to the Applicable Public Company Rules and/or the instruction of the FSC or TWSE (as applicable) for the Company to conduct the aforementioned public offering. Provided however, if a percentage higher than the aforementioned 10% is resolved by a general meeting to be offered, the percentage determined by such resolution shall prevail ("**Shares for Public Offering**"). The Company may reserve 10% to 15% of the total amount of the new Shares to be issued for the subscription by the employees of the Company and its Subsidiaries ("**Shares for Employees' Subscription**"). The Company may restrain the Shares subscribed by the aforementioned employees from being transferred or assigned to others within a specific period of time which shall in no case be longer than two years.
- 8.4 Members' rights to subscribe for newly-issued Shares may be transferred independently from the Shares from which such rights are derived. The rules and procedures governing the transfer of rights to subscribe for newly-issued Shares shall be in accordance with policies established by the Company from time to time, which policies shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules.
- 8.5 The pre-emptive right of Members provided under Article 8.2 shall not apply in the event that new Shares are issued due to the following reasons or for the following purposes: (a) in connection with a Merger with another company, or the Spin-off of the Company, or pursuant to any reorganization of the Company; (b) in connection with meeting the Company's obligations under Share subscription warrants and/or options, including those referenced in Articles 11.1 to 11.4; (c) in connection with meeting the Company's obligations under convertible bonds or corporate bonds vested with rights to acquire Shares; (d) in connection with meeting the Company's obligations under

Preferred Shares vested with rights to acquire Shares; (e) in connection with a Private Placement; (f) in connection with the issue of Restricted Shares in accordance with Article 8.7; or (g) for such other reasons or purposes as are set out in the Applicable Public Company Rules.

- 8.6 The periods of notice and other rules and procedures for notifying Members and implementing the exercise of the Members' pre-emptive rights shall be in accordance with policies established by the board of Directors from time to time, which policies shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules.
- 8.7 Subject to the provisions of the Statute and the Applicable Public Company Rules, the Company may, with the approval of a Supermajority Resolution in a general meeting, issue new Shares with restricted rights to the employees of the Company and its Subsidiaries ("**Restricted Shares**") and the provision of Article 8.2 shall not apply to any such issue of Restricted Shares. The terms of issue of Restricted Shares, including, but not limited to the number, issue price and other relevant conditions shall comply with the Applicable Public Company Rules.
- 8.8 Subject to the provisions of the Statute and the Applicable Public Company Rules, the Company may, by resolutions of the Members passed at the general meeting attended by Members who represent a majority of the issued, outstanding Shares and approved by the Members who represent two-thirds or more of the Shares present at the meeting and entitled to vote on such resolution, conduct Private Placements, and shall comply with the Applicable Public Company Rules to determine, *inter alia*, the purchaser(s), the types of securities, the determination of the offer price, and the restrictions on transfer of securities of such Private Placement.

9 Transfer of Shares

- 9.1 Subject to the Statute and the Applicable Public Company Rules, Shares issued by the Company shall be freely transferable.
- 9.2 Subject to these Articles and the Applicable Public Company Rules, any Member may transfer all or any of his/her/its Shares by an instrument of transfer.
- 9.3 The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.
- 9.4 The board of Directors may approve transfers of Shares listed on TWSE which are not issued physically through relevant systems (including systems of TDCC) without executing share transfer documents. With respect to non-physically issued Shares, the Company shall notify holders of these Shares to provide (or have a third party designated by such holders to provide) instruction(s) necessary for transfers of Shares through relevant systems according to the requirement, equipment and demand of those systems, provided however, that such instructions shall not violate these Articles, the Statute and the Applicable Public Company Rules.

10 Redemption and Repurchase of Shares

- 10.1 Subject to the provisions of the Statute, the Memorandum, and the Articles, the Company may purchase its own Shares in the manner and terms to be resolved by the board of Directors from time to time. Notwithstanding the foregoing, the Company may purchase its own Shares on such terms as are approved by resolutions of the Directors passed at a meeting of the board of Directors attended by more than two-thirds of members of the board and approved by a majority of the Directors present at such meeting, provided that any such repurchase shall be in accordance with the

Applicable Public Company Rules. In the event that the Company proposes to purchase any Shares listed on TWSE pursuant to this Article, the approval of the board of Directors and the implementation thereof shall be reported to the Members at the next general meeting in accordance with the Applicable Public Company Rules. Such reporting obligation shall apply even if the Company does not implement the repurchase proposal for any reason.

- 10.2 Subject to the provisions of the Statute, the Memorandum, and the Articles, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company. The redemption of such Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issue of the Shares. The Company may make a payment in respect of the redemption of its own Shares in any manner permitted by the Statute (including out of capital). The foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company.
- 10.3 Upon the purchase or redemption of any Share under Articles 10.1 to 10.7 by the board of Directors, such Share shall be held as Treasury Share ("**Repurchased Treasury Shares**"). For Treasury Shares, no dividends shall be distributed or paid, nor shall any distribution of the Company's assets be made (whether in cash or by other means, including any assets distribution to the Members when the Company is winding up).
- 10.4 Subject to the provisions of the Statute, the Memorandum and the Articles, the board of Directors may determine to cancel a Treasury Share or transfer a Treasury Share to the employees on such terms as they think proper (including, without limitation, for nil consideration). The foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company and the Statute.
- 10.5 If the Company repurchases any Shares traded on TWSE and proposes to transfer the Repurchased Treasury Shares to any employees of the Company or its Subsidiaries at a price below the average repurchase price paid by the Company for such Repurchased Treasury Shares (the "**Average Purchase Price**"), the Company shall require the approval of a resolution of the Members passed at a general meeting attended by Members who represent a majority of the issued, outstanding Shares and approved by the Members who represent two-thirds or more of the Members present at the meeting and entitled to vote on such resolution, and shall specify such motion in the meeting notice of that general meeting in accordance with the Applicable Public Company Rules which shall not be brought up as an ad hoc motion:
- (a) The transfer price, discount rate, calculation basis and reasonability;
 - (b) Number of Shares transferred, purpose and reasonability;
 - (c) Qualification of employees' subscription and number of Shares employees may subscribe; and
 - (d) Matters affecting equity of the Members:
 - (i) Amounts that may become expenditures, and the dilution of earnings per share of the Company;
 - (ii) Explain the financial burden caused to the Company by transfer of Shares to employees at a price lower than the Average Purchase Price.
- 10.6 The aggregate number of Treasury Shares to be transferred to employees pursuant to Article 10.4 and the aggregate number of Treasury Shares transferred to any individual employee shall be subject to the Applicable Public Company Rules as applied to the

Company and shall not exceed a stipulated percent of the Company's total issued, allotted and outstanding Shares as at the date of transfer of any Treasury Shares to the employee. The Company may impose restrictions on the transfer of such Shares by the employee for a period of no more than two years.

- 10.7 Notwithstanding anything to the contrary contained in Article 10.1 to 10.6, and subject to the Statute, the Memorandum and Articles and the Applicable Public Company Rules, the Company may, with the approval of an Ordinary Resolution, compulsorily redeem or repurchase Shares, provided that such Shares shall be cancelled upon redemption or repurchase and such redemption or repurchase will be effected pro rata based on the percentage of shareholdings of the Members. Payments in respect of any such redemption or repurchase, if any, may be made either in cash or by distribution of specific assets of the Company, as specified in the Ordinary Resolution approving the redemption or repurchase, provided that (a) the relevant Shares will be cancelled upon such redemption or repurchase and will not be held by the Company as Treasury Shares, and (b) where assets other than cash are distributed to the Members, the type of assets, the value of the assets and the corresponding amount of such substitutive distribution shall be (i) assessed by an R.O.C. certified public accountant before being submitted by the board of Directors to the Members for approval, and (ii) agreed to by the Member who will receive such assets. The foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company.

11 Employee Incentive Programme

- 11.1 Notwithstanding the provision of Article 8.7 Restricted Shares, the Company may, upon approval by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, adopt incentive programmes and may issue Shares or options, warrants or other similar instruments, to employees of the Company and its Subsidiaries. The rules and procedures governing such incentive programme(s) shall be in accordance with policies established by the board of Directors from time to time in accordance with the Statute, the Memorandum and the Articles. The foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company.
- 11.2 Options, warrants or other similar instruments issued in accordance with Article 11.1 above are not transferable save by inheritance.
- 11.3 The Company may enter into relevant agreements with employees of the Company and the employees of its Subsidiaries in relation to the incentive programme approved pursuant to Article 11.1 above, whereby employees may subscribe, within a specific period of time, a specific number of the Shares. The terms and conditions of such agreements shall be no less restrictive on the relevant employee than the terms specified in the applicable incentive programme.
- 11.4 Directors of the Company and its Subsidiaries shall not be eligible for the employee incentive programmes under Article 8.7 or this Article 11, provided that Directors who are also employees of the Company or its Subsidiaries may participate in an employee incentive programme in their capacity as an employee (and not as a Director of the Company or its Subsidiaries).

12 Variation of Rights of Shares

- 12.1 If at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class, unless otherwise provided by the terms of issue of the Shares of that class, may, be varied with the sanction of a Special Resolution passed at a general meeting of the holders of the Shares of that class. Notwith-

standing the foregoing, if any modification or alteration in the Articles is prejudicial to the preferential rights of any class of Shares, such modification or alteration shall be adopted by a Special Resolution and shall also be adopted by a Special Resolution passed at a separate meeting of Members of that class of Shares.

- 12.2 The relevant provisions of the Articles relating to general meetings shall apply to every class meeting of the holders of the same class of the Shares.
- 12.3 The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

13 Transmission of Shares

- 13.1 If a Member dies, the survivor or survivors where he/she was a joint holder, or his/her legal personal representatives where he/she was a sole holder, shall be the only persons recognised by the Company as having any title to his/her interest. The estate of a deceased Member is not thereby released from any liability in respect of any Share which had been jointly held by him/her.
- 13.2 Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any way other than by transfer) shall give written notice to the Company and, upon such evidence being produced as may from time to time be required by the board of Directors, may elect, by a notice in writing sent by him/her/it, either to become the holder of such Share or to have some person nominated by him/her/it become the holder of such Share.

14 Amendments of Memorandum and Articles of Association and Alteration of Capital

- 14.1 Subject to the provisions of the Statute, the Articles and the Applicable Public Company Rules, the Company may by Special Resolution:
- (a) change its name;
 - (b) alter or add to these Articles;
 - (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein;
 - (d) reduce its share capital and any capital redemption reserve fund; and
 - (e) increase its authorised share capital or cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person, provided that in the event of any change to its authorised share capital, the Company shall also procure the amendment of its Memorandum by the Members at a general meeting to reflect such change.
- 14.2 Subject to the provisions of the Statute, the Articles and the Applicable Public Company Rules, the Company shall by a Supermajority Resolution:
- (a) sell, transfer or lease of whole business of the Company or other matters which has a material effect on the Members' rights and interests;
 - (b) discharge or remove any Director;

- (c) approve any action by any Director(s) who is engaging in business for himself/herself/itself or on behalf of another person that is within the scope of the Company's business;
 - (d) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 35 hereof;
 - (e) effect any Merger (other than a Short-form Merger) or Spin-off, provided that any Merger which falls within the definition of "merger and/or consolidation" under the Statute shall also be subject to the requirements of the Statute;
 - (f) enter into, amend, or terminate any agreement for lease of the Company's whole business, or for entrusted business, or for frequent joint operation with others;
 - (g) transfer its business or assets, in whole or in any essential part, provided that, the foregoing does not apply where such transfer is pursuant to the dissolution of the Company; and
 - (h) acquire or assume the whole business or assets of another person, which has material effect on the Company's operation.
- 14.3 Subject to the provisions of the Statute, the Articles, and the Applicable Public Company Rules, with regard to the dissolution procedures of the Company, the Company shall pass
- (a) a Supermajority Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or
 - (b) a Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 14.3(a) above.
- 14.4 When the Company returns share capital according to the Statute, and the Articles, the share capital shall be returned in proportion to the shareholdings of the Members.

15 Registered Office

Subject to the provisions of the Statute, the Company may by resolution of the board of Directors change the location of its Registered Office.

16 General Meetings

- 16.1 All general meetings other than annual general meetings are extraordinary general meetings.
- 16.2 The Company shall hold a general meeting as its annual general meeting within six months following the end of each fiscal year, and shall specify the meeting as such in the notices calling it. At these meetings, the report of the Directors (if any) shall be presented.
- 16.3 The Company shall hold an annual general meeting every year.
- 16.4 The general meetings shall be held at such time and place as the Directors shall appoint, provided that unless otherwise provided by the Statute or this Article 16.4, the general meetings shall be held in the R.O.C. For general meetings to be held outside of the R.O.C., the Company shall apply with TWSE to obtain its approval within two days after the board of Directors resolves to call a general meeting or within two days

after the shareholder(s) obtain(s) the approval from competent authorities to convene the same. In addition, where a general meeting is to be held outside the R.O.C., the Company shall engage a professional securities agent in the R.O.C. to handle the administration of such general meeting (including but not limited to the handling of the voting of proxies submitted by Members).

- 16.5 The board of Directors may call general meetings, and they shall, on a Member's requisition forthwith, proceed to convene an extraordinary general meeting of the Company.
- 16.6 Member(s) who are entitled to submit a Member's requisition as provided in the preceding Article 16.5 are Member(s) of the Company holding at the date of deposit of the requisition not less than 3% of the total number of the issued and outstanding Shares at the time of requisition and whose Shares shall have been held by such Member(s) for at least one year.
- 16.7 The requisition must state in writing the matters to be discussed at the extraordinary general meeting and the reason therefor and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.
- 16.8 If the board of Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules.

17 Notice of General Meetings

- 17.1 At least thirty days' notice to each Member shall be given of any annual general meeting, and at least fifteen days' notice to each Member shall be given of any extraordinary general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned, or be given via electronic means if agreed thereon by the Members, or be given in such other manner as may be prescribed by the Company, provided that, a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed by all the Members (or their proxies) entitled to attend such general meeting.
- 17.2 If the accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any Member entitled to receive notice shall not invalidate the proceedings of that general meeting.
- 17.3 The Company shall, at least thirty days prior to any annual general meeting or at least fifteen days prior to any extraordinary general meeting (as the case may be), make public announcement of the notice of such general meeting, instrument of proxy, the businesses and their explanatory materials of any sanction, discussion, election or removal of Directors and transform such information into electronic format and transmit the same to the Market Observation Post System in accordance with the Applicable Public Company Rules. If the voting power in any general meeting will be exercised by way of a written ballot, the written ballot and the aforementioned information of such general meeting shall together be delivered to each Member.
- 17.4 The Company shall prepare a meeting handbook of the relevant general meeting and supplemental materials available for inspection by the Members, which will be placed

at the office of the Company and the Company's securities agent, distributed at the meeting venue, and transmitted to the Market Observation Post System within the period required by the Applicable Public Company Rules.

- 17.5 Matters pertaining to (a) election or discharge of Directors, (b) alteration of the Articles, (c) (i) dissolution, Merger (other than a Short-form Merger), Share Exchange, or Spin-off, (ii) entering into, amending, or terminating any contract for lease of the Company's business in whole, or the delegation of management of the Company's business to others or the regular joint operation of the Company with others, (iii) transfer of the whole or any material part of the business or assets of the Company, (iv) acceptance of the transfer of the whole business or assets of another person, which has a material effect on the business operation of the Company, (d) Recognition of an action by Director(s) who engage(s) in business for himself/herself/itself or on behalf of another person that is within the scope of the Company's business, (e) distribution of the whole or a part of the surplus profit of the Company in the form of new Shares, capitalization of statutory reserve and any other amount in accordance with Article 35, and (f) the Private Placement of any equity-type securities issued by the Company, shall be indicated in the notice of general meeting, with a summary of the material content to be discussed, and shall not be brought up as an ad hoc motion.
- 17.6 The board of Directors shall keep the Articles, minutes of general meetings, financial statements, the Register of Members, and the counterfoil of any corporate bonds issued by the Company at the office of the Company's registrar (if applicable) and the Company's securities agent located in the R.O.C. The Members may request, from time to time, by submitting document(s) evidencing his/her interests involved and indicating the designated scope of the inspection, access to inspect, review or make copies of the foregoing documents.
- 17.7 The Company shall make all statements and records prepared by the board of Directors and the report prepared by the audit committee, if any, available at the office of its registrar (if applicable) and its securities agent located in the R.O.C. in accordance with the Statute, the Articles, and the Applicable Public Company Rules. Members may inspect and review the foregoing documents from time to time and may be accompanied by their lawyers or certified public accountants for the purpose of such an inspection and review.

18 Proceedings at General Meetings

- 18.1 No business shall be transacted at any general meeting unless a quorum is present. Unless otherwise provided in the Statute, the Articles and the Applicable Public Company Rules, Members present in person or by proxy, representing more than one-half of the total issued, outstanding Shares, shall constitute a quorum for any general meeting.
- 18.2 The board of Directors shall submit business reports, financial statements and proposals for distribution of profits or covering of losses prepared by it for the purposes of annual general meetings of the Company for Recognition or approval by the Members as required by the Statute, the Articles, and the Applicable Public Company Rules. After Recognition or approval by the Members as required by the Statute, the Articles and the Applicable Public Company Rules, the board of Directors shall distribute or make publicly available on the Market Observation Post System the copies of the ratified financial statements and the Company's resolutions on the allocation and distribution of profits or covering of loss, to each Member.
- 18.3 Subject to the Statute, the Articles, and Applicable Public Company Rules, if a quorum is not present at the time appointed for the general meeting the chairman may postpone the general meeting to a later time, provided, however, that the maximum number

of times a general meeting may be postponed shall be no more than two and the total time postponed shall not exceed one hour. If the general meeting has been postponed for two times, but at the postponed general meeting a quorum is still not present, the chairman shall declare the general meeting is dissolved, and if it is still necessary to convene a general meeting, it shall be reconvened as a new general meeting in accordance with the Articles.

- 18.4 If a general meeting is called by the board of Directors, the chairman of the board of Directors shall preside as the chair of such general meeting. In the event that the chairman is on a leave of absence, or is unable to exercise his/her powers and authorities, the vice chairman of the board of Directors shall act in lieu of the chairman. If there is no vice chairman of the board of Directors, or if the vice chairman of the board of Directors is also on leave of absence, or cannot exercise his/her powers and authorities, the chairman shall designate a Director to chair such general meeting. If the chairman does not designate a proxy or if such chairman's proxy cannot exercise his/her powers and authorities, the Directors who are present at the general meeting shall elect one from among themselves to act as the chair at such general meeting in lieu of the chairman. If a general meeting is called by any person(s) other than the board of Directors, the person(s) who has called the meeting shall preside as the chair of such general meeting; and if there is more than one person who has called a general meeting, such persons shall elect one from among themselves to act as the chair of such general meeting.
- 18.5 A resolution put to the vote of the meeting shall be decided on a poll. No resolution put to the vote of the meeting shall be decided by a show of hands. In computing the required majority when a poll is demanded regard should be had to the number of votes to which each Member is entitled by the Articles.
- 18.6 In the case of an equality of votes, the chairman shall not be entitled to a second or casting vote.
- 18.7 Nothing in the Articles shall prevent any Member from issuing proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution. The Taipei District Court, R.O.C., shall be the court of the first instance for adjudicating any disputes arising out of the foregoing.
- 18.8 Unless otherwise expressly required by the Statute, the Articles or the Applicable Public Company Rules, any matter which has been presented for resolution, approval, confirmation or adoption by the Members at any general meeting may be passed by an Ordinary Resolution.
- 18.9 According to the Applicable Public Company Rules, Member(s) holding 1% or more of the total number of issued, allotted, outstanding Shares immediately prior to the relevant book closed period may propose to the Company a proposal for discussion at an annual general meeting in writing to the extent and in accordance with the rules and procedures of general meetings proposed by the Directors and approved by an Ordinary Resolution. Proposals shall not be included in the agenda where (a) the proposing Member(s) holds less than 1% of the total number of issued and outstanding Shares, (b) where the matter of such proposal may not be resolved by a general meeting, (c) the proposing Member has proposed more than one proposal, or (d) such proposal is submitted on a day beyond the deadline announced by the Company for accepting the Member's proposals.

19 Votes of Members

- 19.1 Subject to any rights or restrictions attached to any Shares, every Member who is present in person or by proxy shall have one vote for every Share of which he is the holder.
- 19.2 No person shall be entitled to vote at any general meeting or at any separate meeting of the holders of a class of Shares unless he is registered as a Member on the record date for such meeting nor unless all calls or other monies then payable by him in respect of Shares have been paid.
- 19.3 Any objection raised to the qualification of any voter by a Member having voting rights shall be referred to the chairman who shall decide in accordance with the applicable laws.
- 19.4 Votes may be cast either personally or by proxy. A Member may appoint only one proxy under one instrument to attend and vote at a meeting.
- 19.5 A Member is required to cast the votes in respect of his/her/its Shares in the same way on any resolution; provided that a Member who holds Shares for the benefit of others may, to the extent permissible by the provisions of the Statute, cast the votes of the Shares in different ways in accordance with the Articles and the Applicable Public Company Rules.
- 19.6 If a general meeting is to be held in the R.O.C., the Directors may determine in their discretion that the voting power of a Member at such general meeting may be exercised by way of a written ballot or by way of an electronic transmission. If a general meeting is to be held outside of the R.O.C. required under the Applicable Public Company Rules, the methods by which Members are permitted to exercise their voting power shall include written ballot or voting by way of an electronic transmission. Where these methods of exercising voting power are to be available at a general meeting, they shall be described in the general meeting notice given to the Members in respect of the relevant general meeting, and the Member voting by written ballot or electronic transmission shall submit such vote to the Company two days prior to the date of the relevant general meeting. In case that there are duplicate submissions, the first received by the Company shall prevail. A Member exercising voting power by way of a written ballot or by way of an electronic transmission shall be deemed to have appointed the chairman of the general meeting as his/her proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document; provided, however, that such appointment shall be deemed not to constitute the appointment of a proxy for the purposes of the Applicable Public Company Rules. The chairman, acting as proxy of a Member, shall not exercise the voting right of such Member in any way not stipulated in the written or electronic document, nor exercise any voting right in respect of any resolution revised at the meeting or any impromptu proposal at the meeting. A Member voting in such manner shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc resolution or amendment to the original agenda items to be resolved at the said general meeting. Should the chairman not observe the instructions of a Member in exercising such Member's voting right in respect of any resolution, the Shares held by such Member shall not be included in the calculation of votes in respect of such resolution but shall nevertheless be included in the calculation of quorum for the meeting.
- 19.7 A Member who has submitted a vote by written ballot or electronic transmission pursuant to Article 19.6 may, at least two days prior to the date of the relevant general meeting, revoke such vote by written ballot or electronic transmission and such revocation shall constitute a revocation of the proxy deemed to be given to the chairman of the general meeting pursuant to Article 19.6. If a Member who has submitted a writ-

ten ballot or electronic transmission pursuant to Article 19.6 does not submit such a revocation before the prescribed time, the proxy deemed to be given to the chairman of the general meeting pursuant to Article 19.6 shall not be revoked and the chairman of the general meeting shall exercise the voting right of such Member in accordance with that proxy.

- 19.8 If, subsequent to submitting a written ballot or electronic transmission pursuant to Article 19.6, a Member submits a proxy appointing a person of the general meeting as his/her proxy to attend the relevant general meeting on his/her behalf, then the subsequent appointment of that person as his/her proxy shall be deemed to be a revocation of such Member's deemed appointment of the chairman of the general meeting as his/her proxy pursuant to Article 19.6.

20 Proxies

- 20.1 An instrument of proxy shall be in writing, and be personally signed or sealed under the hand of the appointor, or, if the appointor is a corporation under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member of the Company.
- 20.2 In addition to any restrictions provided by the Statute, the Articles and the Applicable Public Company Rules, obtaining an instrument of proxy for attendance of general meetings shall be subject to the following conditions:
- (a) the instrument of proxy shall not be obtained in exchange for money or any other interest, provided that this provision shall not apply to souvenirs for a general meeting distributed on behalf of the Company or reasonable fees paid by the Solicitor to any person mandated to handle proxy solicitation matters;
 - (b) the instrument of proxy shall not be obtained in the name of others; and
 - (c) an instrument of proxy obtained through solicitation shall not be used as a non-solicited instrument of proxy for attendance of a general meeting.
- 20.3 Except for the securities agent, a person shall not act as the proxy for more than thirty Members. Any person acting as proxy for three or more Members shall submit to the Company or its securities agent (a) a statement of declaration declaring that the instruments of proxy are not obtained for the purpose of soliciting on behalf of himself/herself/itself or others; (b) a schedule showing details of such instruments of proxy; and (c) the signed or sealed instruments of proxy, in each case, five days prior to the date of the general meeting.
- 20.4 The Company may mandate a securities agent to act as the proxy for the Members for any general meeting provided that no resolution in respect of the election of Directors is proposed to be voted upon at such meeting. Matters authorized under the mandate shall be stated in the instructions of the instruments of proxy for the general meeting concerned. A securities agent acting as the proxy shall not accept general authorisation from any Member, and shall, within five days after each general meeting of the Company, prepare a compilation report of general meeting attendance by proxy comprising the details of proxy attendance at the general meeting, the status of exercise of voting rights under the instrument of proxy, a copy of the contract, and other matters as required by the R.O.C. securities competent authorities, and maintain the compilation report available at the offices of the securities agent.
- 20.5 Except for a Member appointing the chairman of a general meeting as his/her proxy through written ballot or electronic transmission in the exercise of voting power pursuant to Article 19.6, or for trust enterprises organized under the laws of the R.O.C. or a

securities agent approved pursuant to the Applicable Public Company Rules, in the event a person acts as the proxy for two or more Members, the sum of Shares entitled to be voted as represented by such proxy shall be no more than 3% of the total outstanding voting Shares immediately prior to the relevant book closed period; any vote in respect of the portion in excess of such 3% threshold shall not be counted. For the avoidance of doubt, the number of the Shares to be represented by a securities agent mandated by the Company in accordance with Article 20.4 shall not be subject to the limit of 3% of the total number of the outstanding voting Shares set forth herein.

- 20.6 The Shares represented by a person acting as the proxy for three or more Members shall not be more than four times of the number of Shares held by such person and shall not exceed 3% of the total number of the outstanding Shares.
- 20.7 In the event that a Member exercises his/her/its voting power by means of a written ballot or by means of electronic transmission and has also authorized a proxy to attend a general meeting, then the voting power exercised by the proxy at the general meeting shall prevail. In the event that any Member who has authorised a proxy to attend a general meeting later intends to attend the general meeting in person or to exercise his/her/its voting power by way of a written ballot or electronic transmission, he/she/it shall, at least two days prior to such general meeting, serve the Company with a separate notice revoking his/her/its previous appointment of proxy. Votes by way of proxy shall remain valid if the relevant Member fails to revoke his/her/its appointment of such proxy before the prescribed time.
- 20.8 Each Member is only entitled to execute one instrument of proxy to appoint one proxy. The instrument of proxy shall be deposited at the Registered Office or at such other place as is specified for that purpose in the notice convening the general meeting, or in any instrument of proxy sent out by the Company not less than five days before the time for holding the general meeting or adjourned general meeting at which the person named in the instrument proposes to vote. In case that there are duplicate instruments of proxy received from the same Member by the Company, the first instrument of proxy received by the Company shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous instrument of proxy in the later-received instrument of proxy.
- 20.9 The instrument of proxy shall be in the form approved by the Company and be expressed to be for a particular general meeting only. The form of proxy shall include at least the following information: (a) instructions on how to complete such proxy, (b) the matters to be voted upon pursuant to such proxy, and (c) basic identification information relating to the relevant Member, proxy and the Solicitor (if any). The form of proxy shall be provided to the Members together with the relevant notice for the relevant general meeting, and such notice and proxy materials shall be distributed to all Members on the same day.
- 20.10 At a general meeting, each instrument of proxy for such meeting shall be tallied and verified by the Company's securities agent or any other mandated securities agent prior to the time for holding the general meeting. The following matters should be verified:
- (a) whether the instrument of proxy is printed under the authority of the Company;
 - (b) whether the instrument of proxy is signed or sealed by the appointing Member; and
 - (c) whether the Solicitor or proxy (as the case may be) is named in the instrument of proxy and whether the name is correct.

- 20.11 The material contents required to be stated in the instruments of proxy, the meeting handbook or other supplemental materials of such general meeting, the written documents and advertisement of the Solicitor for proxy solicitation, the schedule of the instruments of proxy, the proxy form and other documents printed and published under the authority of the Company shall not contain any false statement or omission.
- 20.12 Votes given in accordance with the terms of an instrument of proxy shall be valid unless notice in writing was received by the Company at the Registered Office or at such other place as is specified for that purpose in the notice convening the general meeting, or in any instrument of proxy sent out by the Company at least two days prior to the commencement of the general meeting, or adjourned general meeting at which it is sought to use the proxy. The notice must set out expressly the reason for the revocation of the proxy, whether due to the incapacity or the lack in authority of the principal at the time issuing the proxy or otherwise.
- 20.13 A Member who has appointed a proxy shall be entitled to make a request to the Company or its securities agent for examining the way in which his/her/its instrument of proxy has been used, within seven days after the relevant general meeting.
- 20.14 If a general meeting is to be held outside of the R.O.C, the Company shall engage a professional securities agent within the R.O.C. to handle the voting by the Members.

21 Proxy Solicitation

Subject to the provisions of the Statute, matters regarding the solicitation of proxies shall be handled in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies of the R.O.C.

22 Dissenting Member's Appraisal Right

- 22.1 In the event any of the following resolutions is adopted at a general meeting, any Member who has notified the Company in writing of his/her/its objection to such a resolution prior to such meeting and has raised again his/her/its objection at such meeting, may request the Company to buy back all of his/her/its Shares at the then prevailing fair value of such Shares:
- (a) The Company enters into, amends, or terminates any agreement for lease of the Company's business in whole, or the delegation of management of the Company's business to other or the regular joint operation of the Company with others;
 - (b) The Company transfers the whole or a material part of its business or assets, provided that, the foregoing does not apply where such transfer is pursuant to the dissolution of the Company; or
 - (c) The Company accepts the transfer of the whole business or assets of another person, which has a material impact on the Company's business operations.
- 22.2 In the event any part of the Company's business is Spun Off or involved in any Merger (other than a Short-form Merger) with any other company, the Member, who has expressed his/her/its objection therefor, in writing or verbally with a record before or during the general meeting and forfeited his/her/its voting right provided, may request the Company to buy back all of his/her/its Shares at the then prevailing fair price. In the event of a Short-form Merger where at least 90% of the voting power of the outstanding Shares of the Company are held by the other merging company, the Company shall deliver a notice to each Member immediately after the resolution of board of directors approving such Short-form Merger and such notice shall state that any Member who

expressed his/her/its objection against the Short-form Merger within the specified period may submit a written objection requesting the Company to buy back all of his/her/its Shares at the then prevailing fair value of such Shares.

- 22.3 The request prescribed in the preceding two Articles shall be delivered to the Company in writing, stating therein the types and numbers of Shares requested to be repurchased, within twenty days after the date of the relevant resolution. In the event the requesting Member and the Company reach an agreement in regard to the purchase price of the Shares held by such Member (the “**appraisal price**”), the Company shall pay such price within ninety days after the date on which the resolution was adopted. In the event the Company and the requesting Member fail to reach the agreement with respect to the appraisal price within sixty days after the resolution date, the Member may, within thirty days after such sixty-day period, file a petition to any competent court of the R.O.C. for a ruling on the appraisal price, and such ruling by such R.O.C. court shall be binding and conclusive as between the Company and requested Member solely with respect to the appraisal price.
- 22.4 The payment of appraisal price shall be made at the same time as the delivery of Share Certificates, and transfer of such Shares shall be effective at the time when the transferee’s name is entered on the Register of Members.

23 Corporate Members

A Member, who is a corporation, organization or non-natural person entity, may in accordance with its constitutional documents, or in the absence of relevant provision in its constitutional documents by resolution of its board of directors or other governing body, authorise a person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of such corporate Member which he represents as the corporate Member could exercise if it were an individual Member.

24 Shares that May Not be Voted

- 24.1 Shares in the Company that are held by such Company (including held through the Company’s Subsidiaries) shall not vote, directly or indirectly, at any general meeting and shall not be counted in determining the total number of outstanding Shares at any given time.
- 24.2 A Member who has a personal interest in any matter discussed at a general meeting, which interest may be in conflict with those of the Company, shall abstain from voting such Member’s Shares in regard to such matter but such Shares shall be counted when calculating the number of Shares of the Members present at such general meeting for the purposes of determining the quorum. The aforementioned Member shall also not vote on behalf of any other Member.
- 24.3 If a Director creates or has created security over any Shares held by such Director, such Director shall notify the Company of such security. If at any time the number of Shares over which security has been created held by a Director exceeds half of the Shares held by such Director at the time of his/her appointment, then the voting rights attached to the Shares held by such Director at such time shall be reduced, such that the Shares over which security has been created which are in excess of half of the Shares held by such Director at the date of his/her appointment shall not carry voting rights and shall not be counted in the number of votes casted by the Member at a general meeting.

25 Directors

- 25.1 There shall be a board of Directors consisting of no less than nine persons and no more than fifteen persons, including Independent Directors, each of whom shall be appointed to a term of office of three (3) years and shall be eligible for re-election. The Company may from time to time by resolution of the board of Directors increase or reduce the number of Directors subject to the above number limitation provided that the requirements by relevant laws and regulations (including but not limited to any listing requirements) are met. In the event of any vacancy in the board of Directors or an increase in the number of Directors of the Company, the new Director elected at the general meeting shall fill the vacancy for the residual term of office. Any new Director elected due to increase in the number of Directors of the Company shall serve for the same term as other members of the board of Directors (i.e. the new Director's term of office shall end on the same day as the other Directors).
- 25.2 Unless otherwise approved by TWSE, not more than half of the total number of Directors can have a spousal relationship or familial relationship within the second degree of kinship with any other Directors.
- 25.3 In the event that the Company convenes a general meeting for the election of Directors and any of the Directors elected does not meet the requirements provided in Article 25.2 hereof, the non-qualifying Director(s) who was elected with the fewest number of votes shall be deemed not to have been elected, to the extent necessary to meet the requirements provided in Article 25.2 hereof. Any person who has already served as Director but is in violation of the aforementioned requirements shall be removed from the position of Director automatically.
- 25.4 Unless otherwise permitted under the Applicable Public Company Rules, there shall be at least three (3) Independent Directors. To the extent required by the Applicable Public Company Rules, at least one of the Independent Directors shall be domiciled in the R.O.C. and at least one of the Independent Directors shall have accounting or financial expertise.
- 25.5 Independent Directors shall have professional knowledge and shall maintain independence in discharging their directorial duties, and shall not have any direct or indirect interests in the Company. The professional qualifications, restrictions on shareholdings and concurrent positions, and assessment of independence with respect to Independent Directors shall be governed by the Applicable Public Company Rules.
- 25.6 Any Member(s) holding 3% or more of the Company's issued Shares for at least one year may in writing request the Independent Directors of the audit committee to bring action against the Directors on behalf of the Company in a court of competent jurisdiction as the court of first instance. If the Independent Directors fail to bring such action within thirty days after the request by the Member, such Member may bring the action in a court of competent jurisdiction as the court of first instance in the name of the Company.

26 Powers of Directors

- 26.1 Subject to the provisions of the Statute, the Articles, the Applicable Public Company Rules and to any directions given by Ordinary Resolution, Special Resolution or Supermajority Resolution, the business of the Company shall be managed by the board of Directors who may exercise all the powers of the Company. No alteration of the Articles and no such direction shall invalidate any prior act of the board of Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of the board of Directors at which a quorum is present may exercise all powers exercisable by the board of Directors.

- 26.2 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the board of Directors shall determine by resolution.
- 26.3 The board of Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.
- 26.4 The Company may purchase liability insurance for Directors; the board of Directors shall determine the terms of such insurance by resolution, taking into account the standards of the industry in the R.O.C. and overseas.
- 26.5 The Directors shall faithfully carry out their duties with care, and may be held liable for the damages suffered by the Company for any violation of such duty. The Company may by Ordinary Resolution of any general meeting demand the Directors, who violate such duties, to disgorge any profit realised from such violation and regard the profits realised as the profits of the Company as if such violation was made for the benefit of the Company. The Directors shall indemnify the Company for any losses or damages incurred by the Company if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his/her duties. The Directors and the Company shall jointly and severally indemnify the third party for any losses or damages incurred by such third party if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his/her duties. The aforementioned duties of the Directors shall also apply to the managers of the Company.

27 Appointment and Removal of Directors

- 27.1 The Company may by a majority or, if less than a majority, the most number of votes, at any general meeting elect a Director, which vote shall (after the Company has acquired the public company status) be calculated in accordance with Article 27.2 below. The Company may by Supermajority Resolution remove any Director. Members present in person or by proxy, representing more than one-half of the total issued outstanding Shares shall constitute a quorum for any general meeting to elect Director(s).
- 27.2 Directors shall be elected pursuant to a cumulative voting mechanism pursuant to a poll vote, the procedures for which has been approved and adopted by the board of Directors and also by an Ordinary Resolution, where the number of votes exercisable by any Member shall be the same as the product of the number of Shares held by such Member and the number of Directors to be elected ("**Special Ballot Votes**"), and the total number of Special Ballot Votes casted by any Member may be consolidated for election of one Director candidate or may be split for election amongst multiple Director candidates, as specified by the Member pursuant to the poll vote ballot. There shall not be votes which are limited to class, party or sector, and any Member shall have the freedom to specify whether to consolidate all of its votes on one or any number of candidate(s) without restriction. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a Director elect, and where more than one Director is being elected, the top candidates to whom the votes cast represent a prevailing number of votes relative to the other candidates shall be deemed directors elect. The rule and procedures for such cumulative voting mechanism shall be in accordance with policies proposed by the board of Directors and approved by an Ordinary Resolution from time to time, which policies shall be in accordance with the Memorandum, the Articles and the Applicable Public Company Rules.

- 27.3 The Directors may adopt a candidate nomination mechanism which is in compliance with Applicable Public Company Rules. The rules and procedures for such candidate nomination shall be in accordance with policies proposed by the board of Directors and approved by an Ordinary Resolution from time to time, which policies shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules. In addition, such candidate nomination mechanism in compliance with Applicable Public Company Rules shall also be used for an election of Independent Directors in accordance with Applicable Public Company Rules.
- 27.4 If a Member is judicial person, the authorised representative of such Member may be elected as Director. If such Member has more than one authorised representative, each of the authorised representatives of such Member may be elected as Directors respectively.

28 Vacation of Office of Director

- 28.1 Notwithstanding anything in the Articles to the contrary, the Company may from time to time by Ordinary Resolution remove all Directors from office before the expiration of their term of office and may elect new Directors in accordance with Article 27.1. and unless the resolution approving such removal and election provides otherwise, all the Directors shall be deemed to have been removed upon the passing of such resolution to elect new Directors prior to the expiration of such Director's applicable term of office.
- 28.2 In the event of any of the following events having occurred in relation to any Director, such Director shall be vacated automatically:
- (a) he/she/it gives notice in writing to the Company to resign the office of Director;
 - (b) he/she/it dies, becomes bankrupt or makes any arrangement or composition with his/her/its creditors generally;
 - (c) an order is made by any competent court or official on the grounds that he/she is or will be suffering from mental disorder or is otherwise incapable of managing his/her affairs, or his/her legal capacity is restricted according to the applicable laws;
 - (d) he/she/it commits a felony and is subsequently adjudicated guilty by a final judgment, and the time elapsed since he/she/it has served the full term of the sentence is less than five years;
 - (e) he/she/it commits any criminal offence of fraud, breach of trust or misappropriation and is subsequently punished with imprisonment for a term of more than one year, and the time elapsed since he/she/it has served the full term of such sentence is less than two years;
 - (f) he/she/it is adjudicated guilty by a final judgment for misappropriating Company or public funds during the time of his/her/its service, and the time elapsed after he/she/it has served the full term of such sentence is less than two years;
 - (g) he/she/it is dishonoured for use of credit instruments, and the term of such sanction has not expired yet;
 - (h) the Members resolve by a Supermajority Resolution that he/she/it should be removed as a Director;

- (i) during the term of office as a Director, he/she/it has transferred more than one half of the company's Shares being held by him/her/it at the time he/she is elected; or
- (j) Subject to the provisions of the Statute, and the Articles or the Applicable Public Company Rules, in the event that he/she/it has, in the course of performing his/her/its duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) holding 3% or more of the total number of issued, outstanding Shares shall have the right, within thirty days after that general meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon the final judgement by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the foregoing matters in a single or a series of proceedings, then, for the purpose of this paragraph (i), final judgement shall be given by such competent court.

In the event that the foregoing events described in any of clauses (b), (c), (d), (e), (f) and (g) has occurred in relation to a Director elect, such Director elect shall be disqualified from being elected as a Director.

If any director after having been elected and before his/her/its inauguration of the office of Director, has transferred more than one half of the total number of Shares of the company he/she/it holds at the time of his/her/its election as such; or had transferred more than one half of the total number of Shares he/she/it held within the share transfer prohibition period fixed prior to the convention of a shareholders' meeting, then his/her/its election as a Director shall become invalid.

29 Proceedings of Directors

- 29.1 The quorum for the transaction of the business of the board of Directors may be fixed by the board of Directors and unless so fixed shall be over one half of the total number of Directors elected. If the number of Directors is less than five (5) persons due to the vacation of Director(s) for any reason, the Company shall hold an election of Director(s) to fill the vacancies at the next following general meeting. When the number of vacancies in the board of Directors of the Company is equal to one third of the total number of Directors elected, the board of Directors shall hold, within sixty days, a general meeting of Members to elect succeeding Directors to fill the vacancies.
- 29.2 Unless otherwise provided by the Statute, the Articles, or the Applicable Public Company Rules, if the number of Independent Directors is less than three due to the vacation of Independent Directors for any reason, the Company shall hold an election of Independent Directors to fill the vacancies at the next following general meeting. Unless otherwise permitted by the Applicable Public Company Rules, if all of the Independent Directors are vacated, the board of Directors shall hold, within sixty days, a general meeting to elect succeeding Independent Directors to fill the vacancies.
- 29.3 Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Any motions shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall not have a second or casting vote.
- 29.4 A person may participate in a meeting of the board of Directors or committee of Directors by video conference. Participation by a person in a meeting in this manner is treated as presence in person at that meeting. The time and place for a meeting of the Directors or committee of Directors shall be at the office of the Company and during

business hours or at a place and time convenient to the Directors and suitable for holding such meeting.

- 29.5 The chairman or other authorized officer of the Company may call a meeting of the board of Directors by at least seven day's notice in writing (which may be a notice delivered by facsimile transmission or electronic mail) to every Director which notice shall set forth the general nature of the business to be considered. In the event of an urgent situation, a meeting of the board of Directors may be held at any time after notice has been given in accordance with the Applicable Public Company Rules.
- 29.6 The continuing Directors may act notwithstanding any vacancy in other Directors' office, but if and so long as the number of continuing Directors is below the minimum number of Directors fixed by or pursuant to the Articles, the continuing Directors or Director may act only for the purpose of summoning a general meeting of the Company, but for no other purpose.
- 29.7 The board of Directors shall, by a resolution, establish rules governing the procedure of meeting(s) of the board of Directors and report such rules to a meeting of Members, and such rules shall be in accordance with the Articles and the Applicable Public Company Rules.
- 29.8 Subject to the Statute, all acts done by any meeting of the board of Directors or of a committee of Directors shall, notwithstanding that it be afterwards discovered that there was some defect in the election of any Director, or that they or any of them were disqualified, the effectiveness of the acts shall be determined in accordance with the applicable laws.
- 29.9 A Director may be represented at any meetings of the board of Directors by a proxy appointed the other director in writing by him/her/it. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.

30 Directors' Interests

- 30.1 A Director (except for Independent Director) may hold any other office or place of profit under the Company in conjunction with his/her/its office of Director for such period and on such terms as to remuneration and otherwise as the remuneration committee shall recommend and the board of Directors shall approve after such recommendation is presented by the remuneration committee and is discussed by the board of Directors.
- 30.2 The Directors may be paid remuneration only in cash. The amount of such remuneration shall be recommended by the remuneration committee and determined by the board of Directors and take into account the extent and value of the services provided for the management of the Company and the standards of the industry in the R.O.C. and overseas. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the board of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company, or to receive salaries in respect of their service as Directors as may be recommended by the compensation committee and determined by the board of Directors, or a combination partly of one such method and partly another, provided that any such determination shall be in accordance with the Applicable Public Company Rules.
- 30.3 Unless prohibited by the Statute, the Articles or by the Applicable Public Company Rules, a Director may act on behalf of the Company to the extent authorized by the

Company. Such Director or his/her/it firm shall be entitled to such remuneration for professional services as if he/she/it were not a Director.

- 30.4 A Director who engages in conduct either for himself/herself/itself or on behalf of another person within the scope of the Company's business, shall disclose to Members, at a general meeting prior to such conduct, a summary of the major elements of such interest and obtain the Recognition of the Members at such general meeting by a Supermajority Resolution vote. In case a Director engages in business conduct for himself/herself/itself or on behalf of another person in violation of this provision, the Members may, by an Ordinary Resolution, require the disgorgement of any and all earnings derived from such act, except when at least one year has lapsed since the realization of such associated earnings.
- 30.5 Notwithstanding anything to the contrary contained in this Article 30.1 to 30.5, a Director who has a personal interest in the matter under discussion at a meeting of the Directors, which may conflict with the interest of the Company, shall disclose to the meeting his/her/its interest and the material information of such interest, and shall not vote nor exercise voting rights on behalf of another Director; the voting right of such Director who cannot vote or exercise any voting right as prescribed above shall not be counted in the number of votes of Directors present at the board meeting.

31 Minutes

The Directors shall cause minutes to be made in books kept for the purpose of all appointments of officers made by the Directors, all proceedings at meetings of the Company or the holders of any class of Shares and of the Directors, and of committees of Directors including the names of the Directors present at each meeting.

32 Delegation of Directors' Powers

- 32.1 Subject to the Applicable Public Company Rules, the Directors may delegate any of their powers to any committee consisting of one or more Directors. They may also delegate to any managing director or any Director holding any other executive office such of their powers as they consider desirable to be exercised by him/her/it provided that the appointment of a managing director shall be revoked forthwith if he/she/it ceases to be a Director. Any such delegation may be made subject to any conditions the Directors may impose and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Unless otherwise provided by the Statute or the Applicable Public Company Rules, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of Directors (where applicable).
- 32.2 The Directors may establish any committees or appoint any person to be a manager or agent for managing the affairs of the Company and may appoint any person to be a member of such committees. Any such appointment may be made subject to any conditions the Directors may impose and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Unless otherwise provided by the Statute or the Applicable Public Company Rules, the proceedings of any such committee shall be governed by the Articles regulating the proceedings of Directors, so far as they are capable of applying.
- 32.3 The Directors may by power of attorney or otherwise appoint any person to be the agent of the Company on such conditions as the Directors may determine, provided that the delegation is not to the exclusion of their own powers and may be revoked by the Directors at any time.

- 32.4 The Directors may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under the Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.
- 32.5 The Directors shall appoint a chairman and may appoint such other officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors may think fit. Unless otherwise specified in the terms of his/her/its appointment an officer may be removed by resolution of the Directors.
- 32.6 Notwithstanding anything to the contrary contained in this Article 32.1 to 32.9, unless otherwise permitted by the Applicable Public Company Rules, the Directors shall establish an audit committee comprised of all of the Independent Directors, one of whom shall be the chairman, and at least one of whom shall have accounting or financial expertise. A resolution of the audit committee shall be passed by one-half or more of all members of such committee. The rules and procedures of the audit committee shall be in accordance with policies proposed by the members of the audit committee and passed by the Directors from time to time, which shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules and the instruction of the FSC or TWSE, if any. The Directors shall, by a resolution, adopt a charter for the audit committee in accordance with these Articles and the Applicable Public Company Rules.
- 32.7 Any of the following matters of the Company shall require the consent of one-half or more of all audit committee members and be submitted to the board of Directors for resolution:
- (a) Adoption or amendment of an internal control system of the Company;
 - (b) Assessment of the effectiveness of the internal control system;
 - (c) Adoption or amendment of handling procedures for significant financial or operational actions, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees on behalf of others;
 - (d) A matter where a Director has a personal interest;
 - (e) A material asset or derivatives transaction;
 - (f) A material monetary loan, endorsement, or provision of guarantee;
 - (g) The offering, issuance, or Private Placement of any equity-type securities;
 - (h) The hiring or dismissal of an attesting certified public accountant, or the compensation given thereto;
 - (i) The appointment or removal of a financial, accounting, or internal auditing officer;

- (j) Annual and semi-annual financial reports;
- (k) Any other matters so determined by the Company from time to time or required by any competent authority overseeing the Company; and
- (l) Any other matters in accordance with the Applicable Public Companies Rules.

Except for item (j) above, any matter under subparagraphs (a) through (k) of the preceding paragraph that has not been approved with the consent of one-half or more of the audit committee members may be undertaken only upon the approval of two-thirds or more of all Directors, without regard to the restrictions of the preceding paragraph, and the resolution of the audit committee shall be recorded in the minutes of the Directors meeting.

- 32.8 The Directors shall establish a remuneration committee in accordance with the Applicable Public Company Rules. The number of members of the remuneration committee, professional qualifications, restrictions on shareholdings and position that a member of the remuneration committee may concurrently hold, and assessment of independence with respect to the members of the remuneration committee shall comply with the Applicable Public Company Rules. The remuneration committee shall comprise of no less than three members, one of which shall be appointed as chairman of the remuneration committee. The rules and procedures for convening any meeting of the remuneration committee shall comply with policies proposed by the members of the remuneration committee and approved by the Directors from time to time, provided that the rules and procedures approved by the Directors shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules and any directions of the FSC or TWSE. The Directors shall, by a resolution, adopt a charter for the remuneration committee in accordance with these Articles and the Applicable Public Company Rules.
- 32.9 The remuneration referred in the preceding Article shall include the compensation, salary, stock options and other incentive payment to the Directors and managers of the Company. Unless otherwise specified by the Applicable Public Company Rules, the managers of the Company for the purposes of this Article 32.9 shall mean executive officers as defined by the rules and procedures governing the remuneration committee.

33 Seal

- 33.1 The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors. The use of Seal shall be in accordance with the use of Seal policy adopted by the Directors from time to time.
- 33.2 The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals, each of which shall be a facsimile of the common Seal of the Company and kept under the custody of a person appointed by the Directors, and if the Directors so determine, with the addition on its face of the name of every place where it is to be used.
- 33.3 A person authorized by the Directors may affix the Seal over his/her/its signature alone to any document of the Company required to be authenticated by him/her/it under seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

34 Dividends, Distributions and Reserve

- 34.1 The Company may distribute profits in accordance with a proposal for distribution of profits prepared by the Directors and approved by the Members by an Ordinary Resolution. The Directors shall prepare such proposal as follows: the proposal shall begin with the Company's Annual Net Income after tax and offset its losses in previous years that have not been previously offset; then set aside a statutory capital reserve or special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge; and then may set aside 2% to 5% of the profits proposed to be distributed, as bonus to employees of the Company, which may be distributed under an incentive programme approved pursuant to Article 11.1 above. The Directors shall specify the exact percentages or amounts to be distributed as bonuses to employees in preparing the proposal for distribution of profits, and the Members may amend such proposal prior to its approval. A Director who also serves as an executive officer of the Company and/or its Subsidiaries may receive a bonus in his/her capacity as a Director and a bonus in his/her capacity as an employee. Any balance left over may be distributed as Dividends in accordance with the Statute and the Applicable Public Company Rules, and after taking into consideration of the profits of the current year and the capital structure of the Company, any future funding requirement and long term financial planning, the distribution of retained earnings may proceed by way of cash dividend or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rate to the Members. Unless otherwise resolved by Directors at the board meeting and the Members in general meeting by an Ordinary Resolution, the amount of profits distributed to Members shall not be lower than 60% of profits (after tax) of the then current year and the amount of cash dividends distributed shall not be less than 10% of the profits proposed to be distributed of the then current year.
- 34.2 Subject to the Statute, the Articles and the Applicable Public Company Rules, the Directors may declare Dividends and distributions on Shares in issue and authorise payment of the Dividends or distributions out of the funds of the Company lawfully available therefor. No Dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Statute.
- 34.3 Except as otherwise provided by the rights attached to Shares, all Dividends shall be declared and paid in proportion to the number of Shares that a Member holds. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date that Share shall rank for Dividend accordingly.
- 34.4 Subject to the Statute, the Articles and the Applicable Public Company Rules, the Directors may deduct from any Dividend or distribution payable to any Member all sums of money (if any) then payable by him to the Company on any account.
- 34.5 Subject to the Statute, the Articles and the Applicable Public Company Rules, the Directors may, after obtaining an Ordinary Resolution, declare that any distribution other than a Dividend be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.
- 34.6 Any Dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through

the post directed to the registered address of the holder. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

34.7 No Dividend or distribution shall bear interest against the Company.

34.8 Subject to the Statute, the Articles and the Applicable Public Company Rules, any Dividend which cannot be paid to a Member and/or which remains unclaimed after six months from the date of declaration of such Dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the Dividend shall remain as a debt due to the Member. Any Dividend which remains unclaimed after a period of six years from the date of declaration of such Dividend shall be forfeited and shall revert to the Company.

35 Capitalisation

Subject to Article 14.2(d), the Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of Dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power to the Directors to make such provisions as they think fit such that Shares shall not become distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

36 Tender Offer

Within seven days after the receipt of the copy of a tender offer application form and relevant documents by the Company or its litigation or non-litigation agent appointed pursuant to the Applicable Public Company Rules, a review committee shall be established under the Applicable Public Company Rules, and the board of the Directors shall resolve to recommend to the Members whether to accept or object to the tender offer and make a public announcement of the following:

1. The types and amount of the Shares held by the Directors and the Members holding more than 10% of the outstanding Shares in its own name or in the name of other persons.
2. Recommendations to the Members on the tender offer, which shall set forth the names of the Directors who abstain or object to the tender offer and the reason(s) therefor.
3. Whether there is any material change in the financial condition of the Company after the submission of the latest financial report and an explanation of the change, if any.

4. The types, numbers and amount of the Shares of the tender offeror or its affiliates held by the Directors and the Members holding more than 10% of the outstanding Shares held in its own name or in the name of other persons.
5. Other matters in accordance with the Applicable Public Company Rules.

37 Books of Account

- 37.1 The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- 37.2 The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company in general meeting.
- 37.3 The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by the Statute, the Articles and the Applicable Public Company Rules.
- 37.4 Subject to the Statute, minutes and written records of all meetings of Directors, any committees of Directors, and any general meeting shall be made in the Chinese language with an English translation. In the event of any inconsistency between the Chinese language version and the relevant English translation, the Chinese language version shall prevail, except in the case where a resolution is required to be filed with the Registrar of Companies of Cayman Islands, in which case the English language version shall prevail.
- 37.5 Unless otherwise provided by the Statute, the instruments of proxy, documents, forms/statements and information in electronic media prepared in accordance with the Articles and relevant rules and regulations shall be kept for at least one year. However, if a Member initiates a lawsuit with respect to such instruments of proxy, documents, forms/statements and/or information mentioned herein, they shall be kept until the conclusion of the litigation if longer than one year.

38 Notices

- 38.1 Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by courier, post, cable, telex, or e-mail to him or to his/her/its address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such Member). Any notice, if posted from one country to another, is to be sent by airmail.
- 38.2 Where a notice is sent by courier, service of the notice shall be deemed to be effected by delivery of the notice to a courier company, and shall be deemed to have been received on the third day (not including Saturdays or Sundays or public holidays) following the day on which the notice was delivered to the courier. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) fol-

lowing the day on which the notice was posted. Where a notice is sent by cable, or telex, service of the notice shall be deemed to be effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.

- 38.3 A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under the Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
- 38.4 Notice of every general meeting shall be given in any manner hereinbefore authorised to every person shown as a Member in the Register of Members on the record date for such meeting and every person upon whom the ownership of a Share devolves by reason of his/her being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his/her death or bankruptcy would be entitled to receive notice of the meeting, and no other person shall be entitled to receive notices of general meetings.

39 Winding Up

- 39.1 If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the number of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the number of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.
- 39.2 If the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute and in compliance with the Applicable Public Company Rules, divide amongst the Members in proportion to the number of Shares they hold the whole or any part of the assets of the Company in kind (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

40 Financial Year

Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

41 Transfer by way of Continuation

If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

42 Litigation and Non-Litigation Agent in the R.O.C.

Subject to the provisions of the Statute, the Company shall, by a resolution of the Directors, appoint or remove a natural person domiciled or resident in the territory of the R.O.C. to be its litigation and non-litigation agent in the R.O.C., pursuant to the Applicable Public Company Rules, and under which the litigation and non-litigation agent shall be the responsible person of the Company in the R.O.C. The Company shall report such appointment and any change thereof to the competent authorities in the R.O.C. pursuant to the Applicable Public Company Rules.

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Appendix B

亞德客國際集團
AIRTAC INTERNATIONAL GROUP
(the “Company”)
Rules of Procedure for Shareholder Meetings
(As adopted by a Resolution dated May 28, 2015)

1. Objective
To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted and provided for follow.
2. Scope
These rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
3. Obligation
- 3.1 Group Office has the obligation to establish and amend the Guideline.
4. Definition
None
5. Procedure
None
6. Operation content
- 6.1 Convening shareholders meetings and shareholders meeting notices
- 6.1.1 Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.
- 6.1.2 The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.
- 6.1.3 The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
- 6.1.4 (a) Election or dismissal of directors; (b) amendments to the articles of incorporation; (c)(i) the dissolution, merger, or demerger of the Company, or (ii) Enter into,

amend, or terminate any contract for lease of the Company's business in whole, or for entrusted business, or for regular joint operation with others, or (iii) Transfer the whole or any essential part of the Company's business or assets, or (iv) Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the Company; (d) The approval of the director who does anything for himself or on behalf of another person that is within the scope of the Company's business; (e) To have the whole or a part of the surplus profit distributed in the form of new shares to be issued by the Company. The legal reserve and or the other capital reserve are according to the Article 35 of Memorandum and Articles of Association of the Company; (f) To carry out private placement of equity-type of securities, (g) Issuance of employee stock warrants, the exercise price may not be lower than the closing price of the company stocks as of the issuing date, and (h) To file for registration of issuance of new restricted employee shares shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

- 6.1.5 A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, under any of the following circumstances, the board of directors may exclude it from the agenda. Where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders; where the number of shares of the company in the possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time when the share transfer registration is suspended by the Company; and where the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals.
- 6.1.6 Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.
- 6.1.7 Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.
- 6.1.8 Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.
- 6.1.9 The time and place of the shareholders' meetings shall be specified by the board meeting. As shareholders will be held outside the Republic of China (the "R.O.C."), and procedures and approval should be handled in accordance with the provisions of the relevant authorities of the R.O.C. When the shareholders' meeting is held in offshore R.O.C., the Company shall appoint the professional shareholder services agent of R.O.C., the admissibility of such shareholders' meeting administration services (including but not limited to receiving shareholder proxy voting matters). The meeting may begin no earlier than 9 a.m. and no later than 3

p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

6.2 Proxy to attend the meeting

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

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

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

6.3 Convening shareholders meetings

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

6.3.2 The Company shall furnish the attending shareholders and their proxies (collectively, "shareholders") with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

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

6.3.4 Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

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

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

6.3.7 It is advisable that shareholders meetings convened by the board of directors - be chaired by the chairperson of the board in person and attended by a majority of

- the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.
- 6.3.8 If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
- 6.3.9 The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.
- 6.4 Call the meeting
- 6.4.1 Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- 6.4.2 Except as otherwise provided by the articles of incorporations, when the attending shareholders do not represent the legal attendance of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than the legal attendance of the total number of issued shares, the chair shall declare the meeting adjourned.
- 6.4.3 If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.
- 6.4.4 When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to the Company Act.
- 6.5 Discussion of proposals
- 6.5.1 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.
- 6.5.2 The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.
- 6.5.3 The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
- 6.5.4 The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been dis-

cussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

6.6 Shareholder speech

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

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

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

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

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

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

6.7 Calculation of voting shares and recusal system

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

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

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

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

6.7.5 With the exception of a trust enterprise organized by the law of R.O.C. or a shareholder services agent approved by the applicable Public Company Rules, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

6.8 Voting Right

6.8.1 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under the Company Act or Articles of Association of the Company.

6.8.2 When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic form. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercis-

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

- 6.8.3 A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.
- 6.8.4 After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.
- 6.8.5 Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirm-active vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
- 6.8.6 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.
- 6.8.7 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.
- 6.8.8 Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.
- 6.9 Election
- 6.9.1 The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.
- 6.9.2 The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at

least 1 year. If, however, a shareholder files a lawsuit of the improper procedure for convening a shareholders' meeting or the improper adopting resolutions, the re-cording shall be retained until the conclusion of the litigation.

6.10 Meeting Minutes

6.10.1 Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

6.10.2 The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

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

6.10.4 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit of the improper procedure for convening a shareholders' meeting or the improper adopting resolutions, the re-cording shall be retained until the conclusion of the litigation.

6.11 Public disclosure

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

6.11.2 If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

6.12 Maintaining order at the meeting place

6.12.1 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

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

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

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

6.13 Recess and resumption of a shareholders meeting

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

- the meeting will be resumed.
- 6.13.2 If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.
- 6.13.3 A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with the Company Act.
- 6.14 These Rules, and any amendments hereto, shall be implemented after approval by a shareholders meeting. In case of any change of relevant laws, these Rules should be amended timely and should be resolved by the board meeting and the shareholders' meeting in accordance with law.

Appendix C

亞德客國際集團
AIRTAC INTERNATIONAL GROUP
(the “Company”)

Rules for Election of Directors

(As adopted by a Resolution dated May 28, 2015)

1. Objective
To ensure a just, fair, and open election of directors, these Rules are adopted for follow.
2. Scope
Except as otherwise provided by law and regulation or by the Company's Articles of Incorporation, elections of directors shall be conducted in accordance with these Rules.
3. Obligation
- 3.1 Group Office has the obligation to establish and amend the Guideline.
4. Definition
None
5. Procedure
None
6. Operation content
- 6.1 Qualifications and nomination of directors
- 6.1.1 The overall composition of the board of directors shall be taken into consideration in the selection of the Company's 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, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:
 - (1) Basic requirements and values: Gender, age, nationality, and culture.
 - (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.
- 6.1.2 Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
 - (1) The ability to make judgments about operations.
 - (2) Accounting and financial analysis ability.
 - (3) Business management ability.
 - (4) Crisis management ability.
 - (5) Knowledge of the industry.
 - (6) An international market perspective.
 - (7) Leadership ability.
 - (8) Decision-making ability.More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.

- 6.1.3 The qualifications for the independent directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. The election of independent directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
- 6.1.4 Election of directors at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. This Corporation shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the results of the review to shareholders for their reference, so that qualified directors will be elected.
- 6.1.5 When the number of directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in the Company's Articles of Incorporation, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies. When the number of independent directors falls below that required under the Company's Articles of Incorporation, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- 6.2 The cumulative voting method shall be used for election of the directors and supervisors at the Company. Each share will have voting rights in number equal to the directors or supervisors to be elected, and may be cast for a single candidate or split among multiple candidates.
- 6.3 The number of directors and supervisors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- 6.4 Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.
- 6.5 The board of directors shall prepare separate ballots. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders. The number of voting rights associated with each ballot shall be specified on the ballots.
- 6.6 If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a

- non-shareholder, the voter shall enter the candidate's full name and identity card number.
- 6.7 When the candidate is a juristic-person shareholder, the name of the 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 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.
- 6.8 A ballot is invalid under any of the following circumstances:
- 6.8.1 The ballot was not prepared by the board of directors.
- 6.8.2 The ballot is filled in by exceeding the specified number of positions to be elected.
- 6.8.3 Other words or marks are entered in addition to the candidate's account name or shareholder account number or identity card number and the number of voting rights allotted.
- 6.8.4 The writing is unclear and indecipherable or has been altered.
- 6.8.5 The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
- 6.8.6 A blank ballot is placed in the ballot box.
- 6.8.7 The ballot is not placed in the ballot box.
- 6.8.8 The sum of the number of voting rights voted by the voter exceeds the sum of its holding.
- 6.8.9 The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
- 6.9 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to the Company Act, the ballots shall be retained until the conclusion of the litigation.
- 6.10 The board of directors of the Company shall issue notifications to the persons elected as directors or supervisors.
- 6.10 These Rules, and any amendments hereto, shall be implemented after approval by a shareholders meeting. In case of any change of relevant laws, these Rules should be amended timely and should be resolved by the board meeting and the shareholders' meeting in accordance with law.

Appendix D

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate

The Company had no dividend issuance this year, it is not applicable.

Appendix E

Current Shareholding of Directors

Title	Name	Date of elected	Shares held when elected		Shares currently held	
			Shares	%	Shares	%
Chairman	Wang Shih-Chung	2013/05/22	—	—	—	—
Director	Lan Shun-Cheng	2013/05/22	3,093,613	2.06%	3,475,673	1.94%
Director	Lin Chiang-Ti	2013/05/22	1,052,737	0.70%	1,182,749	0.66%
Director	Wang Hai-Ming	2013/05/22	—	—	—	—
Director	Chen Rui-Long	2013/05/22	5,000,065	3.33%	5,628,807	3.14%
Director	Tsao Yung-Hsiang	2013/05/22	45,000	0.03%	50,557	0.03%
Independent director	Chang Bao-Guang	2013/05/22	—	—	—	—
Independent director	Chiang Chih-Chun	2013/05/22	—	—	—	—
Independent director	Leong Kam-Son	2013/05/22	—	—	—	—
Total			9,191,415	6.12%	10,337,786	5.77%

Note 1 : The total issued shares of common stock is 149,999,998 shares on May 22, 2013.

Note 2 : The total issued shares of common stock is 179,024,998 shares on March 20, 2016.

Note 3 : The Company has established an audit committee, so no supervisor be set.