

Stock Code : 5227



ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD.

Handbook for the 2019 Annual Meeting of Shareholders

Time: April 12, 2019 at 9a.m.

**Place: No. 200, Sec. 1, Daxing W. Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)
(Fullon Hotels and Resorts - Taoyuan 3F Sakura Room)**

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Disclaimer:

THIS IS A TRANSLATION OF THE AGENDA FOR THE 2019 ANNUAL GENERAL SHAREHOLDERS' MEETING OF ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN). THE TRANSLATION IS FOR REFERENCE ONLY. IF THERE IS ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND CHINESE VERSION, THE CHINESE VERSION SHALL PREVAIL.

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD.
2019 Shareholders' Meeting Procedure

I. Meeting Procedure

1. Time: Friday, April 12, 2019 at 9a.m.
2. Place: No. 200, Sec. 1, Daxing W. Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)
(Fullon Hotels and Resorts - Taoyuan 3F Sakura Room)
3. Call Meeting to Order: Report total number of share attendance
4. Chairman's Speech:
5. Report Items:
 - (1) Business Report of 2018
 - (2) Inspection Report of Audit Committee of 2018
 - (3) Report of sound business operation 2018
 - (4) 2017 Employee Stock Warrants Issuance and Management Regulations Modification Report
 - (5) The company's accumulated loss amounted to half of the paid-in capital.
 - (6) The report of necessity and reasonableness when the company and its subsidiaries have determined that the total amount of endorsements for other companies and single enterprises are 100% of the company's net worth.
6. Proposed Items:
 - (1) Proposal for Business Report and Financial Statements 2018
 - (2) The proposal of deficit compensation 2018
7. Discussion Items:
 - (1) Proposal for the raising of private equity
 - (2) Proposal for modification of the "Articles of Incorporation"
 - (3) Proposal for modification of the "Regulations for the Loaning of funds"
 - (4) Proposal for modification of the "Regulations Governing Endorsement & Guarantee Operations"
 - (5) Proposal for modification of the "Regulations of Acquisition or Disposal of Assets"
8. Extemporary Motions
9. Adjournment

II. Report Items

Proposal 1:

Proposal: Business Report of 2018.

Explanation: Business Report of 2018, attached in Attachment 1 of the Meeting Agenda, page 9~11.

Proposal 2:

Proposal: Inspection Report of Audit Committee of 2018.

Explanation:

1. In accordance with Article 14, paragraph 4, subparagraph 3 of the Taiwan Securities Transaction Act, when the company sets up the audit committee, the provisions of the Taiwan Securities Transaction Act, the Company Act and other relevant laws for the supervisor are approved by the audit committee.
2. In accordance with the above provisions, the Audit Committee shall use the provisions of Article 228 of the Company Act to review the business report, financial statements and proposals of the deficit compensation approved by the 22nd meeting of the 7th Board of Directors, and issue a verification report. Please refer to Attachment 2 of the Meeting Agenda, page 12.

Proposal 3:

Proposal: The report of sound business operation 2018.

Explanation:

1. In accordance with the Financial Supervisory certificate No.1030051218 of the Financial Supervisory Commission on December 26, 2014 the company has reported the implementation of sound business operation 2018 at the 22th meeting of the 7th term board of directors on February 26, 2019.
2. The report of sound business operation 2018 are as attached in Attachment 3 of the Meeting Agenda, page 13~17.

Proposal 4:

Proposal: Modification of the 2017 Employee Stock Warrants Issuance and Management Regulations .

Explanation:

1. In accordance with the company's contract with the employees, the 19th meeting of the 7th term board of directors has passed the Modification of the Employee Stock Warrants Issuance and Management Regulations 2018 on December 14, 2018.
2. The modification revision table is attached in Attachment 4 of the Meeting Agenda, page 18~19.

Proposal 5:

Proposal: The report of company's accumulated loss amounted to half of the paid-in capital.

Explanation: The accumulated loss of the company as of December 31, 2018 were NT\$2,148,790 thousand, and is over one-half of the paid-in capital amount NT\$2,105,737 thousand, but the total assets were NT\$2,105,011 thousand, which was still sufficient to cover the debt of NT\$609,573 thousand. This is reported at the current shareholders' meeting in accordance with Article 211 of the Company Act.

Proposal 6:

Proposal: The report of necessity and reasonableness when the company and its subsidiaries have determined that the total amount of endorsements for other companies and single enterprises are 100% of the company's net worth.

Explanation: According to the " In accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", if the aggregate amount of endorsements/guarantees that is set as the ceiling for the public company and its subsidiaries as a whole reaches 50% or more of the net worth of the public company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting, as explained below:

For the new business development of the subsidiary Advanced Lithium Electrochemistry Co., Ltd., it is actively competing to enter the terminal application market of other products, and transforming to develop the new kinetic energy of the operation. Thus the company is expected to handle financing with financial institutions, and it is necessary for the company to make endorsements and guarantees for its subsidiary in order to successfully obtain loan commitments. Therefore, it is necessary and reasonable to increase the total amount of endorsements and guarantees, in order to expand the company's operational scope and strengthen its business advantage.

III. Proposed Items**Proposal 1: (By the Board of Directors)**

Proposal: Proposal for Business Report and Financial Statements 2018, please approve it.

Explanation:

1. The consolidated financial statements 2018 of the company was reviewed by the accountant Yu-Kuan Lin and Tien-Yi Lee of PwC Taiwan, and reports were issued with unreserved opinions.

2. The business report and financial statements 2018 accepted by the board of directors, and it is proposed to the shareholders' meeting for approval.
3. Business report are as attached in Attachment 1 of the Meeting Agenda, page 9~11.
4. Consolidated financial statements are as attached in Attachment 5 of the Meeting Agenda, page 20~31.

Resolution:

Proposal 2: (By the Board of Directors)

Proposal: Proposal of the deficit compensation 2018, please approve it.

Explanation:

1. The Company's 2018 loss after tax was NT\$1,107,499,368, plus the deficits not yet compensated at the beginning of the period NT\$253,329,126, and the disposal of loss of equity instruments measured at fair value through other comprehensive income is recognized as deficits not yet compensated in NT\$787,962,284, making a total of NT\$2,148,790,778 of accumulated deficits not yet compensated. The company intends to compensate on deficits with a capital reserve - share premium of NT\$1,501,021,002. The accumulated deficits not yet compensated at the end of the period is NT\$647,769,776.
2. Since the company has a loss after tax in 2018, it will not allocate or distribute dividends in accordance with the Articles of Incorporation.
3. Proposal of the deficit compensation 2018 are as attached in Attachment 6 of the Meeting Agenda, page 32.

Resolution:

IV. Discussion Items

Proposal 1: (By the Board of Directors)

Proposal: Proposal for the raising of private equity.

Explanation:

1. In order to cope with the company's future development or reinvestment or increase the working capital, and enhance the company's competitiveness, it is proposed the company to handle no more than 30 million shares of private equity to issue new shares of capital increase in cash. It is proposed the shareholders' meeting to authorize the board of directors to take into account the market conditions and meet the actual needs of the company, and handle the following financing methods and principles.
2. In accordance with Article 43 paragraph 6 of the Securities and Exchange Act and the "Directions for Public Companies Conducting Private Placements of

Securities”, statements are as follows:

(1) Basis and reasonableness of private equity pricing

A. Basis for the issuing price: The price of the common stock issued by the private capital increase in cash will be no less than 80% of the reference price, which will be determined on the pricing date. The reference price is calculated based on the highest price in the following two benchmarks.

i. The issuing price shall be determined by the average of the common stock closing price which is calculated on 1, 3 or 5 business days before the pricing date, deducting the bonus shares’ ex-right and dividends, and adding back the stock price after the capital reduction.

ii. The issuing price shall be determined by the average of the common stock closing price which is calculated on 30 business days before the pricing date, deducting the bonus shares’ ex-right and dividends, and adding back the stock price after the capital reduction.

B. Reasonableness of the issuing price: The actual issue price is intended to be authorized by the board of directors in accordance with the law and to be within the range of no less than the resolutions of the shareholders' general meeting, depending on the specific future contacts, market conditions and the company's future prospects. The basis for the above-mentioned private placement price is in accordance with the regulations of the competent authority, and at the same time, the timing, object and quantity of the transfer of private equity are in strict restrictions. Also, it is not allowed to be listed in the OTC within 3 years, and the liquidity is poor. Therefore, the portion of private placements should be reasonable.

(2) The means of selecting the specified persons

A. Private placements of securities are limited to the specific persons pursuant to Article 43 paragraph 6 of the Securities and Exchange Act and the Financial Supervisory certificate No. 0910003455 of the Financial Supervisory Commission on June 13, 2002

B. If the subscriber is a strategic investor: The company will choose the subscriber with good understanding of the company's operations and is beneficial to future operations. Individuals or legal persons who assists the company to improve its quality, reduce costs, and increase efficiency by applying the person’s own experience, techniques,

brand reputation or channel programs, etc. In order to improve the company's financial structure and strengthen its solvency, the funds of the subscribers can improve the overall financial quality of the company. The huge cost of capital and operational risks can be reduced, and the company's financial structure can be improved. It is proposed that the board of directors to be authorized to review the relevant qualifications of strategic investors.

- C. If the subscriber is an insider or related parties of the company: With good understanding of the company's operations and is beneficial to future operations, or if the subscriber is a director or related parties of the company, the related parties or insiders that may apply for the subscription of private equities will be listed as follows:

Name of the subscriber	Relationship with the company
Sheng-Shi Chang	Chairman of the company
FDG Kinetic Investment Limited	The company holds more than 10% of the major shareholder

FDG Kinetic Investment Limited is 100% subsidiary of FDG Kinetic Limited., the top 10% shareholders of FDG Kinetic Limited. as described below :

Top 10% shareholders	Percentage (%)	The relations with the Company
HKSCC NOMINEES LIMITED	95.94%	Nil
SK CHINA COMPANY LIMITED	3.62%	Nil
SKC CO.LTD.	0.36%	Nil
STANDARD UNION INVESTMENT LIMITED	0.04%	Nil
CHOW SIU LUNG HERBERT + CHOW YU JO WAN JOANNE	0.01%	Nil
CHOW SIU LUNG HERBERT	0.00%	Nil
GO DANIEL T	0.00%	Nil
FUNG KWAI LIN	0.00%	Nil
CHENG YU KUEN	0.00%	Nil
NGO HOK YU	0.00%	Nil

- D. The subscriber has not yet been arranged by the company, and it is proposed that the board of directors to be authorized to decide the arrangement of the actual subscriber.

(3) Reasons for private placement

- A. Reasons for not using public offerings: Considering the timeliness,

convenience and issuing costs, we plan on cash capital increase through private placement.

- B. The purpose and the expected benefits of the private equity shares: The total number of private equity shares is limited to no more than 30 million shares, and the book value per share is NT\$10. It is proposed to authorize the board of directors for private placement several times (up to three times) within one year from the date of resolution of the shareholders' meeting. The funds for each of the private placements are used to enrich working capital, reinvestment or other capital needs for future development, and effectively reduce the cost of capital, strengthen the company's competitiveness and enhance operational efficiency.
3. Private shares of the private placement of securities shall have the same rights and obligations as issued shares, and shall not be transferred except to the transferees specified in Article 43 paragraph 8 of the Securities and Exchange Act within three years from the delivery date. After three full years since the delivery date, it is proposed to authorize the board of directors to apply to the competent authority for the privately placed securities to be traded on the over-the-counter markets in accordance with the relevant laws and regulations.
 4. Except for the portion of private placements, the essential contents of the private placement plan includes issuing price, number of shares, issuance conditions, project plans, progress in the use of funds, expected benefits, and other unfinished matters. If there are any modifications in the future due to changes in objective environmental factors, it is proposed that the board of directors is authorized to fully handle it in accordance with relevant regulations.
 5. For your adoption.

Resolution:

Proposal 2: (By the Board of Directors)

Proposal: Proposal for modification of the “Articles of Incorporation”.

Explanation:

1. It is proposed to modify parts of the “Articles of Incorporation” in accordance with revisions of the law and necessary operations of the company,.
2. Modified Articles of Incorporation Revision Table are as attached in Attachment 7 of the Meeting Agenda, page 33~42.

Resolution:

Proposal 3: (By the Board of Directors)

Proposal: Proposal for modification of the “Regulations for the Loaning of funds”

Explanation:

1. It is proposed to modify parts of the “Regulations for the Loaning of funds” in accordance with in accordance with necessary operations of the company,the Financial Supervisory certificate No. 1080304826 of the Financial Supervisory Commission on March 7, 2019. It is proposed to relax the foreign companies that directly and indirectly hold 100% of the voting shares of the Company to engage in capital lending to the Company, which is not subject to net worth.
2. Modified Regulations for the Loaning of funds Revision Table are as attached in Attachment 8 of the Meeting Agenda, page 43~44.

Resolution:

Proposal 4: (By the Board of Directors)

Proposal: Proposal for modification of the “Regulations Governing Endorsement & Guarantee Operations”.

Explanation:

1. It is proposed to modify parts of the “Regulations Governing Endorsement & Guarantee Operations” in conjunction with necessary operations of the company.
2. Modified Regulations Governing Endorsement & Guarantee Operations Table are as attached in Attachment 9 of the Meeting Agenda, page 45~46.

Resolution:

Proposal 5: (By the Board of Directors)

Proposal: Proposal for modification of the “Regulations of Acquisition or Disposal of Assets”

Explanation:

1. It is proposed to modify parts of the “Regulations of Acquisition or Disposal of Assets” in accordance with the Financial Supervisory certificate No. 1070341072 of the Financial Supervisory Commission on November 26, 2018.
2. Modified Regulations of Acquisition or Disposal of Assets Revision Table are as attached in Attachment 10 of the Meeting Agenda, page47~66.

Resolution:

V. Extemporary Motions

VI. Adjournment

VII. Attachment

1. Business Report

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. Business Report of 2018

(1) The overview and results of management policy and business plan implementation:

2018 is a difficult year for the long-term layout of the industry of cathode materials for phosphoric acid batteries in the Chinese market. The impact of the experimental direction of conversion new energy vehicles in China and the gradual increase of the subsidy policy has caused the power battery industry to enter the phase of market transition. During the transition period, the cruel trend of industry competition began to emerge, which made the power battery industry face a serious capital chain scission, and created bubbles in the supply chain. The company is striving to maintain the cathode material business for phosphoric acid batteries in the Chinese market, but in influence of the aforementioned unfavorable factors, in order to effectively control operational risks and ensure the safety of the company's cash inflows, the company can only respond to and adopt a stable sales strategy, and adjust the credit policy for China customers to be secured loans or payment before delivery. As a result, the consolidated operating income for the 2018 was NT\$150,695,000, a significant decrease of 79.87% from 2017.

During the operations downturn in 2018, the company actively carried out resource integration and saved operating costs, painfully destroyed its burden, sought to stop loss, reorganized projects with extremely low profitability, and closed down the electric bus business at the end of 2018. In the future, under no burden, we expect the company to focus on the development of cathode materials for phosphoric acid batteries, carry out new business development and meet the new kinetic energy of the operation to achieve its profitability goals.

In terms of operation and management, 2018 is also an important year for the company. The company has been cultivating the cathode materials industry of phosphoric acid batteries using for more than ten years. It has accumulated years of research and development and technological innovation, and has unique patented technology achievements to produce high quality, high-performance and a long cycle life on cathode materials of the phosphoric acid batteries. In order to untie from the restrains of Chinese government subsidy policy, the company relies on its own patented technology and research and development resources to adjust the company's operating strategy and guidelines, and actively expand on the European, American, Japanese and Korean markets. The company competes in the global energy storage market and replaced the lithium-ion battery for lead-acid vehicles. The current results are in a gradual upturn and a coming rise is expected. This year is a preparation period for the

company's transformation, establishing an important foundation for the growth of the annual business and the deep-rooted layout of major international clients.

Looking forward to the future, the company will expand on the niche market for cathode materials of phosphoric acid batteries and obtain stable and long-term customer orders. The transformation benefits will become more and more obvious. The company will continue to work hard with extreme caution as if treading on thin ice at all times, in order to create a more favorable business environment, improve operational efficiency and create its corporate value to reward all shareholders, investors and employees for their long-term support.

(2) The budget execution:

The company has not compiled the annual financial forecast in 2018, so there is no need to disclose the information on budget execution.

(3) Analysis of financial income and expenditure, and profitability analysis:

Units: thousands of New Taiwan dollars

	Item	2018	2017
Financial income and expenditure	Operating income	150,695	748,482
	Operating margin	(188,265)	137,290
	Operating net loss	(1,107,505)	(208,336)
Profitability	Margin%	-125%	18%
	Net margin%	-735%	-28%

Note: In accordance with the IFRS.

Affected by the rigorous trend of subsidies for new energy vehicles in China, the company adopted a stable sales strategy, which resulted in a significant decrease in the consolidated operating income of 2018 by approximately 79.87% compared with the fiscal year of 2017. As a result, the production capacity was insufficient and a gross loss occurred. The consolidated gross loss increased by approximately NT\$326 million compared with the fiscal year of 2017; in addition, the new IFRS Bulletin No. 9 in 2018 increased the expected credit impairment loss of financial assets, and the performance of FDG Electric Vehicles Limited (HK 729) was affected by the tightening of subsidies in China. Thus the fair value of the company's investment in convertible bonds issued by the company continued to fall, deducting the impairment loss of financial assets evaluation, deducting the loss of electric bus business assets for the purpose of reorganizing projects with extremely low efficiency to narrow down future operational burdens, etc., resulting in an increase in asset impairment losses of approximately NT\$587 million in 2018. But these impairment losses did not have an actual outflow of cash and did not affect the cash flow of the company.

In summary, the overall operating performance of the 2018 was significantly lower than that of the previous year, resulting in a consolidated loss after tax of approximately 431.60%

compared to the loss in 2017.

(4) Research and development:

- (1) Actively invest in the research and development of ternary cathode materials and solid battery materials.
- (2) Continuous improvement to enhance the quality and performance of existing products, and improve the competitiveness of products in the market.
- (3) Continue to develop new powder design and process technology of cathode material processing to meet various customer needs.
- (4) Actively cooperate with domestic and foreign research units to develop plans for joint development.

(5) Accumulated loss:

The accumulated losses of the company of December 31, 2018 were NT\$2,148,790,000, which will be reported in the 2019 shareholders' meeting for deficit compensation with a capital reserve - issuing premium of NT\$1,501,021,000.

Chairman:
Sheng-Shi Chang

General Manager:
Sheng-Shi Chang

Accounting Manager:
Mei-Fang Huang

Inspection Report of Audit Committee

The Board of Directors handed over the Company's business reports, financial statements and proposals of deficit compensation 2018. The financial statements were entrusted by Yu-Kuan Lin and Dian-Yi Li, certified by PricewaterhouseCoopers Taiwan, and issued an audit report.

The above-mentioned business report, financial statements and proposals of deficit compensation have been checked by the audit committee, and it is considered that there is no disagreement. The report of Article 14, paragraph 4, subparagraph 3 of the Securities Exchange Act are as mentioned above, please review it.

To

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

2019 Shareholders' Meeting

Audit Committee Convener: Wei-Min Shen

Feb 26, 2019

3.Report of sound business operation 2018

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Report of sound business operation 2018

The implementation of sound business operation 2018 is as follows:

(1) 2018 consolidated loss statement :

Units: thousands of New Taiwan dollars

Items in the consolidated income statement	2018	2017	Plus (Minus)	Plus (Minus)%
Operating Income	150,695	748,482	(597,787)	-80%
Operating profit(loss)	(188,265)	137,290	(325,555)	-237%
Operating Expense	(433,948)	(316,061)	(117,887)	-37%
Non-operating income (expenses)	(487,597)	(20,956)	(466,641)	-2,227%
Net loss after tax	(1,107,505)	(208,336)	(899,169)	-432%

A. Decrease in operating income: Due to the impact of the experimental direction of conversion of new energy vehicles in China and the gradual increase of the subsidy policy, the power battery industry has entered a market transition period, and the cruel trend of industry competition has begun to emerge, making the power battery industry face serious face a serious capital chain scission, and created bubbles in the supply chain. The collection period of related enterprises in China was extended to 9 to 12 months. Many customers even asked the company to make unsecured loans. For the company, it is necessary to expand the operating income and increase capacity utilization to reduce costs, and achieve the goal of reducing losses or profits, but it also needs to control operational risks, ensure the safety of cash inflows to maintain the company's normal operations. Although it is expected that many revenues will be lost, the safety control and sustainable operation of corporate cash flow are more important. Therefore, the credit policy for customers in China is adjusted to be secured loans or payment before delivery, and as the subsidies for new energy vehicles gradually decline, the pressure on the price reduction of the car factory is passed on to the upstream power battery and material manufacturers, causing the price of phosphate battery materials to fall. Resulting in this year's company consolidated revenue to decrease by approximately NT\$598 million compared with the same period last year.

B. Increase in operating loss: This is mainly due to the sharp decline in operating income, resulting in a loss of production capacity and the occurrence of gross loss, resulting in an increase in consolidated operating gross loss of about NT\$326 million this year.

C. Increase in operating expense: This is mainly due to the increase in the expected credit impairment loss of financial assets due to the new application of IFRS Bulletin No. 9 this year, resulting in the consolidated operating expenses for the current year to increase by approximately NT\$118 million

compared with the same period last year. The impairment loss did not have an actual outflow of cash and did not affect the cash flow of the company.

D. Increase in non-operating income (expenses): This is mainly due to the performance of FDG Electric Vehicles Limited (HK 729) affected by the tightening of subsidies in China. The fair value of the company's investment in convertible bonds issued by the company continued to fall, deducting the impairment loss of financial assets evaluation, and deducting the loss of electric bus business assets for the purpose of reorganizing projects with extremely low efficiency to narrow down future operational burdens, resulting in an increase in consolidated non-operating expenses of NT\$467 million in 2018. But the impairment loss did not have an actual outflow of cash and did not affect the cash flow of the company.

E. Increase in net loss after tax: In summary, this is mainly due to the sharp decline in operating income which increase the gross loss and significantly increase the asset impairment loss, resulting in a rise in consolidated net loss after tax for the year of approximately NT\$899 million over the same period last year.

(2) Report of sound business operation:

As the company's past business is mainly concentrated in the market of phosphate-based battery materials in China, it has recently been rigorously affected by the adjustment of subsidies for new energy vehicles in China, which made the power battery industry face a serious capital chain scission, created bubbles in the supply chain, and the price of phosphate-based battery materials declined. This has caused the company's sales revenue in the region to be seriously affected, resulting in a significant increase in the company's operating loss. Considering company risk management and sustainable operation, we are actively planning on the adjustment of techniques and business models, and actively exploring new markets. The company's sound operational improvement plan and implementation instructions are as follows:

A. New business development plan

In the past, relying on the development of the new energy vehicle market in China, it has grown stronger for more than ten years. In addition to the original new energy vehicle market in China, the company has actively entered the terminal application market of other products to transform and expand its new growth momentum.

i. Enter the energy storage market

The global generation of renewable energy continues to rise, many countries and public utilities are aware of the availability of energy storage systems to balance the gap between power generation and electricity consumption, and to stabilize the grid to increase backup capacity. According to a recent international industry research report of the BNEF (Bloomberg New Energy Finance), the global energy storage battery installation will grow 64 times in size in 15 years from 2016 to 2030, to reach a total installed capacity of 125 gigawatts and a total energy generation capacity of 305 gigawatt-hours in 2030. Among the

electrochemical energy storage of batteries, lithium batteries are accounted for the highest proportion and most widely used batteries. With the increasing demand for grid-connected energy storage systems, the high demand for lithium-ion technology in the renewable energy industry, and the continued price reduction of lithium-ion batteries, MarketsandMarkets pointed out in the newly released forecast report that these factors will make the global battery energy storage market increase from US\$1.98 billion in 2018, to US\$8.54 billion in 2023, with a compound annual growth rate of 33.9%. And the Asia Pacific countries will have the highest growth rate.

As the global electricity consumption continues to rise and the proportion of renewable energy shows a year-on-year increase, the energy storage system is newly favored in the industry and has unlimited business opportunities. Under the active efforts of the company, it has signed a supply contract with famous enterprises overseas. It is expected to begin providing cathode materials of phosphoric acid batteries required for energy storage in 2019, and jointly cooperate with other companies to enter the production of energy storage products, so that the company's products can officially enter the domestic energy storage market.

ii. Enter the market for replacing lead-acid batteries with lithium-ion batteries for vehicles

The global lead-acid battery exports have maintained a certain degree of growth over the past years. According to the IEK Industrial Economics and Trends Research Center, the annual growth rate from 2017 to 2020 is expected to maintain a slight growth of around 4%. The current downstream application of lead-acid batteries is still based on steam-powered vehicles. Due to the increasingly stringent environmental regulations of the European Union, automobile manufacturers have developed idle start-stop systems for micro-hybrid vehicles, which can improve fuel efficiency by 4~15%. Due to low development and manufacturing costs, the market is growing rapidly, and lead-acid batteries are the main secondary batteries for vehicles, but these lead-acid batteries are limited by its long charging time and the short cycle life for shallow charge and discharge. Whereas lithium batteries have higher energy density due to better instantaneous charging efficiency, longer cycle life for shallow charge and discharge, and has the advantage of higher energy density and lower weight. Coupled with the gradual reduction of costs, lithium batteries have already begun to be introduced to the idle start-stop system market. In order to achieve the goal of energy saving and carbon reduction, the micro-hybrid vehicle equipped with the idle start-stop system will predominate the automotive market, and the lithium-ion batteries will gradually develop to replace lead-acid batteries. According to the IEK Industrial Economics and Trends Research Center, if lithium-ion batteries replace 10% of lead-acid batteries in the automotive start-up system each year, 40,000 tons of lithium-iron cathode materials will be required.

The company has passed the certification of cathode material products for lithium ion batteries from well-known enterprises overseas, for the production of 12V lead-acid batteries to replace traditional vehicle batteries, and orders will be exported in the first half

of 2019. In addition, after years of hard work, the company has passed the testing certification of the world-renowned lead-acid battery companies. It is expected to complete the trial certification in 2019 and sign a supply contract and become a strategic partner of its exclusive supplier to provide cathode materials of phosphoric acid batteries required for replacing lead-acid lithium ion batteries for vehicles. The company will cooperate with world-renowned companies to launch a replacement of lead-acid batteries with lithium-ion batteries to gain an early edge, and create business opportunities in the future.

The cooperation opportunities of the above two regional markets have strengthened the status of the company's industry leaders, the trust of customers in quality stability, and attracted the cooperation of more European, American, Japanese and Korean manufacturers. It is bound to have significant key benefits, the smooth transformation of cathode materials of phosphoric acid battery products into the household energy storage market that do not rely on government subsidies, and entering the market for replacing lead-acid batteries with lithium-ion batteries for vehicles will not only improve the product's profit margin and increase profitability, but also safeguard the cash flows due to better collection conditions.

B. Product research and development plan

Use advanced powder design and powder post-processing technology to increase production yield and reduce production costs, and to cultivate the competitiveness of products in the global market, in order to continuously expand the share of the market its products hold. Actively introduce a new generation of processing technology and equipment to produce cathode materials for lithium batteries with higher purity, less impurities and better processing performance, to meet needs of the customers with demands on high-end products.

Continuous development of cathode materials for phosphoric acid batteries, for example, the development of cathode materials such as lithium manganese iron phosphate, lithium cobalt phosphate and lithium nickel phosphate. Lithium manganese iron phosphate can be used with ternary materials in energy storage systems, and lithium cobalt phosphate and lithium nickel phosphate can be combined with modified anode materials to produce a voltage difference similar to that of current commercial lithium batteries; in summary, clear market applications can accelerate the speed of commoditization and provide another safer choice for cathode materials in the electric vehicle and energy storage markets. Moreover, the company has begun to make full use of the professional product development experience and reputation accumulated over the past ten years, and has accelerated the development of ternary cathode materials: lithium, nickel, cobalt and manganese. At present, high-energy products such as ternary materials (lithium, nickel, cobalt, and manganese), lithium manganese iron phosphate and lithium cobalt phosphate have recently completed small scale testing in the laboratory, and are moving towards large scale testing. The company is committed to commercializing research and development products. We hope to further expand its leading position in the lithium battery materials market, and to enhance market competitiveness and profitability.

C. Capacity expansion plan

It is planned to invest in capital expenditures in the Taoyuan Plant for the next two to three years, and build automation equipment and processes to expand the production capacity of new business products. This will enable the company to have a solid foundation in adapting to the adjustment of new business markets and expanding new product lines, which is sufficient to meet customer's future capacity needs.

In addition, we selected a joint venture in Guizhou, China in 2017, with the use of authorized manufacturing in the future. This business model will reduce the risk of the company investing in capital expenditures in response to future sales in China. In addition to continue on the original cathode material products for phosphoric acid batteries, and to plan on entering the field of ternary cathode materials, it is also expected to reduce the overall production cost and increase profitability through new production planning, process automation and economies of scale.

D. Sound financial operation plan

Due to the adjustment of China's new energy vehicle subsidy policy which resulted in huge difficulties in the cash flow of the entire industry chain, the company strives to maintain the sales strategy on secured loans or payment before delivery to safeguard the cash inflow, avoid uncollectible accounts and control operational risks; and will effectively use various internal and external financing channels to supply new business development and R&D capabilities.

4.2017 Employee Stock Warrants Issuance and Management Regulations Revision Table



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

**2017 Modified Employee Stock Warrants Issuance and Management Regulations
Document Modification revision table**

Item	Before modification	After modification	Reasons for modification
Article 7, paragraph 2, subparagraph 4	After the shareholder of the company has the right to exercise the stock warrant, if it violates the labor contract, the contract of appointment, the work rules and other major negligence or statutes. The company has the right to withdraw and cancel stock warrants that are not allowed to exercise rights and stock warrants that are allowed but have not yet exercise their rights.	After the shareholder of the company has the right to exercise the stock warrant, if it violates the labor contract, the contract of appointment, the work rules and other major negligence or statutes, <u>or fails to reach the overall performance target for subscription of the employee stock warrant:</u> <u>The 2019 Aleees Cayman has a net profit after tax in the consolidated income statement. But this profit should be deducted from the combined non-operating income and expenses, the falling price loss on inventories and the obsolescence losses (gain from price recovery) of the consolidated income statement, and the accounts receivables profit and loss that arise from the accounting evaluation. The income and expenses of the operations of Aleees Eco Ark Co., Ltd., Taiwan, the related expenses of Advanced Lithium Electrochemistry (Guizhou) Co., Ltd., and the salary expenses</u>	In accordance with the contractual content between the company and its employees.

		<p><u>estimated from the Aleees Cayman employee stock warrants.</u></p> <p>The company has the right to withdraw and cancel stock warrants that are not allowed to exercise rights and stock warrants that are allowed but have not yet exercise their rights.</p>	
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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18002754

To the Board of Directors and Shareholders of Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Valuation of financial assets at fair value through profit or loss

Description

Refer to Note 4(7) for accounting policies on financial assets at fair value through profit or loss and Note 6(2) for details of accounts.

Advanced Lithium Electrochemistry (Cayman) Co., Ltd. invested in convertible bond investments amounting to NT\$749,725 thousand without active market, and recognised it as 'Financial assets at fair value through profit or loss, mandatorily measured at fair value', wherein the valuation procedure involved management's and an external valuation expert's subjective judgement on valuation method and parameters. As the parameters used in the valuation model involved material impact on fair value, we identified the valuation of financial assets at fair value through profit or loss as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained the appraisal report from the external valuation expert who was commissioned by the management, and assessed the reasonableness of the valuation method;
- B. Reviewed the reasonableness of each risk discount rate and other assertions used by the internal appraiser.

Impairment valuation of property, plant, equipment and intangible assets

Description

Refer to Note 4(18) for accounting policy on impairment of property, plant and equipment as well as intangible assets, and Notes 6(7) and (8) for details of accounts. The recoverable amounts of property, plant and equipment and intangible assets of the Group are measured based on fair value less costs of

disposal, which is used to determine whether there is any impairment. The estimation of the aforementioned measurement of fair value is subject to the professional judgment of management and involves numerous assumptions and material unobservable inputs. Any changes in judgments and estimates may affect the ultimate result of accounting estimates and may have a material impact on the financial statements. Thus, we have included the key assumptions in estimating the recoverable amounts used in the impairment valuation of property, plant and equipment and intangible assets as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained the appraisal report from the external valuation expert who was commissioned by the management to determine whether the measurement method the management used is commonly adopted in the industry and considered appropriate;
- B. Examined whether the significant unobservable input had reflected the assumption that would be used for similar assets, and assessed the reasonableness of the assumption used.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group’s

financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

Lin, Yu-Kuan

Li, Tien-Yi

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

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	2018	2017
Current assets				
1100	Cash and cash equivalents	6(1)	\$ 349,928	\$ 477,258
1150	Notes receivable, net	6(4)	29,147	63,287
1170	Accounts receivable, net	6(4) and 8	8,838	6,770
1180	Accounts receivable - related parties	6(4) and 7	11,012	127,177
1200	Other receivables		92,435	405
1210	Other receivables - related parties	7	2,067	28,675
1220	Current income tax assets		182	329
130X	Inventory	6(5)	98,393	129,956
1410	Prepayments	7	60,654	79,307
1470	Other current assets	6(19) and 8	20,970	9,763
11XX	Total current assets		<u>673,626</u>	<u>922,927</u>
Non-current assets				
1510	Financial assets at fair value through profit or loss - non-current	6(2)	749,725	1,027,335
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	103,742	-
1523	Available-for-sale financial assets - non-current	12(4)	-	540,213
1550	Investments accounted for under equity method	6(6)	28,646	36,793
1600	Property, plant and equipment	6(7) and 8	419,573	635,842
1780	Intangible assets	6(8)	108,914	134,527
1840	Deferred income tax assets	6(25)	13,465	12,183
1900	Other non-current assets		7,320	7,680
15XX	Total non-current assets		<u>1,431,385</u>	<u>2,394,573</u>
1XXX	Total assets		<u>\$ 2,105,011</u>	<u>\$ 3,317,500</u>

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	2018	2017
Current liabilities			
2100	Short-term borrowings	6(10) \$ 246,462	\$ -
2130	Current contract liabilities	6(19) and 7 3,758	-
2150	Notes payable	-	3,984
2170	Accounts payable	6,589	70,107
2200	Other payables	6(11) 144,429	67,393
2220	Other payables - related parties	7 89,440	-
2230	Current income tax liabilities	-	8,608
2250	Provisions for liabilities - current	34,946	3,711
2310	Advance receipts	7 -	21,391
2320	Long-term liabilities, current portion	6(12) 23,068	22,632
2365	Current refund liabilities	6(19) 1,132	-
2399	Other current liabilities	8,213	7,915
21XX	Total current liabilities	<u>558,037</u>	<u>205,741</u>
Non-current liabilities			
2540	Long-term borrowings	6(12) 51,536	74,636
2550	Provisions for liabilities - non-current	-	4,665
2570	Deferred income tax liabilities	6(25) -	738
2670	Other non-current liabilities	-	188
25XX	Total non-current liabilities	<u>51,536</u>	<u>80,227</u>
2XXX	Total liabilities	<u>609,573</u>	<u>285,968</u>
Equity attributable to owners of parent			
Share capital			
3110	Share capital - common stock	6(15) 2,105,737	2,105,737
Capital surplus			
3200	Capital surplus	6(16) 1,526,762	1,507,437
Retained earnings			
3350	Accumulated deficit	6(17) (2,148,790)	(253,330)
Other equity interest			
3400	Other equity interest	6(18) 11,725	(328,322)
31XX	Equity attributable to owners of the parent	<u>1,495,434</u>	<u>3,031,522</u>
36XX	Non-controlling interest	4	10
3XXX	Total equity	<u>1,495,438</u>	<u>3,031,532</u>
Significant contingent liabilities and unrecognised contract commitments			
Significant events after the balance sheet date			
3X2X	Total liabilities and equity	<u>\$ 2,105,011</u>	<u>\$ 3,317,500</u>

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	2018	2017
4000 Sales revenue	6(19) and 7	\$ 150,695	\$ 748,482
5000 Operating costs	6(5)(23)(24)	(338,960)	(611,192)
5950 Net operating margin		(188,265)	137,290
	6(23)(24) and 7		
6100 Operating expenses			
6100 Selling expenses		(83,978)	(124,914)
6200 General and administrative expenses		(167,381)	(127,088)
6300 Research and development expenses		(50,197)	(64,059)
6450 Impairment loss determined in accordance with IFRS 9		(132,392)	-
6000 Total operating expenses		(433,948)	(316,061)
6900 Operating loss		(622,213)	(178,771)
7010 Non-operating income and expenses			
7010 Other income	6(20) and 7	15,188	7,689
7020 Other gains and losses	6(21)	(490,907)	(18,010)
7050 Finance costs	6(22)	(3,896)	(3,104)
7060 Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	(7,982)	(7,531)
7000 Total non-operating income and expenses		(487,597)	(20,956)
7900 Loss before income tax		(1,109,810)	(199,727)
7950 Income tax benefit (expense)	6(25)	2,305	(8,609)
8200 Loss for the year		(\$ 1,107,505)	(\$ 208,336)
	6(18)		
8316 Components of other comprehensive income that will not be reclassified to profit or loss			
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 453,280)	\$ -
8361 Components of other comprehensive income that will be reclassified to profit or loss			
Financial statements translation differences of foreign operations		5,531	1,116
8362 Other comprehensive income, before tax, available-for-sale financial assets		-	(76,626)
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(6)	(165)	(1,264)
8300 Total other comprehensive income for the year		(\$ 447,914)	(\$ 76,774)
8500 Total comprehensive income for the year		(\$ 1,555,419)	(\$ 285,110)
8610 Profit (loss) attributable to:			
Owners of the parent		(\$ 1,107,499)	(\$ 208,335)
8620 Non-controlling interest		(6)	(1)
Total		(\$ 1,107,505)	(\$ 208,336)
8710 Comprehensive income attributable to:			
Owners of the parent		(\$ 1,555,413)	(\$ 285,109)
8720 Non-controlling interest		(6)	(1)
Total		(\$ 1,555,419)	(\$ 285,110)
9750 Earnings per share	6(26)		
Basic earnings per share		(\$ 5.26)	(\$ 0.99)

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent											Non-controlling interest	Total equity
	Capital Reserves					Change in net equity of associates and joint ventures accounted for under equity method	Other Equity Interest				Total		
	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Employee stock warrants	Others		Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets				
2017													
Balance at January 1, 2017	\$ 2,105,737	\$ 1,501,021	\$ 2,006	\$ -	\$ 4,410	(\$ 44,995)	\$ 12,478	\$ -	(\$ 264,026)	\$ 3,316,631	\$ 11	\$ 3,316,642	
Loss for the year	-	-	-	-	-	(208,335)	-	-	-	(208,335)	(1)	(208,336)	
Other comprehensive loss	6(18)	-	-	-	-	-	(148)	-	(76,626)	(76,774)	-	(76,774)	
Total comprehensive loss	-	-	-	-	-	(208,335)	(148)	-	(76,626)	(285,109)	(1)	(285,110)	
Balance at December 31, 2017	\$ 2,105,737	\$ 1,501,021	\$ 2,006	\$ -	\$ 4,410	(\$ 253,330)	\$ 12,330	\$ -	(\$ 340,652)	\$ 3,031,522	\$ 10	\$ 3,031,532	
2018													
Balance at January 1, 2018	\$ 2,105,737	\$ 1,501,021	\$ 2,006	\$ -	\$ 4,410	(\$ 253,330)	\$ 12,330	\$ -	(\$ 340,652)	\$ 3,031,522	\$ 10	\$ 3,031,532	
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	(340,652)	340,652	-	-	-	
Balance at January 1, 2018 after adjustments	2,105,737	1,501,021	2,006	-	4,410	(253,330)	12,330	(340,652)	-	3,031,522	10	3,031,532	
Loss for the year	-	-	-	-	-	(1,107,499)	-	-	-	(1,107,499)	(6)	(1,107,505)	
Other comprehensive (loss) income	6(18)	-	-	-	-	-	5,366	(453,280)	-	(447,914)	-	(447,914)	
Total comprehensive (loss) income	-	-	-	-	-	(1,107,499)	5,366	(453,280)	-	(1,555,413)	(6)	(1,555,419)	
Share-based payments	6(14)	-	-	-	19,325	-	-	-	-	19,325	-	19,325	
Disposal of investments in equity instruments designated at fair value(3) through other comprehensive income	-	-	-	-	-	(787,961)	-	787,961	-	-	-	-	
Balance at December 31, 2018	\$ 2,105,737	\$ 1,501,021	\$ 2,006	\$ 19,325	\$ 4,410	(\$ 2,148,790)	\$ 17,696	(\$ 5,971)	\$ -	\$ 1,495,434	\$ 4	\$ 1,495,438	

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

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 1,109,810)	(\$ 199,727)
Adjustments			
Adjustments to reconcile profit (loss)			
Impairment loss determined in accordance with IFRS 9		132,392	16,310
Depreciation	6(7)(23)	107,034	120,746
Amortisation	6(8)(23)	25,613	25,918
Net loss (profit) on financial assets at fair value through profit or loss	6(21)	277,610	(15,678)
Interest expense	6(22)	3,896	3,104
Interest income	6(20)	(799)	(2,188)
Share-based payments	6(14)	19,325	-
(Gain) loss on disposal of property, plant and equipment	6(21)	(42)	1,025
Impairment loss recognised in profit or loss, property, plant and equipment	6(7)(21)	176,533	-
Property, plant and equipment transferred to expense		-	7,212
Share of loss of associates and joint ventures accounted for under equity method	6(6)	7,982	7,531
Gain on disposal of investments	6(21)	-	1
Compensation losses	6(21)	34,946	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		34,140	(50,231)
Notes receivable-related parties		-	53,419
Accounts receivable		(6,939)	35,106
Accounts receivable-related parties		19,379	(57,430)
Other receivables		403	1,468
Other receivables-related parties		(4,127)	-
Inventories		31,563	12,177
Prepayments		18,653	(3,170)
Other current assets		426	(487)
Changes in operating liabilities			
Contract liabilities		(9,703)	-
Notes payable		(3,984)	(8,684)
Accounts payable		(63,518)	(25,518)
Other payables		59,046	(35,346)
Provisions		(8,114)	(5,422)
Advance receipts		-	(115,240)
Other current liabilities		298	19,819
Cash outflow generated from operations		(257,797)	(215,285)
Interest received		799	2,188
Interest paid		(3,607)	(3,115)
Income taxes paid		(8,176)	-
Net cash flows used in operating activities		(268,781)	(216,212)

(Continued)

ADVANCED LITHIUM ELECTROCHEMISTRY (CAYMAN) CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in other financial assets		(\$ 10,763)	\$ 1,004
Acquisition of long-term investments accounted for using equity method		-	(1,126)
Acquisition of non-current financial assets at fair value through other comprehensive income		(109,713)	-
Acquisition of property, plant and equipment	6(27)	(57,054)	(10,579)
Proceeds from disposal of property, plant and equipment		43	1,620
(Increase) decrease in refundable deposits		(114)	79,726
Net cash flows (used in) from investing activities		(177,601)	70,645
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		294,206	-
Decrease in short-term borrowings		(47,744)	(30,000)
Increase in long-term borrowings		-	115,816
Decrease in long-term borrowings		(22,664)	(147,885)
Increase in other payables to related parties		89,440	-
Decrease in guarantee deposits received		(188)	-
Net cash flows from (used in) financing activities		313,050	(62,069)
Effect of changes in foreign currency exchange		6,002	1,930
Net decrease in cash and cash equivalents		(127,330)	(205,706)
Cash and cash equivalents at beginning of year		477,258	682,964
Cash and cash equivalents at end of year		\$ 349,928	\$ 477,258

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

6. Statements of deficit compensated 2018

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Statements of deficit compensated (2018)

Units: New Taiwan Dollars

Item	Amount
Opening balance of accumulated deficits not yet compensated	(\$253,329,126)
The disposal of loss of equity instruments measured at fair value through other comprehensive income is recognized as deficits not yet compensated	(787,962,284)
2018 net loss after tax	(1,107,499,368)
Accumulated deficits not yet compensated	(\$2,148,790,778)
Deficits compensation:	1,501,021,002
capital reserve - share premium	
Ending balance of accumulated deficits not yet compensated	(\$647,769,776)

Chairman:
Sheng-Shi Chang

General manager:
Sheng-Shi Chang

Accounting manager:
Mei-Fang Huang

7.Modified Articles of Incorporation Revision Table



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

**Articles of Incorporation
Document Modification revision table**

Item	Before modification	After modification	Reasons for modification
Article 2 of Memorandum	The Registered Office shall be at the offices of <u>Portcullis TrustNet (Cayman) Ltd.</u> , The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands or at such other location as the Directors may from time to time determine.	The Registered Office shall be at the offices of <u>Portcullis (Cayman) Ltd.</u> , The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands or at such other location as the Directors may from time to time determine	Coordinate with the company registration office to change the amendments
Article 2 of Memorandum	Subject to the following provisions of this Memorandum, the object for which the Company is established are unrestricted.	Subject to the following provisions of this Memorandum, the object for which the Company is established are unrestricted <u>and the Company has full power and authority to carry out any object not prohibited by any law of the Cayman Islands. When conducting its business, the Company shall also comply with the laws and regulations of ROC as well as business ethics and may take actions which will promote public interests in order to fulfill its social responsibilities.</u>	Revised in line with practical needs
Article 47-1	Newly added.	<u>For so long as the Shares are listed on the GTSM, Members continuously holding fifty per cent or more of the paid up voting share capital of the Company for a period of three months or a longer time may convene extraordinary general meeting. The calculation of the holding period and</u>	Added in conjunction with the law

Item	Before modification	After modification	Reasons for modification
		<u>holding number of share capital shall be based on the holding at the time of Closing Register of Members Date.</u>	
Article 51	<p>The following matters shall be stated in to notice of general meetings, with a summary of the material content to be discussed, and shall not be brought up as an ad hoc motion:</p> <p>(a) election or discharge of Directors;</p> <p>(b) amendments to these Articles;</p> <p>(c) dissolution, Merger or spin-off of the Company;</p> <p>(d) entry into, amendment to, or termination of any contract for lease of its business in whole, or the delegation of management of the Company's business to others or regular joint operation of the Company with others;</p> <p>(e) the transfer of the whole or any material part of its business or assets;</p> <p>(f) taking over another's whole business or assets, which will have a material effect on the business operation of the Company;</p> <p>(g) ratification of an action by Directors) who engage(s) in business for him/herself or on behalf of another person that is within the scope of the Company's business;</p> <p>(h) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 124 hereof;</p> <p>(i) making distributions out of the statutory reserve, the premium received on the issuance of any Shares and income from endowments</p>	<p>The following matters shall be stated in to notice of general meetings, with a summary of the material content to be discussed, and shall not be brought up as an ad hoc motion:</p> <p>(a) election or discharge of Directors;</p> <p>(b) amendments to these Articles;</p> <p>(c) <u>reduction of share capital</u></p> <p>(d) <u>sapplication for the approval of ceasing its public offering in the ROC</u></p> <p>(e) dissolution, Merger or spin-off of the Company;</p> <p>(f) entry into, amendment to, or termination of any contract for lease of its business in whole, or the delegation of management of the Company's business to others or regular joint operation of the Company with others;</p> <p>(g) the transfer of the whole or any material part of its business or assets;</p> <p>(h) taking over another's whole business or assets, which will have a material effect on the business operation of the Company;</p> <p>(i) ratification of an action by Directors) who engage(s) in business for him/herself or on behalf of another person that is within the scope of the Company's business;</p> <p>(j) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 124 hereof;</p> <p>(k) making distributions out of the</p>	Amended with the provisions of the law

Item	Before modification	After modification	Reasons for modification
	<p>received by the Company to its Members in cash;</p> <p><u>(j)</u> the Private Placement of any equity-type securities issued by the Company; and</p> <p><u>(k)</u> the transfer of Treasury Shares to the employees under Article 32 hereof.</p>	<p>statutory reserve, the premium received on the issuance of any Shares and income from endowments received by the Company to its Members in cash;</p> <p><u>(l)</u> the Private Placement of any equity-type securities issued by the Company; and</p> <p><u>(m)</u> the transfer of Treasury Shares to the employees under Article 32 hereof.</p> <p><u>The aforementioned "Summary of the material content" in the preceding paragraph may be posted on the website designated by the competent securities authority in the ROC or the Company, and such website shall be indicated in the above notice of general meeting.</u></p>	
Article 54	<p>Member(s) holding 1% or more of the total number of outstanding shares immediately prior to the relevant book close period, during which the Company closes its Register of Members, may propose to the Company a proposal for discussion at a annual general meeting in writing. Proposals shall not be included in the agenda of the annual general meeting where (a) the proposing Member(s) holds less than 1% of the total number of outstanding shares, (b) where the matter of such proposal may not be resolved at a annual general meeting, (c) the proposing Member has proposed more than one proposal, or (d) the proposal is submitted on any day beyond the</p>	<p>Member(s) holding 1% or more of the total number of outstanding shares immediately prior to the relevant book close period, during which the Company closes its Register of Members, may propose to the Company <u>in writing or by way of electronic transmission</u> a proposal for discussion at a annual general meeting. Proposals shall not be included in the agenda of the annual general meeting where (a) the proposing Member(s) holds less than 1% of the total number of outstanding shares, (b) where the matter of such proposal may not be resolved at a annual general meeting, (c) <u>the proposal contains more than 300 words</u> or the proposing Member has</p>	Amended with the provisions of the law

Item	Before modification	After modification	Reasons for modification
	deadline fixed and announced by the Company for accepting shareholders' proposals.	proposed more than one proposal, or (d) the proposal is submitted on any day beyond the deadline fixed and announced by the Company for accepting shareholders' proposals.	
Article 88	Independent Directors shall have professional knowledge and shall maintain independence within the scope of 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. The office of Independent Director shall be vacated if the Independent Director becomes ineligible for such position under the Applicable Public Company Rules.	Independent Directors shall have professional knowledge and shall maintain independence within the scope of their directorial duties, and shall not have any direct or indirect interests in the Company. The professional qualifications, <u>powers</u> , restrictions on shareholdings and concurrent positions, and assessment of independence with respect to Independent Directors shall be governed by the Applicable Public Company Rules. The office of Independent Director shall be vacated if the Independent Director becomes ineligible for such position under the Applicable Public Company Rules.	Discretionary text revision
Article 93	The Company may from time to time by Supermajority Resolution remove any Director from office, whether or not appointing another in his stead. Where re-election of all Directors is <u>effected by a resolution</u> adopted at a general meeting prior to the expiration of the term of office of existing Directors, the term of office of all current Directors is deemed to have expired on the date of the re-election or any other date as otherwise resolved by the Members at the general meeting if the Members do not resolve that all current Directors will only retire at the	The Company may from time to time by Supermajority Resolution remove any Director from office, whether or not appointing another in his stead. Where re-election of all Directors is adopted at a general meeting prior to the expiration of the term of office of existing Directors, the term of office of all current Directors is deemed to have expired on the date of the re-election or any other date as otherwise resolved by the Members at the general meeting if the Members do not resolve that all current Directors will only retire at the expiration of their present term of	Discretionary text revision

Item	Before modification	After modification	Reasons for modification
	expiration of their present term of office. Members present in person or by proxy, representing more than one-half of the total issued shares shall constitute a quorum for any general meeting to re-elect all Directors.	office. Members present in person or by proxy, representing more than one-half of the total issued shares shall constitute a quorum for any general meeting to re-elect all Directors.	
Article 94-1	To the extent permitted under the laws of the Cayman Islands, Members continuously holding <u>3%</u> or more of the total number of outstanding Shares for <u>a year</u> or longer may file a petition with the Taipei District Court, ROC for and on behalf of the Company against any of the Directors.	To the extent permitted under the laws of the Cayman Islands, Members continuously holding <u>1%</u> or more of the total number of outstanding Shares for <u>half</u> year or longer may file a petition with the Taipei District Court, ROC for and on behalf of the Company against any of the Directors, Taipei District Court, ROC, may be court for this matter.	Discretionary text revision
Article 101	The office of Director shall be vacated, if the Director: (a) becomes bankrupt or makes any arrangement or composition with his creditors; (b) is found to be or becomes of unsound mind; (c) resigns his office by notice in writing to the Company; (d) is removed from office by Supermajority Resolution; (e) is the subject in an order made by any competent court or official on the grounds that he is or will be suffering from mental disorder or is otherwise incapable of managing his affairs, or his/her legal capacity is restricted according to the applicable laws; (f) having committed an offence as specified in the ROC statute of prevention of organizational crimes	The office of Director shall be vacated, if the Director: (a) becomes bankrupt, makes any arrangement or composition with his creditors, <u>or is adjudicated insolvent or becomes the subject of insolvency proceedings commenced in any court of ROC, and having not been reinstated to his rights and privileges;</u> (b) is found to be or becomes of unsound mind; (c) resigns his office by notice in writing to the Company; (d) is removed from office by Supermajority Resolution; (e) is the subject of an order made by any competent court or official on the grounds that he is or will be suffering from mental disorder or is otherwise incapable of managing his	Amended with the provisions of the law

Item	Before modification	After modification	Reasons for modification
	<p>and subsequently adjudicated guilty by a final judgment, and the time elapsed after he has served the full term of the sentence is less than five years;</p> <p>(g) having committed an offence involving fraud, breach of trust or misappropriation and subsequently punished with imprisonment for a term of more than one year, and the time elapsed after he has served the full term of such sentence is less than two years;</p> <p>(h) having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two years;</p> <p>or</p> <p>(i) having been dishonored for use of credit instruments, and the term of such sanction has not expired yet.</p> <p>(j) in case a director of a company whose shares are issued to the public that has transferred, during the term of office as a director, more than one half of the company's shares being held by him/her at the time he/she is elected, he/she shall, ipso facto, be discharged from the office of director.</p> <p>In the event that any of the foregoing events described in clauses (a), (e), (f), (g), (h) and (i) has occurred to a Director elect, such Director elect shall be disqualified from being elected as a Director.</p> <p>If any director of a company whose</p>	<p>affairs, his/her legal capacity is restricted according to the applicable laws <u>or is declared to be under assistance of assistantship by any court of ROC and such assistantship having not been revoked yet;</u></p> <p>(f) having committed an offence as specified in the ROC statute of prevention of organizational crimes and subsequently adjudicated guilty by a final judgment, <u>and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p> <p>(g) having committed an offence involving fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a <u>term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p> <p>(h) <u>having committed the offense forbidden in the Anti-corruption Act of ROC and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;</u></p>	

Item	Before modification	After modification	Reasons for modification
	<p>shares are issued to the public, after having been elected and before his/her inauguration of the office of director, has transferred more than one half of the total number of shares of the company he/she holds at the time of his/her election as such; or had transferred more than one half of the total number of shares he/she held within the share transfer prohibition period fixed prior to the convention of a shareholders' meeting, then his/her election as a director shall become invalid.</p>	<p>(i) having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two years;</p> <p>(j) having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two years; or</p> <p>(k) in case a director of a company whose shares are issued to the public that has transferred, during the term of office as a director, more than one half of the company's shares being held by him/her at the time he/she is elected, he/she shall, ipso facto, be discharged from the office of director.</p> <p>In the event that any of the foregoing events described in clauses (a), (e), (f), (g), (h), (i) and (j) has occurred to a Director elect, such Director elect shall be disqualified from being elected as a Director.</p> <p>If any director of a company whose shares are issued to the public, after having been elected and before his/her inauguration of the office of director, has transferred more than one half of the total number of shares of the company he/she holds at the time of his/her election as</p>	

Item	Before modification	After modification	Reasons for modification
		<p>such; or had transferred more than one half of the total number of shares he/she held within the share transfer prohibition period fixed prior to the convention of a shareholders' meeting, then his/her election as a director shall become invalid.</p> <p><u>Clause (k) of paragraph 1 of this Article and the preceding paragraph shall not apply to Independent Directors.</u></p>	
Article 107	<p>A Director who has a personal interest, whether directly or indirectly, in the matter under discussion at a meeting of the Board of the Directors shall declare the nature and the essential contents of his interest at the relevant meeting of the Directors. A Director who has a personal interest in the matter under discussion at a meeting of the Directors, which may conflict with and impair the interest of the Company, 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.</p>	<p>A Director who has a personal interest, whether directly or indirectly, in the matter under discussion at a meeting of the Board of the Directors shall declare the nature and the essential contents of his interest at the relevant meeting of the Directors. <u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the above, such director shall be deemed to have a personal interest in the matter.</u> A Director who has a personal interest in the matter under discussion at a meeting of the Directors, which may conflict with and impair the interest of the Company, 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</p>	<p>配合法令規定修訂</p>

Item	Before modification	After modification	Reasons for modification
		in the number of votes of Directors present at the board meeting.	
Article 128-1	Newly Added	<u>Subject to the condition that the Board of Directors does not or is unable to convene a meeting of shareholders, any one Independent Director of the Audit Committee may, for the benefit of the Company, call a general meeting when it is deemed necessary.</u>	Added in conjunction with the law
Article 133	The Board of Directors shall keep at the office of its Shareholders' Service Agent in the ROC copies of the Memorandum of Association, the Articles, the minutes of every meeting of the Members, the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder of the Company may request, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect and to make copies of the Memorandum of Association, the Articles and accounting books and records.	The Board of Directors shall keep at the office of its Shareholders' Service Agent in the ROC copies of the Memorandum of Association, the Articles, the minutes of every meeting of the Members, the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder of the Company may request <u>at any time</u> , by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect, <u>transcribe</u> and to make copies of the Memorandum of Association, the Articles and accounting books and records. <u>The Company shall procure that the Shareholders' Service Agent in the ROC provides such Shareholder with the requested access.</u>	Discretionary text revision

Item	Before modification	After modification	Reasons for modification
Article 133-1	Newly Added	<u>The Board of Directors or other authorized conveners of general meetings may require the Company or its Shareholders' Service Agent in the ROC to provide it or them with a copy of the Register of Members.</u>	Amended with the provisions of the law

8.Modified Regulations for the Loaning of funds Table



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Modified Regulations for the Loaning of funds Revision Table

Item	Before modification	After modification	Reasons for modification
5.2	<p>(4)<u>The restriction of financing amount not exceeding 40 percent of the lender's net worth shall not apply to the inter-company loans of funds between foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares. However, the provisions of 5.2 and 5.3.4 concerning the setting of the amount limits and the durations of loans shall still apply.</u></p>	<p>(4) <u>The restriction of financing amount not exceeding 100 percent of the subsidiaries' net worth shall apply to the inter-company loans of funds between foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares. Or shall apply to the company loans of funds to the company, from the foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares. However, if the company's subsidiary is a company established in a company established in the territory of the Republic of China, the financing amount shall not exceed 40 percent of the lender's net worth in accordance with Article 15 of the Company Act.</u></p>	<p>1. Modified in conjunction with necessary operations of the company. 2. Modified in accordance with the revision draft of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" on November 2, 2018 and the press release of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" on February 19, 2019 by the Financial Supervisory Commission.</p>
5.3.4	<p>Duration of loans and calculation of interest: Except for where funds are loaned for reasons of business dealings, the loan period for each fund shall not exceed one year. The interest rate shall not be lower than the maximum interest rate of the company's short-term loans from financial institutions at the</p>	<p>Duration of loans and calculation of interest: Except for where funds are loaned for reasons of business dealings, the loan period for each fund shall not exceed one year. The interest rate shall not be lower than the maximum interest rate of the company's short-term loans from financial institutions at</p>	<p>1. Modified in conjunction with necessary operations of the company. 2. Modified in accordance with the revision draft of "Regulations Governing Loaning of Funds and</p>

Item	Before modification	After modification	Reasons for modification
	<p>time of lending and is calculated on a monthly basis. In case of special circumstances, it may be adjusted according to actual conditions after being approved by the chairman.</p>	<p>the time of lending and is calculated on a monthly basis. In case of special circumstances, it may be adjusted according to actual conditions after being approved by the chairman. <u>For the inter-company loans of funds between foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares, or for the company loans of funds to the company, from the foreign subsidiaries in which the company holds, directly or indirectly, 100% of the voting shares, the duration of loans shall not exceed 3 years but shall be extended at maturity.</u></p>	<p>Making of Endorsements/Guarantees by Public Companies” on November 2, 2018 and the press release of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” on February 19, 2019 by the Financial Supervisory Commission.</p>

9.Modified Regulations Governing Endorsement & Guarantee Operations Table



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

Modified Regulations Governing Endorsement & Guarantee Operations Table

Item	Before modification	After modification	Reasons for modification
5.2.5	<p>(1) Except for approval by the shareholders' meeting, the total amount of endorsements and guarantees by the company shall not be more than <u>50 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant;</p> <p>except for approval by the shareholders' meeting, the total amount of endorsements and guarantees by the company and its subsidiaries shall not be more than <u>50 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant.</p> <p>(2) Except for approval by the shareholders' meeting, the total amount of endorsements and guarantees to a single enterprise by the company shall not be more than <u>50 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant;</p> <p>except for approval by the shareholders' meeting, the total</p>	<p>(1) Except for approval by the shareholders' meeting, the total amount of endorsements and guarantees by the company shall not be more than <u>100 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant;</p> <p>except for approval by the shareholders' meeting, the total amount of endorsements and guarantees by the company and its subsidiaries shall not be more than <u>100 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant.</p> <p>(2) Except for approval by the shareholders' meeting, the total amount of endorsements and guarantees to a single enterprise by the company shall not be more than <u>100 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant;</p> <p>except for approval by the shareholders' meeting, the total amount of endorsements and</p>	Modified in conjunction with necessary operations of the company.

Item	Before modification	After modification	Reasons for modification
	<p>amount of endorsements and guarantees to a single enterprise by the company and its subsidiaries shall not be more than <u>50 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant.</p> <p>(3) Where an endorsement/guarantee is made due to needs arising from business dealings, the amount of the endorsement guarantee for any single entity shall not exceed the total amount of trading between the two companies within the period of twelve months prior to the endorsement/guarantee, and shall not be more than 50 percent of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant.</p>	<p>guarantees to a single enterprise by the company and its subsidiaries shall not be more than <u>100 percent</u> of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant.</p> <p>(3) Where an endorsement/guarantee is made due to needs arising from business dealings, the amount of the endorsement guarantee for any single entity shall not exceed the total amount of trading between the two companies within the period of twelve months prior to the endorsement/guarantee, and shall not be more than 50 percent of the company's net worth as stated in its latest financial statement that is certified or reviewed by a certified public accountant.</p>	

10.Modified Regulations of Acquisition or Disposal of Assets Revision Table



英屬蓋曼群島商立凱電能科技股份有限公司
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

**Method of Acquisition or Disposal of Assets
Document Modification revision table**

Item	Before modification	After modification	Reason for modification
4.1	<p>The applicable scope of the “assets” in the regulations is as follows:</p> <p>(1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(2) Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.</p> <p>(3) Memberships.</p> <p>(4) Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>(5) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>(6) Derivatives.</p> <p>(7) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p>(8) Other major assets.</p>	<p>The applicable scope of the “assets” in the regulations is as follows:</p> <p>(1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(2) Real property (including land, houses and buildings, investment property, <u>rights to use land</u>, and construction enterprise inventory) and equipment.</p> <p>(3) Memberships.</p> <p>(4) Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p><u>(5) Right-of-use assets</u></p> <p><u>(6)</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>(7)</u> Derivatives.</p> <p><u>(8)</u> Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p><u>(9)</u> Other major assets.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018 (in conjunction with the provisions of the International Financial Reporting Standards 16 - the new lease standard).</p>
4.2	<p>“Derivatives” as used in the regulations refers to forward contracts,</p>	<p>“Derivatives” as used in the regulations refers to forward contracts,</p>	<p>Modified in accordance with</p>

	<p>options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests.</p>	<p>options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u></p> <p>The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p>	<p>the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018 (in conjunction with the provisions of the International Financial Reporting Standards 9 - Financial Instruments).</p>
4.9	Add	<p><u>“Investment professional” as used in the regulations refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p>	<p>Contents added in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
4.10	Add	<p><u>“Securities exchange” as used in the regulations or “Domestic securities exchange” refers to the Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any</u></p>	<p>Contents added in accordance with the Financial Supervisory certificate No.</p>

4.11	Add	<p><u>organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p><u>Over-the-counter venue as used in the regulations or "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>	<p>1070441072 Financial Supervisory Commission on November 26, 2018.</p> <p>Contents added in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.1	<p>Exclusion of related parties: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.</p>	<p><u>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</u> <u>(1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust,</u></p>	<p>Contents added in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>

embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

(2) May not be a related party or de facto related party of any party to the transaction.

(3) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

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

(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.

(2) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

(3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and

<p>5.3</p>	<p>Limit amounts of real property and securities for non-business use:</p> <p>(1) The total amount of real property that the company purchases for non-business use shall not exceed 40% of the net value; the total amount of real property purchased by the subsidiaries of the company for non-business use shall not be higher than 40% net value of the company or its subsidiaries.</p> <p>(2), (3): Omitted</p>	<p><u>reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>(4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p> <p>Limit amounts of real property <u>and right-of-use assets thereof</u> or securities that the company purchases for non-business use:</p> <p>(1) The total amount of real property <u>and right-of-use assets thereof</u> that the company purchases for non-business use shall not exceed <u>50%</u> of the net value; the total amount of real property <u>and right-of-use assets thereof</u> purchased by the subsidiaries of the company for non-business use shall not be higher than <u>50%</u> net value of the company or its subsidiaries.</p> <p>(2), (3): Omitted</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
<p>5.5</p>	<p>The evaluation and operation procedures of the acquisition and disposal of real estate and equipment:</p>	<p>The evaluation and operation procedures of the acquisition and disposal of real estate, right-of-use assets and equipment:</p>	<p>Modified in accordance with the Financial Supervisory</p>

<p>5.5.1</p>	<p>Price determination and supporting reference materials:</p> <p>(1) No modification, omitted.</p> <p>(2) Opinions from experts upon request: In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(2.1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same</p>	<p>Price determination and supporting reference materials:</p> <p>(1) No modification, omitted.</p> <p>(2) (2)Opinions from experts upon request: In acquiring or disposing of real property, equipment <u>or right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(2.1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in</p>	<p>certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p> <p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
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	<p>procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2.2)~(2.4) No modification, omitted.</p>	<p>advance by the board of directors; <u>the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</u></p> <p>(2.2)~(2.4) No modification, omitted.</p>	
5.5.3	<p>Units responsible for implementation: The units responsible for the acquisition and disposal of the company's real estate and equipment are the finance department or related authorities.</p>	<p>Units responsible for implementation: The units responsible for the acquisition and disposal of the company's real estate, equipment <u>or right-of-use assets thereof</u> are the finance department or related authorities.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.6.3	<p>Acquisition or disposal of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter</p>	<p>Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>

<p>5.6.5</p>	<p>into a transaction contract or make a payment until the following matters have been approved by the board of directors.</p> <p>(1)The purpose, necessity and anticipated benefit of the acquisition or disposal of real property.</p> <p>(2)The reason for choosing the related party as a trading counterparty.</p> <p>(3)With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.</p> <p>(4)~(8) No modification, omitted.</p> <p>Acquisition of real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>(1)~(2) No modification, omitted.</p> <p>(3)Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding 2 paragraphs.</p> <p>(4) Acquisition of real property from a related party and appraises the cost of the real property in accordance with provisions of preceding</p>	<p>investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors.</p> <p>(1)The purpose, necessity and anticipated benefit of the acquisition or disposal of real property <u>or right-of-use assets thereof</u>.</p> <p>(2)The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.</p> <p>(4)~(8) No modification, omitted.</p> <p>Acquisition of real property <u>or right-of-use assets</u> from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>(1)~(2) No modification, omitted.</p> <p>(3)Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding 2 paragraphs.</p> <p>(4) Acquisition of real property <u>or right-of-use assets thereof</u> from a related party and appraises the cost</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
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	<p>paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(5) Acquisition of real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of 5.6.3 and 5.6.4 and the provisions of 5.6.5(1)~(4) do not apply:</p> <p>(5.1) The related party acquired the real property through inheritance or as a gift.</p> <p>(5.2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>(5.3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p>	<p>of the real property <u>or right-of-use assets thereof</u> in accordance with provisions of preceding paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(5) Acquisition of real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of 5.6.3 and 5.6.4 and the provisions of 5.6.5(1)~(4) do not apply:</p> <p>(5.1) The related party acquired the real property or right-of-use assets through inheritance or as a gift.</p> <p>(5.2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets to the signing date for the current transaction.</p> <p>(5.3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p><u>(5.4) The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100</u></p>	
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<p>5.6.6</p>	<p>When the results of the company's appraisal conducted in accordance with 5.6.5(1)~(3) are uniformly lower than the transaction price, the matter shall be handled in compliance with 5.6.7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>(1), (1.1) No modification, omitted.</p> <p>(1.2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard real property market practices.</p> <p>(1.3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing</p>	<p><u>percent of the issued shares or authorized capital.</u></p> <p>When the results of the company's appraisal conducted in accordance with 5.6.5(1)~(3) are uniformly lower than the transaction price, the matter shall be handled in compliance with 5.6.7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>(1), (1.1) No modification, omitted.</p> <p>(1.2) <u>Transactions</u> by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard real property <u>or leasing</u> market practices.</p> <p>(Deleted)</p> <p>(2) Acquisition of real property <u>or lease to obtain real property right-of-use assets</u> from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
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<p>5.6.7</p>	<p>market practices.</p> <p>(2) Acquisition of real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3) Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p> <p>Acquisition of real property from a related party and the results of appraisals conducted in accordance with the provisions of 5.6.5 and 5.6.6 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>(1) A special reserve shall be set aside in accordance with relative regulations against the difference</p>	<p>parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3) <u>Transactions</u> for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or right-of-use assets thereof.</u></p> <p>Acquisition of real property from a related party and the results of appraisals conducted in accordance with the provisions of 5.6.5 and 5.6.6 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>(1) A special reserve shall be set aside in accordance with relative regulations against the difference</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26,</p>
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	<p>between the transaction price of real property and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve shall be set aside in a proportion consistent with the share of the company's equity stake in the other company.</p> <p>(2) No modification, omitted.</p>	<p>between the transaction price of real property <u>or right-of-use assets thereof</u> and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve shall be set aside in a proportion consistent with the share of the company's equity stake in the other company.</p> <p>(2) No modification, omitted.</p>	<p>2018.</p>
5.6.8	<p>If the company has set aside a special reserve under the provisions of 5.6.7 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the relevant competent authority has given its consent.</p>	<p>If the company has set aside a special reserve under the provisions of 5.6.7 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the relevant competent authority has given its consent.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.6.9	<p>When the company obtains real property from a related party, it shall also comply with 5.6.7 and 5.6.8 if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>When the company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with 5.6.7 and 5.6.8 if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial</p>

<p>5.6.10</p>	<p>With respect to the acquisition or disposal of business-use equipment between the company and its subsidiary, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p>	<p>With respect to the types of transactions listed below, when to be conducted between the company, its subsidiary, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the company's board of directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p><u>(1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>(2) Acquisition or disposal of real property right-of-use assets held for business use.</u></p>	<p>Supervisory Commission on November 26, 2018.</p> <p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
<p>5.7</p>	<p>The evaluation and operating procedures for the acquisition or disposal of memberships, intangible assets and other important assets:</p>	<p>The evaluation and operating procedures for the acquisition or disposal of memberships, intangible assets <u>or right-of-use assets thereof</u> and other important assets:</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26,</p>

5.7.1	<p>Price Determination Method and Reference Basis: To obtain or dispose of the membership card, the relevant price information should be collected in advance and selected by price or bargaining method; if the intangible assets and other important assets are obtained or disposed of, the relevant price should also be collected in advance. Information is collected, then careful assessment of relevant laws and contractual content is done to determine the transaction price.</p>	<p>Price Determination Method and Reference Basis: To obtain or dispose of the membership card, the relevant price information should be collected in advance and selected by price or bargaining method; if the intangible assets <u>or right-of-use assets thereof</u> and other important assets are obtained or disposed of, the relevant price should also be collected in advance. Information is collected, then careful assessment of relevant laws and contractual content is done to determine the transaction price.</p>	<p>2018.</p> <p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.7.2	<p>Opinions from experts upon request: Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Opinions from experts upon request: Where a public company acquires or disposes of memberships or intangible assets <u>or right-of-use assets thereof</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.7.4	<p>Units responsible for implementation: The units responsible for the</p>	<p>Units responsible for implementation: The units responsible for the</p>	<p>Modified in accordance with</p>

	<p>acquisition and disposal of the company's relevant memberships and intangible assets are the finance department or related authorities.</p>	<p>acquisition and disposal of the company's relevant memberships and intangible assets <u>or right-of-use assets thereof</u> are the finance department or related authorities.</p>	<p>the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.7.5	<p>Transaction Process: The transaction process for company acquisition and disposal of memberships and intangible assets is handled in accordance with relevant operations of the “Purchase and payment Standards” of the company's internal control system.</p>	<p>Transaction Process: The transaction process for company acquisition and disposal of memberships and intangible assets <u>or right-of-use assets</u> is handled in accordance with relevant operations of the “Purchase and payment Standards” of the company's internal control system.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.11.1	<p>Under any of the following circumstances, if the company acquire or dispose of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event: (1)Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or</p>	<p>Under any of the following circumstances, if the company acquire or dispose of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event: (1)Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>

	<p>more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) 、(3) No modification, omitted.</p> <p>(4) Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria: (4.1) 、(4.2) No modification, omitted.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This shall not apply to the following circumstances:</p>	<p>transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) 、(3) No modification, omitted.</p> <p>(4) Where the type of asset acquired or disposed is equipment <u>or right-of-use assets thereof</u> for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria: (4.1) 、(4.2) No modification, omitted.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party,</u> the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(6) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a</p>	
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	<p>(6.1) Trading of government bonds.</p> <p>(6.2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>The amount of transactions above shall be calculated as follows. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount:</p> <p>(1) 、 (2) No modification: Omitted.</p> <p>(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p>	<p>financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This shall not apply to the following circumstances:</p> <p>(6.1) Trading of <u>domestic</u> government bonds.</p> <p>(6.2) Securities trading by investment professionals on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (<u>excluding subordinated debt</u>) that are offered and issued in the primary market, <u>or subscription or redemption of securities investment trust funds or futures trust funds</u>, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>The amount of transactions above shall be calculated as follows. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount:</p> <p>(1) 、 (2) No modification: Omitted.</p>	
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		<p>(3)The cumulative transaction amount of real property or <u>right-of-use assets</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p>	
5.11.2	<p>The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p>	<p>The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by companies and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.11.4	<p>If the company acquire or dispose of assets, it shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>If the company acquire or dispose of assets, it shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at companies, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.11.6	<p>Information is required to be publicly announced and reported in accordance with the provisions on acquisitions and disposals of assets by a subsidiary of the company that is not itself a</p>	<p>Information is required to be publicly announced and reported in accordance with the provisions on acquisitions and disposals of assets by a subsidiary of the company that is not itself a</p>	<p>Modified in accordance with the Financial Supervisory certificate No.</p>

	<p>public company in Taiwan shall be reported by the company. The paid-in capital or total assets of the company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the standards of requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</p>	<p>public company in Taiwan shall be reported by the company. The paid-in capital or total assets of the company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the standards of requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches a threshold of the paid-in capital or total assets.</p>	<p>1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.11.9	<p>In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.</p>	<p>In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted; <u>for calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u></p>	<p>Modified in accordance with the Financial Supervisory certificate No. 1070441072 Financial Supervisory Commission on November 26, 2018.</p>
5.14.1	<p>The company may not give up on Advanced Lithium Electrochemistry Co., Ltd., Taiwan, Advanced Lithium Electrochemistry Co., Ltd., Hong Kong, Aleees Eco Ark (Cayman) Co., Ltd., Emerald Battery Technologies Co., Ltd. and Empire Energy Co., Ltd. The company's capital increase in the coming years; Advanced Lithium Electrochemistry Co., Ltd., Hong</p>	<p>The company may not give up on Advanced Lithium Electrochemistry Co., Ltd., Taiwan, Advanced Lithium Electrochemistry Co., Ltd., Hong Kong, Aleees Eco Ark (Cayman) Co., Ltd. and Emerald Battery Technologies Co., Ltd. The company's capital increase in the coming years; Advanced Lithium Electrochemistry Co., Ltd., Hong Kong shall not</p>	<p>Modified in conjunction with practical operations.</p>

	<p>Kong shall not abandon the capital increase of the opposite year of the Aleees Eco Ark (Shanghai) Co., Ltd.; Aleees Eco Ark (Cayman) Co., Ltd. shall not give up on Aleees Eco Ark Co., Ltd., Taiwan will increase its capital in future years.</p>	<p>abandon the capital increase of the opposite year of the Aleees Eco Ark (Shanghai) Co., Ltd.; Aleees Eco Ark (Cayman) Co., Ltd. shall not give up on Aleees Eco Ark Co., Ltd., Taiwan will increase its capital in future years.</p>	
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THE COMPANIES LAW (AS AMENDED)
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED MEMORANDUM AND ARTICLES
OF
ASSOCIATION
OF
Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

(Adopted by a Special Resolution dated June 27, 2016)

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THE COMPANIES LAW (AS AMENDED)

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.

(Adopted by a Special Resolution dated [June 27], 2016)

1. The name of the Company is Advanced Lithium Electrochemistry (Cayman) Co., Ltd..
2. The Registered Office shall be at the offices of Portcullis TrustNet (Cayman) Ltd., The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands or at such other location as the Directors may from time to time determine.
3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted.
4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of The Companies Law (as amended).
5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company from effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
8. The share capital of the Company is New Taiwan Dollars 3,000,000,000 divided into 300,000,000 shares of a nominal or par value of New Taiwan Dollars 10.00 each provided always that subject to the provisions of the Companies Law (as amended) and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without

any preference, 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.

9. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Companies Law (as amended) and, subject to the provisions of the Companies Law (as amended) and the Articles of Association, it shall have the 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 deregistered in the Cayman Islands.

THE COMPANIES LAW (AS AMENDED)
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF

Advanced Lithium Electrochemistry (Cayman) Co., Ltd.
(Adopted by a Special Resolution passed dated [June 27], 2016)

TABLE A

The Regulations contained or incorporated in Table A in the First Schedule of the Companies Law (as amended) shall not apply to this Company.

INTERPRETATION

1. In these Articles:

"Applicable Public Company Rules" means the ROC laws, rules and regulations (including, without limitation, the Company Law, the Securities and Exchange Law, the rules and regulations promulgated by the FSC and the rules and regulations promulgated by the GTSM, as amended from time to time) affecting public companies or companies listed on any ROC stock exchange that from time to time are required by the relevant regulator as applicable to the Company;

"Articles" means these Articles of Association as from time to time amended by Special Resolution;

"Audit Committee" means the audit committee under the Board of Directors, which shall comprise solely of Independent Directors of the Company;

"Companies Law" means the Companies Law (as amended) of the Cayman Islands, and every modification, re-enactment or revision thereof for the time being in force;

"Company" means Advanced Lithium Electrochemistry (Cayman) Co., Ltd.;

"Compensation Committee" means a committee of the Board of Directors, which shall comprise of professional individuals and have the functions prescribed by the Applicable Public Company Rules;

"Directors" and **"Board of Directors"** means the Directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof, and shall include any and all Independent Director(s);

"Electronic Record" shall have the meaning given to it in the Electronic Transactions Law;

"Electronic Transactions Law" means the Electronic Transactions Law (as amended) of the Cayman Islands;

"FSC" means the Financial Supervisory Commission of the Republic of China;

"GTSM" means the GreTai Securities Market;

"Independent Directors" means the Directors who are elected as "Independent Directors" for the purpose of Applicable Public Company Rules;

"Market Observation Post System" means the public company reporting system maintained by the Taiwan Stock Exchange Corporation;

"Member" or **"Shareholder"** means a person whose name is entered in the Register of Members and includes each subscriber to the Memorandum of Association pending the issue to him of the subscriber share or shares;

"Memorandum of Association" means the Memorandum of Association of the Company, as amended and re-stated from time to time;

"Merger" means a transaction whereby:

- (a) (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; or
- (b) other forms of mergers and acquisitions which fall within the definition of "merger and/or consolidation" under Applicable Public Company Rules;

"Officer" means any person appointed by the Board of Directors to hold an office in the Company;

"Ordinary Resolution" means a resolution passed by a simple majority of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company;

"paid up" means paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;

"Person" means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;

"Preferred Shares" has the meaning given thereto in Article 16;

"Registered Office" means the registered office of the Company as provided in Section 50 of the Companies Law;

"Register of Members" means the register of members maintained in accordance with the Companies Law and if the Company is listed on the GTSM, the Applicable Public Company Rules;

"Private Placement" means, after the Shares are listed on the GTSM, obtaining subscription 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 in the ROC, as prescribed under the Applicable Public Company Rules and permitted by the competent securities authority in the ROC, but excluding any employee incentive programme or subscription agreement, warrant, option or issuance of shares under Articles 10, 13 and 15 hereof;

"ROC" means Taiwan, the Republic of China;

"Secretary" means any Person appointed by the Directors to perform any of the duties of the secretary of the Company;

"Share" and **"Shares"** means any share in the capital of the Company;

"Shareholders' Service Agent" means the agent licensed by ROC authorities to provide certain shareholders services in accordance with the Applicable Public Company Rules;

"signed" includes a signature or representation of a signature affixed by mechanical means;

"Special Resolution" subject to the Companies Law, means a resolution passed in accordance with Section 60 of the Companies Law, being a

resolution passed by a majority of at least two-thirds of the votes cast by such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given;

"Subsidiary" means, with respect to any company, (1) the entity, more than one half of whose total number of the outstanding voting shares or the total amount of the capital stock are directly or indirectly held by such company; (2) the entity that such company has a direct or indirect control over its personnel, financial or business operation; (3) the entity, one half or more of whose executive shareholders or board directors are concurrently acting as the executive shareholders or board directors of such company; and (4) the entity, one half or more of whose total number of outstanding voting shares or the total amount of the capital stock are held by the same shareholder(s) of such company;

"Supermajority Resolution" means a resolution adopted by a majority vote of the Members at a general meeting attended by Members who represent two-thirds or more of the total outstanding Shares or, if the total number of shares represented by the Members present at the general meeting is less than two-thirds of the total outstanding Shares, but more than one half of the total outstanding Shares, means instead, a resolution adopted at such general meeting by the Members who represent two-thirds or more of the total number of shares entitled to vote on such resolution at such general meeting;

"Treasury Shares" has the meaning given thereto in Article 28.

2. In these Articles, save where the context requires otherwise:
 - (a) words importing the singular number shall include the plural number and vice versa;
 - (b) words importing the masculine gender only shall include the feminine gender;
 - (c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;
 - (d) **"may"** shall be construed as permissive and **"shall"** shall be construed as imperative;
 - (e) reference to "written" and "in writing" shall include all modes of representing or reproducing words in visible form, including the form of an Electronic Record;

- (f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force; and
 - (g) Section 8 of the Electronic Transactions Law shall not apply.
3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.
 - 3-1. In the case of any conflict between these Articles and the Applicable Public Company Rules, these Articles shall prevail.

PRELIMINARY

4. The business of the Company may be commenced as soon after incorporation as the Directors see fit.
5. The Registered Office shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

SHARES

Power to Issue Shares

6. Subject to these Articles and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board of Directors, subject to Article 17, shall have the power to issue any unissued Shares on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Company may by resolution of the Members prescribe, provided that no share shall be issued at a discount except in accordance with the Companies Law.
7. Unless otherwise provided in these Articles, the issue of new Shares shall be approved by the Board of Directors. The issue of new shares shall at all times be subject to the sufficiency of the authorized capital of the Company.
8. Where the Company increases its issued share capital by issuing new shares for cash consideration in the ROC, the Company shall allocate 10%

of the total amount of the new shares to be issued, for public offering in the ROC, unless it is deemed as either unnecessary or inappropriate by the FSC or GTSM for the Company to conduct the aforementioned public offering. However, if a percentage higher than the aforementioned 10% is resolved by a general meeting for public offering in the ROC, then such higher percentage determined by resolution shall prevail. The Company may also reserve 10% to 15% of the total amount of such newly issued shares for subscription by the employees of the Company and its Subsidiaries. The Company may prohibit such employees from transferring the shares so subscribed within a certain period; provided, however, that such a period cannot be more than two years.

9. For so long as the Shares are listed on the GTSM, unless otherwise resolved by the Shareholders at a general meeting by Ordinary Resolution, where the Company increases its issued share capital by issuing new shares for cash consideration under Article 8 above, the Company shall 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 the remaining new shares (after allocation of the public offering portion and the employee subscription portion in Article 8) issued in the capital increase for cash consideration. The Company shall state in such announcement and notices to the Members that if any Member fails to subscribe his/her/its pro rata portion of such remaining newly-issued shares within the prescribed period, such Member shall be deemed to forfeit his/her/its pre-emptive right to such newly-issued shares. In the event that percentage of shares held by a Member is insufficient for such Member to exercise the pre-emptive right to subscribe one newly-issued share, shares held by several Members may be calculated together for joint subscription 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 consolidate such shares into the public offering tranche or offer any un-subscribed new shares to a specific person or persons according to the Applicable Public Company Rules.
10. Subject to the provisions of the Companies Law, the Company may issue new shares with restricted rights (the "**Restricted Shares**") to the employees of the Company and its Subsidiaries with the sanction of a Supermajority Resolution provided that Article 8 hereof shall not apply. For so long as the Shares are listed on the GTSM, the terms of issue of the Restricted Shares, including but not limited to, the number of Restricted Shares so issued, issue price of Restricted Shares and other related matters shall be in accordance with the Applicable Public Company Rules.

11. The pre-emptive right of Members under Article 9 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 pursuant to any reorganization of the Company;
 - (b) in connection with meeting the Company's obligations under employee warrants and/or options, including those rendered in Articles 13 and 15 hereof;
 - (c) in connection with the issue of Restricted Shares in accordance with Article 10 hereof;
 - (d) in connection with meeting the Company's obligations under convertible bonds or corporate bonds vested with rights to acquire shares;
 - (e) in connection with meeting the Company's obligations under Preferred Shares vested with rights to acquire shares; or
 - (f) in connection with a Private Placement.
12. Unless otherwise provided herein, the Company shall not issue any unpaid shares or partly paid-up shares.
13. Notwithstanding Article 10 hereof, the Company may, upon approval by the Board of Directors, adopt one or more incentive programmes and may issue options, employee warrants or other similar instruments or distribute cash, to employees of the Company and its Subsidiaries, and in accordance with the **Applicable Public Company Rules**. Options, employee warrants, or other similar instruments issued in accordance with this Article are not transferable save by inheritance.
14. Directors of the Company and its Subsidiaries shall not be eligible for the Restricted Shares under Article 10 hereof or the incentive programmes under Article 13 above, provided that directors who are also employees of the Company or its Subsidiaries may subscribe for the Restricted Shares or participate in an incentive programme in their capacity as an employee and not as a director of the Company or its Subsidiaries.
15. The Company may enter into agreements with employees of the Company and/or the employees of its Subsidiaries in relation to the incentive programme approved pursuant to Article 13 above, whereby employees may subscribe, within a specific period, a specific number of shares or securities. The terms and conditions of such agreements shall be no

favourable to relevant employee than the terms specified in the applicable incentive programme.

PREFERRED SHARES

16. Notwithstanding any provisions of these Articles, the Company may by Special Resolution designate one or more classes of Shares with each class having such preferred or other special rights as the Company, by Special Resolution, may determine (shares with such preferred or other special rights, the "**Preferred Shares**"), and cause to be set forth in these Articles. The rights and obligations of Preferred Shares may include (but are not limited to) the following terms and shall be consistent with the Applicable Public Company Rules:
- (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 Shareholders;
 - (d) the method by which the Company is authorized or compelled to redeem the Preferred Shares, or a statement that redemption rights shall not apply; and
 - (e) other matters concerning rights and obligations incidental to Preferred Shares.

Variation of Rights Attaching to Shares

17. If at any time the share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the sanction of a Special Resolution passes at a general meeting of the holders of the shares of that class. Notwithstanding the foregoing, if any modification or alteration in these 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.
18. 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 or abrogated by the creation or issue of further shares ranking pari

passu therewith or the redemption or purchase of shares of any class by the Company.

Share Certificates

19. Subject to the provisions of the Companies Law, the Company may issue shares without printing share certificates for the Shares issued, and the details regarding such issue of shares shall be entered in the Register of Members of the Company and recorded by Taiwan Depository & Clearing Corporation in accordance with the Applicable Public Company Rules. Every person whose name is entered as a member in the Register of Members may be entitled to a certificate in the form determined by the Board of Directors if the Board of Directors resolves that a share certificate shall be issued. Such certificate may be issued with the authorised signature(s) affixed by mechanical process. All certificates shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.
20. If a share certificate is defaced, lost or destroyed it may be renewed on such terms, if any, as to evidence and indemnity as the Directors think fit.
21. In the event the Board of Directors resolves that share certificates shall be issued pursuant to Article 19 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 Companies Law, the Memorandum of Association, 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.

Private Placement

- 21-1 Subject to the Companies Law, the Company may, by Special Resolution, issue securities by way of Private Placement within the territory of the ROC in accordance with Applicable Public Company Rules.
- 21-2 Notwithstanding Article 21-1 hereof, the ordinary corporate bonds to be issued through Private Placement by the Company in accordance with the Articles and the Applicable Public Company Rules may be offered in different tranches within one year of the date of the meeting of the Directors approving such Private Placement.

Fractional Shares

22. Subject to these Articles, the Board of Directors may issue fractions of a share of any class of shares, and, if so issued, a fraction of a share (calculated to three decimal points) shall be subject to and carry the corresponding fraction of liabilities (whether with respect to any unpaid amount thereon, contribution, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without limitation, voting and participation rights) and other attributes of a whole share of the same class of shares.

Alteration of Share Capital

23. Subject to the Companies Law, the Company may from time to time by Ordinary Resolution increase its authorized share capital by such amount as it thinks expedient or by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.

Purchase of Own Shares

24. Subject to the provisions of the Companies Law, 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.
25. Subject to the provisions of the Companies Law, the Articles and the Applicable Public Company Rules, the Company may, upon approval by a majority of the Board of Directors at a meeting attended by two-thirds or more of the total number of the Directors, purchase its own Shares (including any redeemable Shares and the Shares listed on the GTSM) provided that, for so long as the Shares are listed on the GTSM, any such repurchase shall be in accordance with the Applicable Public Company Rules and shall be subject to the rules and restrictions set forth in Article 26 hereof.
- 25-1 In the event that the Company proposes to purchase any Share listed on the GTSM pursuant to the preceding 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 purchase of the Shares listed on the GTSM for any reason.
26. For so long as the Shares are listed on the GTSM, the Company is authorised to purchase any Share listed on the GTSM in accordance with the following manner of purchase:

- (a) the total price of the Shares purchased by the Company shall not exceed the sum of retained earnings less any distribution or dividends which have been declared by the Company plus the following realized capital reserve:
 - (i) any premium received from the disposal of assets that has not been booked as retained earnings;
 - (ii) the premium received on the issuance of any share and income from endowments received by the Company;
 - (b) the maximum number of Shares purchased by the Company shall not exceed ten percent of the total number of issued and outstanding Shares; and
 - (c) the purchase shall be at such time, at such price and on such other terms as determined and agreed by the Board in its sole discretion provided however that:
 - (i) such purchase transactions shall be in accordance with the Applicable Public Company Rules; and
 - (ii) such purchase transactions shall be in accordance with the Companies Law.
- 26-1 Subject to the Companies Law and Applicable Public Company Rules, the Company may by Special Resolution redeem or purchase its own Shares by reducing and making payment out of its share capital or any capital redemption reserve. Any such redemption or purchase and the payment out of share capital or capital redemption reserve must be made to all Members pro rata based on the percentage of shareholdings of the Members, unless otherwise provided for in the Companies Law or the Applicable Public Company Rules.
27. The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Companies Law, including out of capital.
28. Unless otherwise provided herein, Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) shall be cancelled immediately or held as treasury shares ("**Treasury Shares**") at the discretion of the Directors.
29. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company in respect of a Treasury Share.

30. The Company shall be entered in the Register of Members as the holder of the Treasury Shares provided that:
- (a) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Companies Law.
31. Subject to the provisions of the Companies Law, the Articles and the Applicable Public Company Rules, Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors provided that, for so long as the Shares are listed on the GTSM, any Treasury Shares not disposed of or otherwise transferred by the Company within three years from the date of the repurchase shall be cancelled immediately when the 3-year period has elapsed.
32. Notwithstanding Article 31 above, after the Company purchases the Shares listed on the GTSM, any proposal to transfer Treasury Shares to the employee of the Company or its Subsidiaries by the Company at a price below the average repurchase price paid by the Company shall be subject to the approval of two-thirds or more of the shareholders attending the general meeting who represent a majority of the total number of the Company's outstanding shares at the most recent general meeting. The handbook of the general meeting shall list and explain the following matters, which may not be made by ad hoc motion:
- (a) the basis and reasonableness of the determined transfer price, discount ratio and calculation;
 - (b) the number, purpose and reasonableness of the proposed share transfer;
 - (c) conditions for and volume of shares purchased by the employee; and
 - (d) any effect on the shareholders' rights:
 - (i) the expensed amount and any dilution of the Company's shares; and
 - (ii) any financial burden on the Company caused by transfer of shares to employees at a price lower than the average repurchase price paid by the Company.

The aggregate number of Treasury Shares transferred to employees upon resolution by one or more general meetings shall not exceed five percent of the Company's total outstanding shares at the time of any such transfer, and the aggregate number of Treasury Shares purchased by each employee shall not exceed 0.5 percent of the Company's total outstanding shares at the time of any such purchase.

For those Treasury Shares transferred by the Company to the employees, the Company may impose restrictions on the transfer of such Shares by the employees for a period of no more than two years.

REGISTRATION OF SHARES

Register of Members

33. For so long as the Company is listed on the GTSM, the Directors shall keep, or cause to be kept, the Register of Members at such place as the Directors may from time to time determine and, which shall be maintained in accordance with the Companies Law and the Applicable Public Company Rules.
34. In the event that the Company has Shares that are not traded on the GTSM, the Company shall also cause to be kept a register of such Shares in accordance with Section 40 of the Companies Law.
35. Title to Shares traded on the GTSM may be evidenced and transferred in a manner consistent with the Applicable Public Company Rules.

Transfer of Registered Shares

36. The instrument of transfer of any share shall be in any usual or common form or such other form as the Board of Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if so required by the Board of Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a shareholder until the name of the transferee is entered in the Register of Members in respect thereof.
37. The registration of transfers may be suspended when the Register of Members is closed in accordance with Article 42 hereof.
38. All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Board of Directors

declines to register shall (except in any case of fraud) be returned to the person depositing the same.

39. Notwithstanding the preceding 3 Articles, Shares traded on the GTSM shall be transferred in a manner consistent with the Applicable Public Company Rules.

Transmission of Shares

40. The successor or the legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the name of two or more holders, the survivors or survivor shall be the only person recognised by the Company as having any title to the share.
41. Any person becoming entitled to a share in consequence of the death or bankruptcy or liquidation or dissolution of a Member shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt or liquidated or dissolved person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or bankrupt or liquidated or dissolved person before the death or bankruptcy or liquidation or dissolution. In such case, the person becoming entitled shall execute in favor of such transferee an instrument of transfer in writing in the form as the Board of Directors may accept.

Closing Register of Members or Designating a Record Date

42. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Board of Directors may provide that the Register of Members shall be closed for transfers for a stated period. For so long as the shares are listed on the GTSM, the Register of Members shall be closed for a period not less than the minimum period of time as prescribed by the Applicable Public Company Rules.
43. Other than the closing of the Register of Members for registration of transfer of shares, the Board of Directors may designate a record date in advance to determine the Members who are entitled to receive notice of, attend or vote at any meeting of Members or those Members that are entitled to receive payment of any dividend. The Directors shall make a

public announcement of the designation of such record date on the Market Observation Post System or the website designated by the FSC or GTSM pursuant to the Applicable Public Company Rules, if required.

MEETINGS OF MEMBERS

General Meetings

44. All general meetings other than annual general meetings shall be called extraordinary general meetings.
45. The Directors may, whenever they think fit, convene a general meeting of the Company; provided that the Company shall in each year 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.
46. Before the Shares are listed on the GTSM, the Board of Directors may convene a general meeting at any location at their sole discretion. For so long as the Shares are listed on the GTSM, unless otherwise provided by the Companies Law, all general meetings shall be held in the ROC. For so long as the Shares are listed on the GTSM, if the Board of Directors resolves to hold a general meeting outside the ROC, the Company shall apply for the approval of the GTSM therefor within two days after the Board of Directors adopts such resolution. Where such general meeting is to be held outside the ROC, the Company shall engage a professional Shareholders' Service Agent in the ROC to handle the administration matters of such general meeting (including but not limited to the handling of the voting of proxies submitted by any Members).
47. For so long as the Shares are listed on the GTSM, general meetings shall also be convened on the written requisition of any Member or Members entitled to attend and vote at general meetings of the Company holding at least 3 per cent of the paid up voting share capital of the Company for a period of one year or a longer time and such written requisition shall be deposited at the Registered Office or the Shareholders' Service Agent specifying the objects of the meeting and the reason therefor signed by the requisitionists, and if the Board of Directors does not within fifteen days from the date of the deposit of the requisition dispatch the notice of such general meeting, and for so long as the Shares are listed on the GTSM, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors.

Notice of General Meetings

48. Before the Shares are listed on the GTSM, at least seven days notice counting from the date service is deemed to take place as provided in these Articles specifying the place, the day and the hour of the meeting and the general nature of that business, shall be given in the manner hereinafter provided to such persons as are, under these Articles, entitled to receive such notices from the Company. For so long as the Shares are listed on the GTSM, save as otherwise provided by the Applicable Public Company Rules, at least thirty days' notice of an annual general meeting, and at least fifteen days' notice of an extraordinary general meeting shall be given to each Member entitled to attend and vote thereat stating the date, place and time at which the meeting is to be held and the general nature of business to be conducted at the meeting.
49. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at that meeting.
50. For so long as the Shares are listed on the GTSM, the Board of Directors shall at least thirty days prior to an annual general meeting or fifteen days prior to an extraordinary general meeting, make a public announcement publishing the notice of the general meeting, the proxy instrument, agendas and materials relating to matters for approval, matters for discussion, and election or discharge of Directors to be discussed in the general meeting, via the Market Observation Post System. If the voting power of a Member at a general meeting shall be exercised by way of a written ballot, the Company shall also send the written document used for the exercise of voting power together with the above mentioned materials. The Board of Directors shall prepare a meeting handbook of the relevant general meeting and supplemental materials as the Board of Directors may think fit, which will be sent to or made available to all Members, save as otherwise provided by the Applicable Public Company Rules, twenty-one days prior to an annual general meeting and fifteen days prior to an extraordinary general meeting and shall be transmitted to the Market Observation Post System in accordance with the Applicable Public Company Rules.
51. The following matters shall be stated in the notice of general meetings, with a summary of the material content to be discussed, and shall not be brought up as an ad hoc motion:
 - (a) election or discharge of Directors;
 - (b) amendments to these Articles;

- (c) dissolution, Merger or spin-off of the Company;
- (d) entry into, amendment to, or termination of any contract for lease of its business in whole, or the delegation of management of the Company's business to others or regular joint operation of the Company with others;
- (e) the transfer of the whole or any material part of its business or assets;
- (f) taking over another's whole business or assets, which will have a material effect on the business operation of the Company;
- (g) ratification of an action by Director(s) who engage(s) in business for him/herself or on behalf of another person that is within the scope of the Company's business;
- (h) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 124 hereof;
- (i) making distributions out of the statutory reserve, the premium received on the issuance of any Shares and income from endowments received by the Company to its Members in cash;
- (j) the Private Placement of any equity-type securities issued by the Company; and
- (k) the transfer of Treasury Shares to the employees under Article 32 hereof.

Quorum and Proceedings at General Meetings

- 52. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles, the holders of shares being more than an aggregate of one-half of all shares in issue present in person or by proxy and entitled to vote shall constitute a quorum for any general meeting.
- 53. If and to the extent permitted under the Companies Law, 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 within 30 days after the passage of such resolution. The Taipei District Court, ROC, may be the court for adjudicating any disputes arising out of the foregoing.

54. Member(s) holding 1% or more of the total number of outstanding shares immediately prior to the relevant book close period, during which the Company closes its Register of Members, may propose to the Company a proposal for discussion at a annual general meeting in writing. Proposals shall not be included in the agenda of the annual general meeting where (a) the proposing Member(s) holds less than 1% of the total number of outstanding shares, (b) where the matter of such proposal may not be resolved at a annual general meeting, (c) the proposing Member has proposed more than one proposal, or (d) the proposal is submitted on any day beyond the deadline fixed and announced by the Company for accepting shareholders' proposals.
55. Unless otherwise expressly required by the Companies Law, the Memorandum of Association or these Articles, 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.
56. 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 leave of absence, or is unable to exercise his 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 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 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.
57. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll. The number or proportion of the votes in favour of, or against, that resolution shall be recorded in the minutes of the meeting. Notwithstanding the above, the resolution shall be deemed to be passed with the same effect as the affirmative vote if the Members presenting at the meeting do not object to such resolution after inquired by the chairman of the meeting.
58. In the case of an equality of votes, the chairman of the meeting shall not be entitled to a casting vote.

59. The Company may by Ordinary Resolution adopt rules governing the proceedings and procedures of the general meetings which comply with the Memorandum of Association, the Articles and the Applicable Public Company Rules.

Votes of Members

60. Subject to any rights and restrictions for the time being attached to any shares, every Member who is present in person or by proxy shall have one vote for each share of which he/she/it is the holder. For so long as the Shares are listed on the GTSM, a Member who holds shares for benefit of others, need not use all his votes or cast all the votes he holds in the same way as he uses his votes in respect of shares he holds for himself; the qualifications, scope, methods of exercise, operating procedures and other matters for compliance with respect to exercising voting power separately shall comply with the Applicable Public Company Rules.
61. 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.
62. The Board of Directors may determine that the voting power of a Member at a general meeting may be exercised by way of a written ballot or by way of electronic transmission; provided, however, that the Company shall provide the Members with a method for exercising their voting power by means of a written ballot or electronic transmission if a general meeting is to be held outside the ROC or otherwise required under the Applicable Public Company Rules. The method for exercising such voting power shall be described in the general meeting notice to be given to the Members if the voting power may be exercised by way of a written ballot or by way of electronic transmission. Any Member who intends to exercise his voting power by way of a written ballot or by way of electronic transmission shall serve the Company with his/her/its voting decision by way of a declaration of intention at least two days prior to the date of such general meeting. If a Member serves the Company with more than one declaration of intention to exercise his/her/its voting power by way of a written ballot or electronic transmission, the first declaration shall prevail, unless an explicit written statement is made thereafter by such Member to revoke the previous declaration of intention in the same manner as previously used in exercising his/her/its voting power. A Member who exercises his/her/its voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his shares at the general meeting only in the manner directed by his written instrument or electric document. The chairman of the general meeting as proxy shall not have the power to exercise the voting rights of such Members with respect to any matters not referred to or indicated in

the written or electric document and/or any amendment to resolution(s) proposed at the said general meeting. For the purposes of clarification, such Member voting in such manner shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc motion 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.

63. In the event any Member who has served the Company with his/her/its declaration of intention to exercise his/her/its voting power by means of a written ballot or by means of electronic transmission pursuant to Article 62 hereof later intends to attend general meetings in person, he/she/it shall, at least two days prior to the date of the meeting, serve the Company with a separate declaration of intention to revoke his/her/its previous declaration of intention in the same manner previously used in exercising his/her/its voting power. Votes by means of written ballot or electronic transmission shall be valid if the relevant Member fails to revoke the declaration of intention before the prescribed time.
- 63-1 If, subsequent to submitting a written ballot or electronic transmission pursuant to Article 62, a Member submits a proxy appointing a person of the general meeting as his proxy to attend the relevant general meeting on his behalf, then the subsequent appointment of that person as his proxy shall be deemed to be revocation of such Member's deemed appointment of the chairman of the general meeting as his proxy pursuant to Article 62.
64. Shares as set out below shall not be voted at any general meeting and shall not be counted in determining the total number of outstanding shares at any given time:
 - (a) Shares that are beneficially owned by the Company;
 - (b) Shares that are beneficially owned by any of the Company's Subsidiaries, more than one-half of whose total number of outstanding voting shares or paid-in capital are directly or indirectly owned by the Company; and
 - (c) shares held by another company in which the Company, together with (i) the holding company of the Company and/or (ii) any Subsidiary of (x) the holding company of the Company or (y) the Company owns, legally or beneficially, directly or indirectly, more than 50% of its issued and voting share capital or equity capital.

- 64-1 For so long as the Shares are listed on the GTSM, if the number of Shares pledged by a Director at any time amounts to more than 50% of the total Shares held by such Director at the time of his latest appointment, such pledged Shares exceeding 50% of the total Shares held by such Director at the time of his latest appointment, shall not carry any voting rights and such above-threshold Shares shall not be counted in determining the number of votes of the Members present at a general meeting but shall be counted towards the quorum of the general meeting.
65. A Member who has a personal interest in any motion discussed at a general meeting, which interest may be in conflict with and impair those of the Company, shall abstain from voting such Member's shares in regard to such motion and such shares shall not be counted in determining the number of votes of the Members present at the said meeting. However, such shares may be counted in determining 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.
66. In the case of joint holders, the joint holders shall select among them a representative for the exercise of their shareholder's rights and the vote of their representative who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.
67. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person may vote by proxy.

Special and Supermajority Resolutions of Members

68. Subject to the Companies Law, the Company may from time to time by Special Resolution:
- (a) change its name;
 - (b) alter or add to these Articles;
 - (c) alter or add to the Memorandum of Association with respect to any objects, powers or other matters specified therein; or
 - (d) reduce its share capital and any capital redemption reserve in any manner authorised by law.
69. Subject to the Companies Law, the Company may from time to time by Supermajority Resolution:

- (a) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 120 or Article 124 hereof;
 - (b) issue Restricted Shares in accordance with Article 10 hereof;
 - (c) discharge or remove any Director;
 - (d) approve any action by one or more Director(s) who is engaging in business conduct for him/herself or on behalf of another person that is within the scope of the Company's business;
 - (e) effect any Merger or spin-off of the Company, provided that any Merger which falls within the definition of "merger and/or consolidation" under the Companies Law shall require the approval of the Company by Special Resolution only;
 - (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; or
 - (h) acquire or assume the whole business or assets of another person, which has a material effect on the Company's operation.
70. Subject to the Companies Law, with regard to the dissolution procedure of the Company, the Company shall pass:
- (a) an Ordinary Resolution, in the event that the Company resolves that it be wound up voluntarily because the Company is unable to pay its debts as they fall due; or
 - (b) a Special Resolution, in the event that the Company resolves that it be wound up voluntarily for reasons other than set out in Article 70 (a) above.

Proxies

71. The instrument appointing a proxy shall be in writing, be executed either under seal or under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member.
72. Subject to the Applicable Public Company Rules, except for the chairman being deemed appointed of a general meeting as proxy under Article 62 or

trust enterprises organized under the laws of the ROC or a Shareholders' Service Agent, 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 closed period, during which the Company closes its Register of Members; any vote in respect of the portion in excess of such 3% threshold shall not be counted.

73. 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 voting power by way of a written ballot or electronic transmission, he shall, at least two days prior to such general meeting, serve the Company with a separate notice revoking his previous appointment of the proxy. Votes by way of proxy shall remain valid if the relevant Member fails to revoke his appointment of such proxy before the prescribed time.
74. The instrument of proxy shall be deposited at the office of the Company's Shareholders' Service Agent in the ROC or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company not less than five days before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote where more than one instrument to vote received from the same Member by the Company, the first instrument received shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous proxy in the later-received instrument.
75. The instrument of proxy shall be in the form approved by the Company and be expressed to be for a particular 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.
76. For so long as the Shares are listed on the GTSM, the use and solicitation of proxies shall be in compliance with the Applicable Public Company Rules, including but not limited to "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".

Representation of Corporate Member

77. A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.
78. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he/she thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

Dissenting Member's Appraisal Right

79. In the event any of the following resolutions is adopted at general meetings, any Member who has notified the Company in writing of his objection to such a resolution prior to the meeting and has raised again his/her/its objection at the meeting, may request the Company to purchase all of his/her/its shares at the then prevailing fair price:
- (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 person 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 effect on the Company's business operations.
80. In the event any part of the Company's business is spun off or involved in any Merger with any other company, the Member, who has forfeited his/her/its right to vote on such matter and expressed his dissent therefor, in writing or verbally (with a record) before or during the general meeting, may request the Company to purchase all of his/her/its shares at the then prevailing fair price.

Adjournment and Postponement of General Meeting

81. Unless clearly stated otherwise by this charter, the chairman must postpone the meeting if less than half of the shareholders (calculated based on issued shares, not individuals) are present when the shareholders meeting is due to begin. The meeting may be postponed for a maximum of two times, with the combined amount of extension time not exceeding one hour. If the shareholders meeting has been postponed twice and the shareholders present still do not represent over half of the issued shares, the chairman shall declare the shareholders meeting to be invalid. If convening of the shareholders meeting is still required, it shall be reconvened according to the charter's regulations.
82. If the meeting has been postponed twice according to the aforementioned Article 81, and the number of shareholders presents does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present according to regulations for public companies. If the number of shareholders present represent over half of issued shares prior to the end of the meeting, the chairman shall announce the official convening of the meeting. The passed tentative resolution shall be resubmitted for ratification at the shareholders meeting.
83. Apart from Article 82, the Board of Directors may postpone any general meeting called in accordance with the provisions of these Articles provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Articles.

DIRECTORS AND OFFICERS

Number and Term of Office of Directors

84. There shall be a Board of Directors consisting of no less than 7 and no more than 11 Directors, each of whom shall be appointed to a term of office of not exceeding three years provided that in the event the expiration of the term of office of such Directors would otherwise leave the Company with no Directors, the term of office of such Directors shall be extended automatically to the date of the general meeting next following the expiration of such term, at which new Directors will be elected to assume office. Directors may be eligible for re-election.
85. Unless otherwise approved by the GTSM, not more than half of the total number of Directors elected can have a spousal relationship or familial relationship within the second degree of kinship with any other Directors.

86. In the event where 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 85 hereof, the non-qualifying Director(s) who was elected with the fewer number of votes shall be deemed not to have been elected, to the extent necessary to meet the requirements provided for in Article 85 hereof. Any person who has already served as a Director but is in violation of the aforementioned requirements shall vacate his/her/its position of Director automatically.
87. Unless otherwise permitted under the Applicable Public Company Rules, there shall be at least three Independent Directors. To the extent required by the Applicable Public Company Rules, at least one of the Independent Directors shall be domiciled in the ROC.
88. Independent Directors shall have professional knowledge and shall maintain independence within the scope of 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. The office of Independent Director shall be vacated if the Independent Director becomes ineligible for such position under the Applicable Public Company Rules.

Election of Directors

89. The Company may at a general meeting elect any person to be a Director, which vote shall be calculated in accordance with Article 90 below. If a Member is a legal entity, the authorised representative of such Member may be elected as Director. If such Member has more than one authorised representatives, each of them may be nominated for election at a general meeting.
90. Directors shall be elected pursuant to a cumulative voting mechanism, 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 cast 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. The top candidates in the number equal to the number of the Directors to be elected, to whom the votes cast represent a prevailing number of votes relative to the other candidates, shall be deemed Directors elected. The Directors shall 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 established by the Directors and approved by an Ordinary Resolution from time to time, which policies shall be in accordance with the Companies Law, the Memorandum of Association, these Articles and the Applicable Public Company Rules. For so long as the Shares are listed on the GTSM, subject to the requirement of the competent securities authority in the ROC, such candidate nomination mechanism in compliance with Applicable Public Company Rules shall also be used for an election of Independent Directors.

91. If the number of Independent Directors elected pursuant to Article 87 is less than three persons due to the resignation or removal of any of the Independent Directors or any other reason, the Company shall hold an election of Independent Directors at the next following general meeting. If all of the Independent Directors are resigned or removed or vacated, the Board of Directors shall hold, within sixty days from the date of resignation or removal of last Independent Directors, an extraordinary general meeting to elect succeeding Independent Directors to fill the vacancies. If the Independent Directors domiciled in the ROC has resigned or has been removed or vacated which results in not at least one Independent Directors domiciled in the ROC, the Board of Directors shall hold, within sixty days from the date of resignation or removal of last retiring Independent Director domiciled in the ROC, an extraordinary general meeting to elect succeeding Independent Directors to fill the vacancies.
92. If the number of vacancies on the Board of Directors of the Company is less than one third of the total number of Directors elected due to any reason, the Company shall hold an election of Director(s) at the next following general meeting. When the number of vacancies on the Board of Directors of the Company equals to or is greater than one third of the total number of Directors elected, the Board of Directors shall hold, within sixty days, an extraordinary general meeting to elect succeeding Directors to fill in the vacancies.

Removal of Directors

93. The Company may from time to time by Supermajority Resolution remove any Director from office, whether or not appointing another in his stead. Where re-election of all Directors is effected by a resolution adopted at a general meeting prior to the expiration of the term of office of existing Directors, the term of office of all current Directors is deemed to have expired on the date of the re-election or any other date as otherwise resolved by the Members at the general meeting if the Members do not resolve that all current Directors will only retire at the expiration of their present term of office. Members present in person or by proxy,

representing more than one-half of the total issued shares shall constitute a quorum for any general meeting to re-elect all Directors.

94. Where a Director has, in the course of performing his/her duties, committed any act resulting in material damages to the Company or in serious violation of applicable laws, regulations and/or these Articles, but not removed by a Supermajority Resolution of a general meeting, the Member(s) holding 3% or more of the total number of outstanding Shares may, within 30 days after that general meeting, institute a lawsuit in the court for a judgment to remove such Director. The Taipei District Court, ROC, may be court for this matter.
- 94-1 To the extent permitted under the laws of the Cayman Islands, Members continuously holding 3% or more of the total number of outstanding Shares for a year or longer may file a petition with the Taipei District Court, ROC for and on behalf of the Company against any of the Directors.

Directors' Remuneration and Indemnity

95. The remuneration of the Directors may only be paid in cash. The amount of such remuneration is authorized to be decided by the Board of Directors by reference to the extent and value of the services provided for the management of the Company, the performance of the Company and the standard generally adopted by other enterprises in the same industry within the ROC and overseas, and shall be paid regardless whether the Company has profits or suffers losses. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board of Directors, any committee appointed by the Board of Directors, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally. A Director is also entitled to other remuneration as may be appropriate in accordance with the Companies Law, the Applicable Public Company Rules, the service agreement or other similar contract that he/she has entered into with the Company.
96. The Company may procure and/or renew insurance for the benefit of any Director or Officer against any liability incurred by him in his capacity as a Director or Officer or indemnifying the Company in respect of any loss caused by any negligence, default, breach of duty or breach of trust of the Director or Officer which would subject such Director or Officer to be held liable to the Company under applicable law.

Proxy of Director

97. Any Director may appoint another Director to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

Powers and Duties of Directors

98. Subject to the provisions of the Companies Law, these Articles, Applicable Public Company Rules and any resolutions made in a general meeting, the business of the Company shall be managed by the Board of Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. 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, be as valid as if every such person had been duly elected and qualified to be a Director as the case may be.
99. Subject to Article 98 hereof, the Board of Directors may:
- (a) from time to time appoint any person, whether or not a Director to hold such office in the Company as the Board of Directors may think necessary for the administration of the Company, including but not limited to the office of president, one or more vice-presidents, treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or participation in profits or partly in one way and partly in another), and with such powers and duties as the Board of Directors may think fit. Any person so appointed by the Board of Directors may be removed by the Board of Directors. The Board of Directors may also appoint one or more of their number to the office of managing director, upon like terms, but any such appointment shall ipso facto determine if any managing director ceases from any cause to be a Director, or if the Company by Special Resolution resolves that his tenure of office be terminated;
 - (b) appoint a Secretary (and if need be an assistant secretary or assistant secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant secretary so appointed by

the Board of Directors may be removed by the Board of Directors;
and

- (c) delegate any of their powers to committees consisting of such member or members of their body and/or any other person as they think fit; any committee so formed shall in the exercise of the powers so delegated and throughout any proceedings thereof conform to any directions that may be imposed on it by the Board of Directors.

Borrowing Powers of Directors

- 100. Subject to these Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, and property, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

Disqualification of Directors

- 101. The office of Director shall be vacated, if the Director:
 - (a) becomes bankrupt or makes any arrangement or composition with his creditors;
 - (b) is found to be or becomes of unsound mind;
 - (c) resigns his office by notice in writing to the Company;
 - (d) is removed from office by Supermajority Resolution;
 - (e) is the subject in an order made by any competent court or official on the grounds that he is or will be suffering from mental disorder or is otherwise incapable of managing his affairs, or his/her legal capacity is restricted according to the applicable laws;
 - (f) having committed an offence as specified in the ROC statute of prevention of organizational crimes and subsequently adjudicated guilty by a final judgment, and the time elapsed after he has served the full term of the sentence is less than five years;
 - (g) having committed an offence involving fraud, breach of trust or misappropriation and subsequently punished with imprisonment for a term of more than one year, and the time elapsed after he has served the full term of such sentence is less than two years;

- (h) having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two years; or
- (i) having been dishonored for use of credit instruments, and the term of such sanction has not expired yet.
- (j) in case a director of a company whose shares are issued to the public that has transferred, during the term of office as a director, more than one half of the company's shares being held by him/her at the time he/she is elected, he/she shall, ipso facto, be discharged from the office of director.

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

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

PROCEEDINGS OF DIRECTORS

MEETINGS OF THE BOARD OF DIRECTORS

102. The Board of Directors may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. A resolution put to the vote at a meeting of the Board of Directors shall be carried by the affirmative votes of a majority of the votes cast. Before the Shares are listed on the GTSM, at least five days' prior notice shall be given for any meeting of Board of Directors provided that in the case of urgent circumstances, a meeting of the Board of Directors may be convened on short notice, or be held any time after notice has been given to every Director or be convened without prior notice if all Directors agree. For so long as the Shares are listed on the GTSM, at least seven days' prior notice shall be given for any meeting of the Board of Directors provided that in

the case of urgent circumstances, a meeting of the Board of Directors may be convened on short notice, or be held any time after notice have been given to every Director or be convened without prior notice if all Directors agree.

103. A Director may, or the Secretary or any Officer on the requisition of a Director shall, summon a meeting of the Board of Directors in accordance with Article 102. Notice of a meeting of the Board of Directors shall be deemed to be duly given to a Director if it is sent to such Director in writing, by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form at such Director's last known address or any other address given by such Director to the Company for this purpose.
104. Directors may participate in any meeting of the Board of Directors by video conference or other communication facilities by means of which all persons participating in the meeting can see and communicate with each other at the same time, and participation in such a meeting shall constitute presence in person at such meeting.

Quorum at Meetings of the Board of Directors

105. The quorum necessary for the transaction of the business of the Directors shall be more than one-half of the Board of Directors. A Director represented by proxy at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present.
106. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for summoning a general meeting of the Company, but for no other purpose.

Conflict of Interest

107. A Director who has a personal interest, whether directly or indirectly, in the matter under discussion at a meeting of the Board of the Directors shall declare the nature and the essential contents of his interest at the relevant meeting of the Directors. A Director who has a personal interest in the matter under discussion at a meeting of the Directors, which may conflict with and impair the interest of the Company, 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.

108. A Director who does anything for himself or on behalf of another person that is within the scope of the Company's business shall declare the essential contents of such behaviour to the general meeting and be approved by Supermajority Resolution. Failure in obtaining such approval shall cause the Director being so interested be liable to account to the Company for any profit realised by any such behaviour if the general meeting so resolves by an Ordinary Resolution within one year from such behaviour.
109. Notwithstanding the preceding Articles, a Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
110. Subject to these Articles, any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
- 110-1 Without prejudice and subject to the general directors' duties that a Director owe to the Company and its shareholders under common law principals and the laws of the Cayman Islands, a Director shall perform his fiduciary duties of loyalty and due care of a good administrator in the course of conducting the Company's business, and shall indemnify the Company, to the maximum extent legally permissible, from any loss incurred or suffered by the Company arising from breach of his fiduciary duties. If a Director has made any profit for the benefit of himself or any third party as a result of any breach of his fiduciary duties, the Company shall, if so resolved by the Members by way of an Ordinary Resolution, take all such actions and steps as may be appropriate and to the maximum extent legally permissible to seek to recover such profit from such relevant Director. If a Director has, in the course of conducting the Company's business, violated any laws or regulations that causes the Company to become liable for any compensation or damages to any person, such Director shall become jointly and severally liable for such compensation or damages with the Company and if any reason such Director is not made jointly and severally liable with the Company, such Director shall indemnify the Company for any loss

incurred or suffered by the Company caused by a breach of duties by such Director. The Officers, in the course of performing their duties to the Company, shall assume such duties and obligations to indemnify the Company in the same manner as if they are Directors.

Chairman to Preside

111. The Directors shall, by a resolution, establish rules governing the procedure of meeting(s) of the Directors and report such rules to a general meeting, and such rules shall be in accordance with these Articles and the Applicable Public Company Rules.
112. A committee appointed by the Board of Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their number to be chairman of the meeting.
113. A committee appointed by the Board of Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority vote provided that a quorum of a majority of such members is present and in case of equal votes, the chairman of the meeting shall have no casting vote.

CORPORATE RECORD

Minutes

114. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:
 - (a) all appointments of officers made by the Board of Directors;
 - (b) the names of the Directors present at each meeting of the Board of Directors; and
 - (c) all resolutions and proceedings at all general meetings, meetings of the Board of Directors, and meetings of committees formed under Article 99 hereof.

DIVIDENDS, BONUS AND RESERVE

115. If the company shows a profit for a given year, one to 10 percent of the profit shall be appropriated as employee remuneration. No more than one percent of the profit shall be appropriated as directors' remuneration. However, if the company has accumulated losses, profits shall not be appropriated until the loss has been made up. Employee remuneration

shall be in the form of stock or cash. The subject for receiving the remuneration is set out by the Board of Directors or its authorized person(s). The allocation of employee and director remuneration shall be determined by a Board of Director resolution, where two-thirds or more of the directors are present, and at least half of those present agree to the resolution. Such Board resolution shall be reported at the shareholders meeting.

Unless the resolution needs to be ratified again at the shareholders meeting according to Article 69 (a), the company can adjust the distribution according to the distribution ratio detailed below. The proposal for the ratio shall be drafted by the Board of Directors and proposed at the shareholders meeting. The proposal must be approved via general resolution to be valid:

- (1). Tax payments;
- (2). Making up for previous losses;
- (3). Deposit 10% as a legal reserve (however, this does not apply if the accumulated legal reserve has reached the company's total capital); and
- (4). Where necessary, setting aside or reversing special reserve.

The Board of Directors shall make proposals for the allocation of the remaining profit (based on the amount after items one to four above have been deducted, and with the initial non-allocated profit added) and distribute the profit based on a shareholders meeting resolution.

Any remaining profit can be allocated as a dividend. The company is in the initial stages of industry development, and the corporate life cycle is in a positive growth stage. To respond to future operational expansion plans, and taking into account the dividend balance and shareholders' rights, the dividend shall be allocated to shareholders in the form of cash or newly issued stocks. This reflects shareholders 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 a combination of both cash and stock, or in the form of a bonus. The actual issuance ratio authorized by the Board of Directors is in accordance with the Company Act and other public company regulations. Finance, business, and management factors are considered before making the allocation. However, a dividend allocation shall not be less than 10% of the remaining profit, and the cash dividend shall not be less than 10% of the total available dividend amount.

116. The Directors may, before recommending distribution of any dividend or bonus, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the Directors be applicable for meeting contingencies, or for meeting the deficiencies for implementing dividend distribution plans or for any other purpose to which those funds may be properly applied and pending such application may in the absolute discretion of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also, without placing the same to reserve, carry forward any profit which they decide not to distribute.
117. Any dividend, interest or other monies payable in cash in respect of the shares may be paid by wire transfer to the Members or by cheque sent through the post to the registered address of the Member in the Register of Members.
118. In the case of joint holders of shares, any dividend, interest or other monies payable in cash in respect of the shares may be paid to the holder first named in the Register of Members, or to such person and to such address as the joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.
119. Subject to any rights and restrictions for the time being attached to any class or classes of shares, all dividends shall be declared and paid according to the amounts paid on the shares.
120. The Board may, subject to approval by the Members by way of Ordinary Resolution or, in the case of Article 69 (a), Supermajority Resolution and subject to these Articles and any direction of the Company in general meeting, declare a dividend to be paid to the Members in proportion to the number of shares held by them, and such dividend may be paid in cash, shares or, subject to Article 120-1, wholly or partly in specie. No unpaid distribution shall bear interest as against the Company.
- 120-1 Subject to the provisions of Article 120, the Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution, subject, however to obtaining the prior consent of any Member to whom it is proposed to make a distribution in specie and a valuation of the assets for distribution from the an ROC certified public accountant, prior to the Directors fixing the value of the assets for distribution. The Directors may make cash payments to some Members on the footing of the value so fixed in order to adjust the rights of Members. Without limiting the

foregoing generality, the Directors may vest any such specific assets in trustees on such terms as the Directors think fit and may issue fractional shares.

ACCOUNTS AND AUDIT

121. The Board of Directors shall cause proper books of account (including, business reports, financial statements and proposals for distribution of profits or losses) 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 of account 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. Such books of account shall be kept for at least five years from the date they are prepared.
122. The Board of Directors shall submit business reports, financial statements and proposals for distribution of profits or losses prepare by it for the purpose of annual general meeting of the Company for ratification by the Member as required by the Applicable Public Company Rules. After ratification by the annual general meeting, the Board of Directors shall distribute copies or make a public announcement of the ratified financial statements and the Company's resolutions on the allocation and distribution of profits or loss, to each Member.
123. For so long as the Shares are listed on the GTSM, the Board of Directors shall keep copies of the yearly business report and financial statements at the office of its Shareholders' Service Agent before ten (10) days of the annual general meeting and any of its Members is entitled to inspect such documents during normal business hours of such Agent.

CAPITALISATION

124. Subject to Article 69 (a), the Board of Directors may capitalize any sum outstanding to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve) 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 proportion to their shareholding by way of dividend in the form of new shares 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 Board of Directors shall do all acts and matters 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 interested Members 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.

SHARE PREMIUM ACCOUNT

125. The Board of Directors shall in accordance with Section 34 of the Companies Law establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share.
126. There shall be debited to any share premium account on the redemption or purchase of a share the difference between the nominal value of such share and the redemption or purchase price provided always that at the discretion of the Board of Directors such sum may be paid out of the profits of the Company or, if permitted by Section 37 of the Companies Law, out of capital.

AUDIT COMMITTEE

127. The Company shall establish an Audit Committee. The Audit Committee shall comprise solely of Independent Directors and the number of committee members shall not be less than three. One of the Audit Committee members shall be appointed as the convener to convene meetings of the Audit Committee from time to time and at least one of the Audit Committee members shall have accounting or financial expertise. A valid resolution of the Audit Committee requires approval of one-half or more of all its members.
128. 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 of or amendment to an internal control system;
 - (b) assessment of the effectiveness of the internal control system;
 - (c) adoption of or amendment to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others;
 - (d) any matter relating to the personal interest of the Directors;

- (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 discharge of a financial, accounting, or internal auditing officer;
- (j) approval of annual and semi-annual financial reports; and
- (k) any other matter so determined by the Company from time to time or required by any competent authority overseeing the Company.

With the exception of item (j), any other matter that has not been approved with the consent of one-half or more of all Audit Committee members may be undertaken upon the consent of two-thirds or more of the members of the Board of Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Directors meeting.

COMPENSATION COMMITTEE

129. The Board of Directors shall, in accordance with the Applicable Public Company Rules, establish a Compensation Committee comprised of at least three members, one of which shall be the Independent Director. The professional qualifications of the members of the Compensation Committee, the responsibilities, powers and other related matters of the Compensation Committee shall comply with the Applicable Public Company Rules. Upon the establishment of the Compensation Committee, the Board of Directors shall, by a resolution, adopt a charter for the Compensation Committee in accordance with these Articles and the Applicable Public Company Rules.
- 129-1 The compensation to be proposed by the Compensation Committee referred in the preceding Article shall include the compensation, stock options and other incentive payments payable to Directors and Officers of the Company.

TENDER OFFER

130. 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, the Board of 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:

- (a) The types and number of the shares held by the Directors and the Members holding more than 10% of the outstanding shares in their own names or in the names of other persons;
- (b) 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;
- (c) 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; and
- (d) 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 their own names or in the name of other persons.

NOTICES

131. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members, or to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic mail number or address such Members may have positively confirmed in writing for the purpose of such service of notices. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands as their representative in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
132. Any notice or other document, if served by (a) post, shall be deemed to have been served at the time when the letter containing the same is posted, or, (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient, (c) courier service, shall be deemed to have been served at the time when the letter containing the same is delivered to the courier service or (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail. In proving service by post or courier

service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

INFORMATION

133. The Board of Directors shall keep at the office of its Shareholders' Service Agent in the ROC copies of the Memorandum of Association, the Articles, the minutes of every meeting of the Members, the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder of the Company may request, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect and to make copies of the Memorandum of Association, the Articles and accounting books and records.

FINANCIAL YEAR

134. The financial year end of the Company shall be 31st December in each year but, subject to any direction of the Company in general meeting, the Board of Directors may from time to time prescribe some other period to be the financial year, provided that the Board of Directors may not without the sanction of an Ordinary Resolution prescribe or allow any financial year longer than twelve months.

WINDING UP

135. 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 Member 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. This Article is without prejudice to the rights of the holders of shares issued upon special terms and conditions.
136. If the Company shall be wound up the liquidator may, subject to Article 70, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as it deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, subject to Article 70, vest the

whole or any part of such assets in the trustees upon such trusts for the benefit of the contributories as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

AMENDMENT OF ARTICLES OF ASSOCIATION

137. Subject to the Companies Law and these Articles, the Company may at any time and from time to time by Special Resolution alter or amend these Articles and/or Memorandum of Association with respect to any objects, powers or other matters contained therein, in whole or in part.

REGISTRATION BY WAY OF CONTINUATION

138. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.
139. So long as the Shares are listed on the GTSM, the Company shall appoint a litigious and non-litigious agent pursuant to the Applicable Public Company Rules to act as the Company's responsible person in the ROC under the Securities and Exchange Law of the ROC. The Company's litigious and non-litigious agent shall be a natural person and have a residence or domicile in the ROC.



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1. Objectives:

These Regulations are duly enacted to assure a sound governance system for the Company's shareholders' meeting, wholesome superintendence functions and intensify managerial performance.

2. Scope:

These Regulations are applicable to the event where the Company convenes a shareholders' meeting.

3. Powers and responsibilities:

The shareholders' meeting shall be duly convened by the Financial & Accounting Department which shall take overall charge of affairs to convene shareholders' meeting.

4. Definitions:

Nil.

5. Contents of operation:

- 5.1 These Regulations are duly enacted in accordance with the Company's Articles of Incorporation and laws and ordinances concerned to assure a sound governance system for the Company's shareholders' meeting, wholesome superintendence functions and intensify managerial performance.
- 5.2 The Company shall duly convene meetings according to these Regulations unless otherwise prescribed in laws and ordinances concerned or the Articles of Incorporation.
- 5.3 The shareholders' meeting of the Company shall be duly convened by the Board of Directors unless otherwise prescribed in laws and ordinances concerned or the Articles of Incorporation.
- 5.4 The Company shall have the notices to shareholders' meetings, blank paper for proxies, issues to be acknowledged, to be discussed, issues for election or discharge of directors and other instruction papers produced into electronic files and promulgated through the Market Observation Post System (MOPS) thirty days in advance of a regular meeting of shareholders or fifteen days in advance of a temporary (extraordinary) meeting of shareholders. The Company shall further have the

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shareholders' meeting agenda books, supplementary data of the meeting produced into electronic files and submitted to the website(s) promulgated by the competent authorities of the government got readily available to shareholders and displayed at the Company and the Company's agent for stock affairs twenty-one days in advance of a regular meeting of shareholders or fifteen days in advance of a temporary (extraordinary) meeting of shareholders. Besides, the Company shall further make the shareholders' meeting agenda books, supplementary data of the meeting readily accessible to shareholders, displayed in the Company and its shareholder services agent as well as fifteen days in advance of the shareholders' meeting, and to be handed out on-the-spot of the shareholders' meeting.

- 5.5 Subject to consent by the counterparts, the notices and promulgation of the Company shall bear the subjects of the meeting and may be served by electronic means.
- 5.6 The major issues regarding election or discharge of directors, amendment of Articles of Incorporation, dissolution, merger, division or any matter under Article 185, paragraph 1 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act of the Company or other major issues which could not be suggested by means of occasional (extemporaneous) motions as regulated in the Articles of Incorporation shall be expressly enumerated in the subject issues of the meeting and shall not be suggested in the occasional (extemporaneous) motions process.
- 5.7 A shareholder who holds over 1% of the total issued shares of the Company may pose a suggestion in writing but only for one issue. An issue more than one covered in such suggestion shall not be covered into the agenda. In the event that an issue suggested by a shareholder which should not be entered as an issue as promulgated in the Articles of Incorporation, the Board of Directors shall not enter it as an issue for the meeting.
- 5.8 The Company shall promulgate the suggestion, the location and period to accept suggestions from shareholders before the date to suspend stock transfer prior to convening of a regular meeting of shareholders. The period to accept suggestions shall not be less than ten days in minimum.
- 5.9 An issue suggested by a shareholder shall not exceed the maximum of three hundred Chinese characters. An issue suggested by a shareholder exceeding three hundred Chinese characters shall not be entered as an issue. A shareholder who submits a suggestion shall attend the shareholders' meeting and participate in discussion of that issue either in person or through a proxy.

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- 5.10 The Company shall keep the suggesting shareholders informed of the results to accept or reject their suggestions prior to the date to serve notice for the meeting and shall have the accepted suggestions expressly entered into the notices to the meeting. On suggestions offered by shareholders which are not entered into the issues, the Board of Directors shall explain during the shareholders' meeting the reasons why they are not accepted.
- 5.11 The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any shareholder shall not invalidate the proceedings at that meeting.
- 5.12 A shareholder may, for each shareholders' meeting, issue the proxy (power of attorney) in the form printed and provided by the Company, expressly bearing the scope of the authorized powers to authorize a proxy to attend a shareholders' meeting on his or her behalf.
- 5.13 A shareholder may issue only one proxy (power of attorney) and may authorize only one proxy. The proxy (power of attorney) shall be submitted to the Company five days in advance of the meeting. In case of a duplication case of proxy, the proxy shall be accepted on the first come first served basis unless the preceding proxy received is declared withdrawn.
- 5.14 In the event that a shareholder intends to attend a shareholders' meeting in person after submitting his or her proxy (power of attorney) to the Company, he or she shall serve a notice to the Company in writing to withdraw the proxy two day preceding the date scheduled for the meeting. In the event that the withdrawal is overdue behind schedule, only the voting power balloted by the proxy shall be accepted.
- 5.15 The arena to convene a shareholders' meeting shall be, pursuant to the Company's Articles of Incorporation and subject to approval by the GreTai Securities Market (GTSM), in a location inside the territories of the Republic of China convenient to shareholders to attend the meeting. A shareholders' meeting shall start at a time not earlier than 9:00 a.m. or beyond 3:00 p.m.. The opinions of the independent directors shall be taken into adequate consideration regarding the time and location of the shareholders' meeting.
- 5.16 The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.



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

The Company shall provide a sign-in book wherewith the present shareholders or the proxies (powers of attorney) (hereinafter collectively referred to as shareholders) may sign in for presence. Or the shareholders present in person may submit sign-in cards instead of signing on the book.

- 5.17 The Company shall hand over to present shareholders the agenda book of the shareholders' meeting, annual report, participation certificates, statements of speech, voting ballots and other documents of the meeting, along with election ballots in the event that directors are to be elected in the shareholders' meeting.
- 5.18 Present shareholders shall attend a shareholders' meeting based on their participation certificates, participation sign-in cards or other presence certificate(s). The Company shall not ask shareholders to show any other certificates. A shareholder who solicits a proxy (power of attorney) shall also get ready identity certificate ready for verification.
- 5.19 In case a government or judicial (corporate) person is a shareholder, the representative(s) thereof shall not be limited to one person. When a juristic (corporate) person is authorized to be a proxy to attend a shareholders' meeting, it may appoint only one representative to attend the meeting.
- 5.20 In the event that a shareholders' meeting is convened by the Board of Directors, such shareholders' meeting shall be chaired by the Chairman. In the Chairman's absence or unavailability to exercise his responsibilities and powers, the Vice Chairman shall act in place. If the Company has no Vice Chairman or if the Vice Chairman is unavailable to perform the duties as well, the Chairman shall, in advance, appoint a director to act in his place. In absence of such appointment by the Chairman, one director shall be elected from among themselves to act in the place.

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



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that serves as chair.

- 5.21 A shareholders' meeting convened by the Board of Directors, Chairman shall be chaired, and it is advisable that attended by a majority of the total director seats of the Board of Directors and at least one seat of the Audit Committee being attended, and any other function committee member being attended. Such situation of attendant shall be recorded on the meeting minutes.
- 5.22 In the event that a shareholders' meeting is convened by the convener beyond the Board of Directors, the shareholders' meeting shall be chaired by that convener. In case of two or more conveners, one among the conveners shall be elected from among themselves to chair the meeting.
- 5.23 The Company may appoint the retained Attorney(s)-at-Law, Certified Public Accountant(s) or other people concerned to attend the shareholders' meeting as an observer.
- 5.24 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 pursuant to the Articles of Incorporation or the Company Act, the recording shall be retained until the conclusion of the litigation.
- 5.25 The presence by shareholders in a shareholders' meeting shall be calculated on the grounds of the number of shares represented by the present shareholders. The number of shares represented by the present shareholders shall be calculated based on the sign-in book or the submitted presence cards added with the number of shares represented by the voting powers exercised in electronic means.
- 5.26 The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairperson 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 half of the total number of issued shares, the chair shall declare the meeting adjourned. In the event that the shareholders' meeting is indispensable, the Company shall convene a shareholders' meeting in accordance with

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the Articles of Incorporation.

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 regulations; all shareholders shall be notified of the tentative resolution and 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.

- 5.27 In the event that a shareholders' meeting is convened by the Board of Directors, the agenda shall be fixed by the Board of Directors. The shareholders' meeting shall be duly held based on the scheduled agenda which shall not be changed unless resolved by the shareholders' meeting.
- 5.28 In the event that a shareholders' meeting is convened by a person beyond the Board of Director, the provision set forth in the preceding paragraph is applicable *mutatis mutandis* to the process.
- 5.29 The chairperson shall not promulgate adjournment of the meeting until the issues arranged in the agenda mentioned in the two preceding paragraphs (including occasional (extemporaneous) motions). In the event that the chairperson violates the regulations of the shareholders' meeting by promulgating adjournment of the meeting unlawfully, other members of the Board of Directors shall promptly help the present shareholders elect another person by a majority vote of the voting powers held by the present shareholders as the new chairperson to continue the meeting process.
- 5.30 Where a shareholder proposes an amendment or occasional (extemporaneous) motions, the chairperson shall grant him or her opportunities for adequate explanation and discussion. When the issue is deemed to be up to the extent for balloting, the chairperson may promulgate discontinuance of discussion to start balloting for decision.
- 5.31 A present shareholder who intends to speak out shall fill out the floor note, expressly indicating highlights of the speech, shareholder account number (or participation certificate code) and name of the shareholder. The chairperson shall fix the order of speech floor.
- 5.32 A shareholder who fails to speak up after having given the floor note is deemed as having not

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spoken out. In case of a discrepancy between the contents of actual speech and the entry on the floor, the contents of actual speech shall be acknowledged.

- 5.33 Each shareholder shall not speak for a same issue twice, or over five minutes each time unless agreed upon by the chairperson. In the event that a shareholder speaks against requirements or goes beyond the scope of the subject issue, nevertheless, the chairperson may stop his or her speech.
- 5.34 While a present shareholder speaks up, other shareholders shall not speak to interfere with the speech unless agreed upon by the chairperson or the speaking shareholder. Otherwise the chairperson shall stop such interfering speech.
- 5.35 Where a juristic (corporate) person shareholder assigns two or more representatives to attend a shareholders' meeting, only one among them shall be appointed to speak up for a same issue.
- 5.36 After a present shareholder completes speech, the chairperson may reply in person or through a designee.
- 5.37 A decision in a shareholders' meeting shall be resolved based on the number of the represented shares.
- 5.38 In the resolving process in a shareholders' meeting, the number of shares held by shareholders who are not entitled to vote shall not be counted.
- 5.39 On an issue discussed in a shareholders' meeting, a shareholder who is likely to get involved in conflict of interests shall not participate in the voting process, nor shall he or she vote as a proxy for another shareholder.
- 5.40 The aforementioned number of shares not entitled to the voting power shall not be counted into the number of votes of present shareholders.
- 5.41 Except for the chairman being deemed appointed of a general meeting as proxy under Article 5.43 or prescribed in the Company's Articles of Incorporation, when a person is authorized by two or more shareholders simultaneously, his or her voting power shall not exceed 3% of the number of

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total issued shares of the Company as the voting powers. The voting power in excess, if any, shall be discarded.

- 5.42 Each share hereof is entitled to one voting power unless otherwise prescribed in the Company's Articles of Incorporation.
- 5.43 While a shareholders' meeting is convened by the Company, voting powers may be exercised in writing or by electronic means. In the event that the voting power is exercised in writing or by electronic means, the method of voting power shall be expressly entered into the notices to the shareholders' meeting. A shareholder who exercises voting power in writing or by electronic shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his shares at the general meeting only in the manner directed by his written instrument or electric document. On the occasional (extemporaneous) motions or amendment of the initial issue, nevertheless, such shareholder who exercises voting power in writing or by electronic means is deemed to have abstained.
- 5.44 A shareholder who exercises voting power in writing or by electronic means as mentioned in the preceding paragraph shall have his or her intent expressed in writing to the Company two days prior to the date scheduled for the meeting. In case of duplication in expression of the intent, it shall be managed on the first come first served basis unless the preceding expression is declared withdrawn.
- 5.45 In the event that a shareholder intends to participate in the shareholders' meeting in person after having exercised voting power in writing or by electronic means, he or she shall withdraw the expression of the intent in a means same as the exercise of voting power in writing or by electronic means at least on two days preceding the date scheduled for the shareholders' meeting. In case of an overdue withdrawal, the voting power in writing or by electronic means shall govern. In the event that a shareholder who exercises voting power in writing or by electronic means and, meanwhile, authorizes a proxy with proxy (power of attorney) to attend the meeting, the voting power exercised by the proxy shall be acknowledged.
- 5.46 Unless otherwise provided for in the Company Act and Company's Articles of Incorporation, decisions in the shareholders' meeting shall be resolved by a majority vote of the present shareholders in the meeting. During the voting process, the chairperson or his or her designee

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shall announce the total number of balloting powers represented by the present shareholders and voting by each case. After the meeting, key in the results of agree, disagree and waived on the MOPS.

- 5.47 An issue is deemed to have been duly resolved if no objection is heard in response to inquiry by the chairperson toward all present shareholders. The decision so solved is equally valid as a decision duly resolved through balloting process. A shareholder who objects such a decision shall duly vote through balloting in accordance with the preceding paragraph. Other than those issues already entered into the agenda, other issues or an amendment or a substitution posed by a shareholder shall be duly seconded before being discussed.
- 5.48 Where a same issue is accompanied by an amendment or a substitution, the chairperson shall consolidate that issue into the initial issue to fix the subsequence of balloting. When one of such issues is resolved, other issues are deemed to have been vetoed. No voting process is required.
- 5.49 The personnel to monitor and to tally ballots shall be designated by the chairperson. The monitor shall come out among shareholders.
- 5.50 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.
- 5.51 In the event that director(s) is(are) elected in a shareholders' meeting, the election shall be duly handled in accordance with the election regulations enacted by the Company. The election outcome shall be announced on-the-spot, including the names of those elected as directors and the numbers of votes with which they were elected.
- 5.52 The election ballots for election mentioned in the preceding paragraph shall be duly signed and tightly sealed up by the monitor before being put into careful custody and shall be archived for a minimum of one year, but shall be archived till the litigation is concluded in the event that a shareholder lodges litigation to withdraw the decision in accordance with the Company's Articles of Incorporation.

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- 5.53 Minutes of shareholders' meeting shall be duly worked out, duly signed and affixed seal by the chairperson and shall be served to all shareholders within twenty days after the meeting. The minutes may be worked out and handed out in electronic means.
- 5.54 Minutes of shareholders' meeting could be key in to Market Observation Post System (MOPS) for issuing.
- 5.55 Minutes of shareholders' meeting shall bear the month, date, year, place of the meeting, the chairperson's name, the method of resolution, the progress and highlights of the meeting and shall be archived in the Company throughout the period while the Company exists.
- 5.56 Regarding the method of resolution mentioned in the preceding paragraph, in the event that a decision is resolved without an objection in response to inquiry by the chairperson toward all present shareholders, the minutes shall expressly remark "The issue is unanimously resolved by all shareholders present in the meeting without an objection in response to inquiry by the chairperson toward all present shareholders". If using the method of balloting, the minutes shall expressly remark the method of balloting, the number of voting powers and ratio of the voting power.
- 5.57 On the number of shares solicited by a shareholder and the number of shares represented by proxies, the Company shall, on the very day when the shareholders' meeting is convened, duly work out the statistical table based on the specified format and expressly disclose at the site of the shareholders' meeting.
- 5.58 In the event that the decisions resolved involve major messages promulgated by law, the Company shall have the contents of such decisions transferred to the website designated by the competent authorities of the government.
- 5.59 The staff in charge of shareholders' meeting shall bear identity certificates or an arm-band.
- 5.60 The chairperson may direct the discipline guards or security guards to help maintain a sound order of the shareholders' meeting. The discipline officers or security guards shall, while maintaining the order of the meeting, wear identity certificates or arm-bands reading "discipline officers".
- 5.61 In the event that loudspeaker equipment is provided for the shareholders' meeting site, the

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chairperson shall stop anyone who speaks up not with the equipment provided by the Company.

- 5.62 In the event that a shareholder violates the regulations of the meeting and defies regulation by the chairperson, or obstructs the progress of the meeting and defies correcting order, the chairperson may order the discipline officers or security guards to dispel such shareholder out of the shareholders' meeting site.
- 5.63 During progress of a shareholders' meeting, the chairperson may fix a time as appropriate for a recess. Upon occurrence of *force majeure*, the chairperson may order temporary suspension of the meeting and announce the time to resume the meeting as the actual situations may justify.
- 5.64 In the event that the site for the shareholders' meeting cannot be continually used until the scheduled issues (including occasional (extemporaneous) motions) are concluded, the meeting may be relocated elsewhere as appropriate to continue the process of the shareholders' meeting as resolved in the shareholders' meeting.
- 5.65 A shareholders' meeting may be deferred or resumed within five days after adjournment of the meeting announced by the chairperson in accordance with the Company's Articles of Incorporation.
- 5.66 These Regulations Governing Shareholders' Meeting and amendment hereof shall be enforcement after approved by the shareholders' meeting.

6. References:

Nil.

7. Forms concerned:

Nil.

8. Appendices:

- 8.1 Contents of inspection

Operating vouchers

1. Sign-in book of shareholders.



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2. Minutes of shareholders' meeting.

2017 Employee Stock Warrants Issuance and Management Regulations

Article 1 Purpose of the issue:

In order to attract and retain the talents needed for the company's development, and to motivate employees, enhance employee cohesiveness and sense of belonging to the company, in order to jointly create the interests of the company and shareholders. In accordance with Article 28 paragraph 3 of the Securities and Exchange Act, the relevant provisions of the “Regulations Governing the Offering and Issuance of Securities by Foreign Issuers”, and “Chapter IV of the Regulations Governing the Offering and Issuance of Securities” issued by the Financial Supervisory Commission, the company’s employee stock warrants are adopted for the issuance and subscription of shares.

Situation in which shareholder’s position may be diluted: The employee stock warrant issued by the company can subscribe for 10,500,000 shares of the company's common stock, and its possible dilution ratio to the original common shareholder's equity is 5%.

Impact on shareholders' equity: Two years after the employee's stock warrant is awarded, the conversion may be performed on 50% of the number of the employee's stock warrant awarded; three years after the employee stock warrant is awarded, the conversion can be performed on 100% of the number of employee stock warrants. Therefore, the dilution effect is still limited.

Article 2 Issuing period:

The employee stock warrants shall be issued once or in installments according to actual needs within one year from the date of notification on the effective registration from the competent authority, and the actual issue date shall be determined by the chairman.

Article 3 Qualifications and conditions for eligible employee for stock warrants:

1. Qualifications and conditions for eligible employee for stock warrants: The company and subsidiaries that the company directly or indirectly holds more than 50% shares. Full-time employees are limited to the full-time staff of the company and domestic and foreign subsidiaries arrived before the actual issue date.
2. Number of shares to be subscribed: The qualified employees and the number of shares they receive will include, but is not limited to work experience, seniority, rank,

job performance and overall contribution or special merits, and take into account the company's operational needs and business. Factors such as the development strategy and guidelines are approved by the chairman and submitted to the board of directors. Only managerial employees or directors with employee status should be first agreed by the Remuneration Committee.

3. When the Company issues the employee stock warrants under Article 56-1, paragraph 1, the cumulative number of shares subscribable by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new restricted employee shares obtained by the single warrant holder, may not exceed 0.3 percent of the issuer's total issued shares. And the above in combination with the cumulative number of shares subscribable by the single warrant holder of employee stock warrants issued by an issuer under Article 56, paragraph 1, may not exceed 1 percent of the issuer's total issued shares.

Article 4 Employee stock warrant issued by the company:

The total number of issued employee stock warrants was 10,500,000 units.

Article 5 Number of shares that can be subscribed for each unit of employee stock warrant:

Each unit of stock warrant can subscribe for ordinary shares.

Article 6 Total number of new shares to be issued due to the exercise of share options:

The number of common shares of the company that can be subscribed for per unit of stock options is one share, and the total number of new shares to be issued due to the exercise of the share options is 10,500,000 shares.

Article 7 Conditions of stock warrants:

1. Subscription price: On the date of issuance of the employee stock warrant, the subscription price shall not be lower than the closing price of the ordinary shares of the company.

2. Exercise period:

(1) **Duration:** The duration of the employee's stock warrant is ten years from the date of issuance of the stock warrant. During this period, it may not be transferred, pledged, gifted to others, or otherwise divided, but the successors are not subject to this restriction. After the duration period, the unexecuted employee

stock warrants are deemed to be waived, and the rights to subscribe can no longer be claimed.

(2) After two years from the date of issue, the stock warrants may be exercised in the following time period.

<u>Time period for exercising</u> <u>stock warrants</u>	<u>Accumulated subscribable</u> <u>share ratio (%)</u>
Two years after issue date	50%
Two years after issue date	100%

(3) **Types of subscription shares:** Common shares of the company.

(4) After the shareholder of the company has the right to exercise the stock warrant, if it violates the labor contract, the contract of appointment, the work rules and other major negligence or statutes, or fails to reach the overall performance target. The company has the right to withdraw and cancel stock warrants that are not allowed to exercise rights and stock warrants that are allowed but have not yet exercise their rights.

(5) If the shareholder resigns for any reason, during the period of the employee's stock warrant, it shall be handled as follows:

1. Voluntary resignation: including voluntary resignation, termination of employment contract and severance by the company.

When the employee stock warrants that is subscribable, the time period to subscribe for shares is within 30 days from the date of resignation (but not over the duration of the stock warrants). If subscription is not allowed, the warrant exercise period can be postponed for the number of days that subscription is not allowed. For those who have not exercised their rights during the preceding period are deemed to have waived their rights to subscribe. The employee stock warrant with no subscription right expires on the date of the shareholder's resignation (deemed to be waived), and the company has the right to withdraw and cancel the stock warrant.

2. Dismissal:

If the shareholder is dismissed by the company if he violates the labor contract or the work rules, the right to subscribe shall be deemed to be waived.

3. Leave without pay:

When the shareholder who has been approved by the company of leave without pay, if an employee stock warrant is subscribable, the shareholder will have the right to subscribe for shares within the duration period in which stock warrants are valid. If the shareholder fails to exercise the stock warrant during the period in which the stock warrant is valid due to his leave without pay, the stock warrant is deemed to be waived.

If subscription is not allowed, it will be restored after the first day of reinstatement. The warrant exercise period can be postponed for the number of days of leave without pay, but is only valid within the duration period.

4. Retirement:

If an employee stock warrant is subscribable, when the company's shareholder retires, the shareholder will have the right to subscribe for shares within the duration period in which stock warrants are valid. However, in the event of a breach of the non-compete agreements, the company has the right to withdraw and cancel the subscribable stock warrants. Those who have not exercised their rights during this period are deemed to have waived their rights to subscribe. A stock warrant that is not subscribable, its right to subscribe is deemed to be waived on the date of retirement.

5. General death:

The employee stock warrant that is subscribable shall be exercised by the successor within one year from the date of death of the shareholder. Those who have not subscribed during this period are deemed to have waived their rights to subscribe. An employee stock warrant that is not subscribable loses all rights and obligations on the date of death of the shareholder.

Those who are entitled to exercise the warrants of this stock option due to legal succession shall, after the fact has occurred, complete the legal requirements in accordance with the relevant regulations of the shareholder's country and the relevant provisions of the "Regulations Governing the Administration of Shareholder Services of Public Companies". The procedures and the provision of relevant supporting documents are required to apply for inheriting the subscription rights of the stock warrant, but any application and subscription process may not exceed the valid duration period of the stock warrants.

6. Occupational accidents:

A: For those who cannot continue to serve due to occupational accidents:

If the employee is unable to continue to serve due to a physical disability caused by an occupational accident, the stock warrants that are subscribable may be entitled to exercise the rights to subscribe for shares during the period in which the stock warrants are valid. The stock warrants that is not

subscription rights are still subject to the limitation of the proportion of the subscription of the time limit of the second paragraph of this Article, and are exercised during the period in which stock warrants are valid.

B: For those who died due to occupational accidents:

At the time of death, the successors may exercise all of the rights of stock warrants to subscribe, and is not subject to the aforementioned rate to exercise stock warrants, but shall only exercise stock warrants two years after the issuing date. However, the stock warrants shall be subscribed within one year from the date of death or from two years after the issuing date (the posterior date), if they have not exercised their rights during this period, the subscription rights are deemed to be waived.

7. Transfers:

If the shareholder is transferred to a subsidiary or affiliated company, the employee stock warrant shall be handled in the same manner as voluntary resignation or the relevant provisions of the labor standards act. However, due to the operation of the company, for the employees who have been transferred to the company's subsidiaries, or affiliated company employees, or other companies invested by the company, employee stock warrants will not be affected by the transfer.

8. Other termination of labor contract:

In addition to the above reasons, if the labor contractual relationship between the company and the shareholder is terminated or changed due to other unconstrained reasons, the authorization may be individually adopted or adjusted by the Chairman according to the actual situation. Verify whether the right of its stock warrants is extinguished, and if not, it must be exercised.

9. If the shareholder or the successor fails to exercise within the effective duration period of this warrant, it shall be deemed to have waived the right to subscribe.

Article 8: Method of performance: The company shall deliver the new shares by means of no book-entry operations; and in accordance with the provisions of Article 161 paragraph 1 of the Company Act, the shares shall be issued before registering the shares.

Article 9 Adjustment of the subscription price:

1. After the issuance of the warrants, in addition to the issuance of ordinary shares of various securities with common stock conversion rights or stock options issued by the company, or the issuance of new shares due to employee

compensation, when there is a change in common shares of the company (That is to handle cash capital increase, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, company merger, company splits, stock splits, acquisition of the shares of another company and processing of cash capital to participate in the issuance of overseas depositary receipts, etc.), the subscription price is adjusted according to the following formula (New Taiwan dollars is round off to the nearest dime). However, if the adjustment of the subscription price may adversely affect the subscribers' tax burden, the company does not assume any responsibility for the stockholder adjustment of the subscription price adjustment.

Adjusted stock price = pre-adjusted stock price X [number of issued shares + (amount of contributions per share X new shares issued) / price per share] / (number of issued shares + number of new shares issued)

- A. The number of issued shares refers to the total number of issued common shares (including private shares), and should be deducted from the number of treasury shares that the company has bought but has not been cancelled or transferred.
 - B. If the amount of payment per share is a bonus share or share split, the amount of payment is zero.
 - C. If the adjusted stock price is higher than the pre-adjusted stock price, it does not need to be adjusted.
 - D. When merging with another company or acquisition of the shares of another company to issue new shares, the amount for each new share is the average closing price of the company's common shares 30 days before the date of merger or acquisition of the shares of another company.
 - E. The above-mentioned price per share shall be determined by the average of the common stock closing price which is calculated on 1, 3 or 5 business days before the ex-right date, the bid date or the stock split excise date.
2. After the issuance of the warrants, if the ratio of the cash dividends paid by the company to the current price per share exceeds 1.5%, the subscription price shall be adjusted according to the following formula (New Taiwan dollars is round off to the nearest dime):

Adjusted subscription price = pre-adjusted subscription price × (1 - the ratio of the issuance of common stock cash dividends to the current price per share)

The above-mentioned price per share shall be determined based on the simple arithmetic average of the closing price of the common shares of the company

on 1, 3 or 5 business days before the announcement of the cash dividend book closure.

3. After the issuance of the stock warrants, in the event of a decrease in the amount of shares due to the cancellation of the treasury shares, the adjusted share price shall be calculated according to the following formula: (New Taiwan dollars is round off to the nearest dime).
 - A. Capital reduction to make up for loss
Adjusted stock price = pre-adjusted stock price × (the number of shares issued before the capital reduction / the number of shares issued after the capital reduction)
 - B. Cash capital reduction
Adjusted stock price = (pre-adjusted stock price – cash refund per share) × Number of shares issued before cash capital reduction / number of shares issued after cash capital reduction)
 - C. The number of issued shares refers to the total number of issued common shares (including private shares), and should be deducted from the number of treasury shares that the company bought back but has not cancelled or transferred.

Article 10 Procedures for the exercise of stock warrants:

1. The employee stock warrant delivered by the company is not allowed to subscribe during the following period of the year. For the rest of the year, employee stock warrant may be subscribed according to subscription regulations, and stock subscription request to the company's stock agency must be filled in to apply for share subscription.
 - A. From the date of book closure to the date of the shareholders' meeting.
 - B. The period from 15 business days before the company negotiate with the Taipei Exchange to stop the transfer of the unpaid shares, to transfer the cash dividends, or for the cash capital increase, to the date of the distribution of rights.
 - C. From the date of the capital reduction to the day before the trading day of the capital reduction and re-issuance of shares.
 - D. Other book closures transfer in accordance with the day of occurrence.
2. After accepting the request for stock warrant subscription, the stock agent of the company shall notify the shareholder to make a payment to the designated bank, and the shareholder shall not cancel the subscription payment once it has already been made.

3. After the payment of shares, the company's stock agency will post the name of the employee and the number of shares subscribed to the shareholder's book, and settlement of the company's common stock is made within 5 business days.
4. The newly issued common shares of the company shall be traded at the Taipei Exchange from the date of delivery.
5. The Company issues new shares to the shareholder in accordance with related measures. In accordance with relevant laws and regulations, the company applies to the competent authority for recognition and changes in the capital of subscription shares.

Article 11 Rights and obligations after subscription:

The new shares issued by the exercise of stock warrants have the same rights and obligations as the original issued common shares.

Article 12 Detailed rules for implementation:

Relevant operating procedures for issuing the number of stock warrants, the subscription of the stock warrants and the payment will be notified by the organizer of the company to the stockholders.

Article 13 These measures shall be attended by more than two-thirds of the board of directors and agreed by more than one-half of the attended directors, and shall be executed after being declared effective to the competent authority. In the process of review by the competent authority, if the method is to be amended due to requirements of the competent authority, the chairman shall be authorized to make amendments first, and then ratified by the board of directors before issuance is made.

Article 14 For any outstanding issues, they shall be handled in accordance with the relevant laws and regulations.



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Revise History				
Version	Owner	Review	Release Date	Release Explain
A	Shing-Fang Tsai	Sheng-Shih Chang	110627	First Release
B	Shing-Fang Tsai	Sheng-Shih Chang	130416	In accordance with the amendment of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the competent authority in July 6, 2012
C	Yu-Wen Chen	Shing-Fang Tsai	140623	In accordance with practical needs of the company
D	Kun-Jung Wu	An-Bang Huang	170505	In accordance with practical needs of the company



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1. Purpose:

The regulations are formulated in order to meet the business operations of the company and comply with the relevant laws and regulations of the competent authority.

2. Scope:

The company shall comply with the regulations when making loans to others; provided that where another act or regulation provides otherwise, the provisions of such act shall prevail.

3. Authorities and responsibilities:

The regulations are formulated and revised by the accounting unit in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

4. Definition:

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

4.2 “Date of occurrence” in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier..

4.3 Where the company’s financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5. Operating procedures:

5.1 Entities to which the company may loan funds:

- (1) Where the business transaction of a company or firm calls for a loan arrangement.
- (2) Where the short-term financing facility is necessary for a company or firm (Only limited to subsidiaries in which the company directly and indirectly holds more than 50 percent of the voting shares.)

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



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5.2 The aggregate amount of loans and the maximum amount permitted to a single borrower:

- (1) The total financing amount shall not exceed 40 percent of the lender's net worth.
- (2) Where the business transaction of a company or firm calls for a loan arrangement, the amount of a loan shall not exceed the total amount of trading within 12 months before the loan arrangement, and shall not exceed 40 percent of the lender's net worth. The so-called "total amount of trading" refers to the highest amount of purchase or sales between the two parties.
- (3) Where the short-term financing facility is necessary for a company or firm (Only limited to subsidiaries in which the company directly and indirectly holds more than 50 percent of the voting shares.), the amount of a loan shall not exceed 40 percent of the company's net worth.
- (4) The restriction not exceed 40 percent of the lender's net worth shall not apply to inter-company loans of funds between foreign companies in which the company holds, directly or indirectly, 100% of the voting shares. However, the provisions of 5.2 and 5.3.4 concerning the setting of the amount limits and the durations of loans shall still apply.

5.3 Operating procedures for the loaning of funds:

5.3.1 Review:

- (1) When the borrower applies for a loan from the company, an application form shall be provided detailing the amount, the date, the purpose and the situation of the guarantee. The basic and financial information is also needed for the company to review the borrower's credit status.
- (2) According to the information obtained in the preceding paragraph, the following shall be reviewed by the accounting unit and results shall be recorded in the "Application form for the loaning of funds":
 1. Necessity of and reasonableness of extending loans to others.
 2. The borrower's credit status and risk assessment.
 3. The impact on the company's business operations, financial condition, and shareholders' equity.
 4. Whether collateral must be obtained and appraisal of the value thereof.

5.3.2 Preservation: When the borrower applies for a loan from the company according to the regulations of 5.3.1, except for the subsidy in which the company directly and indirectly holds more than 50 percent of the voting shares. An equal amount of promissory notes, collateral and other guarantees required by the company shall be provided. Other collaterals shall be subject to pledge and/or mortgage establishment procedures to ensure the company's claims.



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5.3.3 The scope of power:

- (1) Before loaning funds to others, the company shall carefully evaluate whether the loan is in compliance with the regulations. The company may loan to others only after the evaluation results under 5.3.1 have been submitted to and resolved upon by the board of directors.
- (2) Loans of funds between the company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors, and the chairman may be authorized to give loans in installments within a period not exceeding one year. The authorized limit on loans shall not exceed 10% of the net worth on the most current financial statements of the lending company.

5.3.4 Duration of loans and calculation of interest: Except under business transactions, the duration of loans shall not exceed one year. The interest rate shall not be lower than the maximum interest rate of the company's short-term borrowings from financial institutions at the time loan, and shall be calculated on a monthly basis. In case of special circumstances, it may be adjusted according to actual needs after approval by the chairman of the board.

5.3.5 When the company loans funds to others, it shall complete the “fund transfer order” according to the “Application form for the loaning of funds” approved by the competent authority, and execute it after the approval by the supervisor, and it shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters that are carefully evaluated.

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

- (1) After the loan is released, it should always pay attention to the financial security and relevant credit status, etc. of the borrower and the guarantee. If there is any collateral, then it should pay attention to the change of the value, notify the chairman immediately, and handle according to the chairman's instructions.
- (2) When the borrower repays the loan on expiration date or in advance, it shall first calculate the interest, paid together with the principal, and then cancel the promissory loan or cancel the mortgage.
- (3) When the loan expires, the borrower shall pay off the principal and interest. If the payment is due and the application is delayed, it must be submitted in advance to the board of directors for approval. If the



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regulations are violated, the company shall punish and recover from the collateral or guarantor in accordance with the law.

5.4 Precautions for the loaning of funds:

- (1) After the company has set up the audit committee according to the provisions of the regulations, major capital loans shall be approved by more than one-half of all members of the audit committee, and the resolution to the board of directors shall be submitted. If no more than one-half of the consent of the audit committee members is obtained, it may be approved by more than two-thirds of the directors and the resolutions of the audit committee should be stated at the board meeting. All members of the audit committee and all the alleged directors are counted as actual incumbents.
- (2) Where the company has established the position of independent director, when it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.
- (3) The company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found.
- (4) If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these regulations or the loan balance exceeds the limit, the company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan.

5.5 Procedures for controlling and managing loans of funds to others by subsidiaries:

- (1) Where a subsidiary of the company intends to make loans to others, it shall formulate its own operational procedures for loaning funds to others in compliance with the regulations, and it shall comply with the procedures when loaning funds.
- (2) Subsidiaries shall provide relevant information to the company before the funds are loaned to others, and submit to the company's board of directors for a resolution and be approved by the board of directors.
- (3) After the loan is released, the subsidiary shall regularly report the follow-up of the loan and the amount



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to the company.

5.6 Information Disclosure

- (1) The company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
- (2) The company with loans of funds reaching one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (2.1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth as stated in its latest financial statement.
 - (2.2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth as stated in its latest financial statement.
 - (2.3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the company's net worth as stated in its latest financial statement.
- (3) The company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to 5.6(2).
- (4) The company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

5.7 Penalties: Managers or personnel in charge shall be penalized when they are in violation of these regulations or of the company's Operational Procedures for the Loaning of Funds.

5.8 Supplements: Matters not covered in these provisions shall be handled in accordance with the relevant laws and regulations.

5.9 Implementation and revision:

5.9.1 This approval procedure shall be implemented after operating by the board of directors, and submit to the approval by the shareholders' meeting; where any director expresses dissent and it is contained in the

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minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the procedures.

5.9.2 When the company has established the position of independent director, the Operational Procedures for the Loaning of Funds shall be submitted for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

5.9.3 If an audit committee is set up by the company in accordance with the Articles of Association, and the formulation or amendment of this regulation shall be approved by more than one-half of all members of the Audit Committee and shall provide resolutions of the Board of Directors.

5.9.4 If no more than one-half of the consent of the audit committee members is obtained, it may be approved by more than two-thirds of the directors and the resolutions of the audit committee should be stated at the board meeting.

5.9.5 All members of the audit committee and all the alleged directors in 5.9.3 are counted as actual incumbents.

6. References:

6.1 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

7. Related forms:

7.1 Memorandum book for fund-loaning activities.

7.2 Application form for the loaning of funds

7.3 Fund transfer order

8. Attachment:

8.1 Check content.

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Attachment 1

Certificates:

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1. Memorandum book for fund-loaning activities.
2. Application form for the loaning of funds.
3. Fund transfer order.

Notes:

1. None.



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Revise History				
Version	Owner	Review	Release Date	Release Explain
A	Tsai Hsing-fang	Chang Sheng-shih	110637	First Release
B	Tsai Hsing-fang	Chang Sheng-shih	130416	In order to comply with the FSC revised 「Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies」 dated July 6, 2012
C	Chen Yu Wen	Tsai Hsing-fang	140623	In order to conform to the needs of commercial practice
D	Wu Ching-chen	Huang An-pang	150612	In order to conform to the needs of commercial practice



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1. Objectives:

These Regulations are duly enacted in an attempt to safeguard shareholders' interests, assure sound and wholesome endorsements/guarantees related financial management so as to minimize business operation risks.

2. Scope:

Unless otherwise prescribed in laws and ordinances concerned, these Regulations are applicable to all practices of the Company in external endorsements/guarantees.

3. Powers and responsibilities:

These Regulations are duly enacted and amended by the Financial and Accounting Department exactly in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".

4. Definitions:

- 4.1 "Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.2 "Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.
- 4.3 Where a public company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5. Contents of operation:



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- 5.1 The term “endorsements/guarantees” as set forth herein denotes the following business operation:
- 5.1.1 Financing endorsements/guarantees, including:
- (1) Bill discount financing.
 - (2) Endorsement or guarantee made to meet the financing needs of another company.
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
- 5.1.2 Customs duty endorsement/guarantee: An endorsement or guarantee for the company itself or another company with respect to customs duty matters.
- 5.1.3 Other endorsements/guarantees: Endorsements or guarantees beyond the scope of the above two subparagraphs. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.
- 5.2 The Company may grant endorsements/guarantees for the following targets:
- 5.2.1 Targets for the Company’s endorsements/guarantees:
- (1) A company or firm in business transaction with the Company.
 - (2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
 - (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- 5.2.2 Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.



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5.2.3 Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other such endorsements/guarantees may be made free of the restriction set forth in 5.2.1~5.2.2.

5.2.4 The term “capital contribution” as set forth herein denotes shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

5.2.5 Credit line limits for endorsements/guarantees:

- (1) Unless agreed upon by the shareholders’ meeting, the total amount of endorsements/guarantees granted by the Company for other firms shall not exceed 50% of the Company’s net worth as shown through the Company’s latest financial statements duly certified or audited by the Certified Public Accountant. Unless agreed upon by the shareholders’ meeting, the aggregate total amount of endorsements/guarantees granted by the Company and all its subsidiaries for other firms shall not exceed 50% of the Company’s net worth as shown through the Company’s latest financial statements duly certified or audited by the Certified Public Accountant.
- (2) Unless agreed upon by the shareholders’ meeting, the amount of endorsements/guarantees granted by the Company for any single enterprise shall not exceed 50% of the Company’s net worth as shown through the Company’s latest financial statements duly certified or audited by the Certified Public Accountant. Unless agreed upon by the shareholders’ meeting, the aggregate total amount of endorsements/guarantees granted by the Company and all its subsidiaries for any single enterprise shall not exceed 50% of the Company’s net worth as shown through the Company’s latest financial statements duly certified or audited by the Certified Public Accountant.



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(3) Where the Company renders endorsements/guarantees for business transaction, the amount of endorsements/guarantees granted by the Company for any single target shall not exceed the total amount of business transactions concluded by and between both sides during the twelve months prior to granting of endorsements/guarantees and shall not exceed 50% of the Company's net worth as shown through the Company's latest financial statements duly certified or audited by the Certified Public Accountant. The term "amount of business transactions" as set forth herein denotes the amounts of either purchases or sales, whichever is the higher in amount.

5.3 Policymaking process and authorization levels:

5.3.1 Whenever the Company is required to render guarantee or endorsement for negotiable instruments to meet business needs, after adequate discussion and assessment by the departments concerned, the suggestion may be submitted to the Board of Directors for final decision beforehand. To meet a need of timeliness, nevertheless, the Board of Directors may authorize the Chairman to proceed with endorsements/guarantees within the specified credit line limits and to report to the latest board of directors meeting for retrospective acknowledgement. The term "specified credit line limits" as set forth herein denotes: The credit line limit authorized to the Company and its subsidiaries for overall endorsements/guarantees toward a single enterprise under 5.2.1 shall not exceed 10% of the Company's net worth.

5.3.2 In case of a substantial business need where the Company is required to render endorsements/guarantees beyond the aforementioned credit line limits where the case proves to meet the requirements under these Regulations, it calls for a decision duly resolved by the Board of Directors through a majority vote and the Company's directors should jointly guarantee the excess beyond the limit. These Regulations should be amended to be acknowledged by the shareholders' meeting retrospectively. In the event that the shareholders' meeting disagrees, the shareholders' meeting should report to the Board of Directors with a request that the part of excess should be deleted within the specified time limit. If the Company has duly set up independent directors, upon



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discussion in the board of directors meeting mentioned in the preceding paragraph, the Company should take adequate consideration of the opinions of the independent directors. Their opinions, both pros and cons, and the reasons should be expressly entered into the minutes of the board of directors meeting.

5.3.3 If the Company has duly set up independent directors, whenever the Company intends to render endorsements/guarantees for another party, the Company should take adequate consideration of the opinions of the independent directors. Their opinions, both pros and cons, and the reasons should be expressly entered into the minutes of the board of directors meeting.

5.3.4 Where the Company has set up the Audit Committee in accordance with the Articles of Incorporation, an act for major endorsements/guarantees shall be subject to consent by a minimum of one-second of all Audit Committee members and be submitted to the Board of Directors for final resolution. In the event that such a case does not pass approval by over one-second of the total Audit Committee members, the case may be granted directly if it is resolved by a two-thirds majority vote in the Board of Directors. Such fact should be expressly entered into the minutes of the board of directors meeting. The terms “entire Audit Committee members” and “entire directors” as set forth herein shall be duly calculated based on the numbers of Audit Committee members and directors actually serving on the post.

5.4 When the Company renders endorsements/guarantees externally, the case should be reviewed and handled through the following procedures:

5.4.1 The Company shall, before granting endorsement or rendering guarantee to another party, conduct prudential assessment whether the target satisfies the requirements under these Regulations and laws and ordinances concerned. The Financial Department shall further assess the indispensability and rationality of the target endorsements/guarantees, conduct credit investigation over the target beneficiaries, with review in detail about the Company’s operating risks, financial standing, impact upon the shareholders’ equity, whether collateral should be obtained and the values of the provided



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collateral, thereafter, should assemble the opinions of departments concerned within 「Application Form of Endorsement and Guarantee」which approved by the responsibilities director, and to submit the final result of assessment to the Board of Directors for the final decision beforehand. Board of Directors may, as well, authorize the Chairman to render endorsements/guarantees within the specified credit line limit before reporting afterward to the latest board of directors meeting for retrospective acknowledgement.

- 5.4.2 The Financial Department shall set up a Memorandum (Ready-to-Check) Book to enter details about the targets of endorsements/guarantees, amounts, the dates while the Board of Directors resolves or the Chairman conducts, date of endorsements/guarantees and the matters subject to prudential assessment mentioned in the preceding paragraph.
- 5.4.3 While rendering endorsements/guarantees externally, the Company may request that the beneficiary company of endorsements/guarantees to provide collateral.
- 5.4.4 In the event that a target of endorsement/guarantee is a subsidiary of the Company with net worth below one-second of the paid-in capital, the Company should take subsequent control measures, e.g., the Company should frequently watch that subsidiary's financial standing, business operation and credit status after the endorsements/guarantees. If that subsidiary has provided collateral, the Company should closely watch the change in collateral. In case of a significant change, it should be reported to the Chairman forthwith and take countermeasures as appropriate and as instructed. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.
- 5.4.5 In case of a change in situation where the endorsements/guarantees rendered by the Company turn from satisfaction to requirements into inconsistency or the amount of endorsements/guarantees becomes in excess of the requirements due to a change in the ground of calculation, the Financial and Accounting Department should work out improvement programs to be approved by the



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Chairman so that the excess will be deleted within the specified time limit. The improvement program should be submitted to the Audit Committee and the corrective action (remedial measure) should be completed within the specified time limit.

5.5 Custody of registered specimen seals and the procedures:

5.5.1. For negotiable instruments, the special registered specimen seals should be put under custody by specially assigned personnel and shall not be used to affix on or to issue negotiable instruments only according to the procedures specified by the Company. Such custodians shall be assigned by the Chairman and a change of a custodian shall be made only by the Board of Directors.

5.6.2 When the Company renders guarantee for an overseas company, the letter of guarantee issued by the Company shall be signed by the Chairman authorized by the Board of Directors.

5.6 Procedures to control over endorsements/guarantees rendered by a subsidiary:

(1) Where a subsidiary of the Company intends to render endorsements/guarantees to others, that subsidiary should duly enact Regulations Governing Endorsement & Guarantee Operations in accordance with the laws and ordinances concerned and should duly implement endorsements/guarantees according to the Regulations.

(2) Where a subsidiary of the Company renders endorsements/guarantees to others, that subsidiary should submit the supporting documents to the Company to be approved by the Company's Board of Directors beforehand except a endorsements/guarantees case within the specified credit line limit which may be implemented through the subsidiary's chairman and be reported to the Company's latest board of directors meeting for retrospective acknowledgement..

(3) The Company's subsidiaries shall work out and submit to the Company the itemized statements of endorsements/guarantees rendered in the preceding month on a monthly basis to assure a sound control over endorsements/guarantees.



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5.7 The Company's internal auditors shall, on a quarterly basis at least, audit the Endorsement & Guarantee Procedures and the implementation thereof, work out documented records. Whenever a major default is found, it should be reported to the Audit Committee in writing.

5.8 Full disclosure of information:

(1) The Company shall promulgate and declare the balances of endorsements/guarantees rendered by the Company and its subsidiaries in the preceding month on or before the 10th day of every month.

(2) The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

(2.1) Whenever the balances of endorsements/guarantees case rendered by the Company and its subsidiaries reach over 50% of the net worth shown through the Company's latest financial statements.

(2.2) Whenever the balances of endorsements/guarantees case rendered by the Company and its subsidiaries toward a single enterprise reach over 20% of the net worth shown through the Company's latest financial statements.

(2.3) Whenever the balances of endorsements/guarantees case rendered by the Company and its subsidiaries toward a single enterprise reach over NT\$10 million and the aggregate of the endorsements/guarantees, investment of a long-term nature in and capital lent out reaches over 30% of the net worth shown through the Company's latest financial statements.

(2.4) Whenever the amount of endorsements/guarantees newly increased by the Company and its subsidiaries reaches over NT\$30 million and reaches over 5% of the net worth shown through the Company's latest financial statements.



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(3) Where a subsidiary of the Company is not a public company of the Republic of China and where that subsidiary has any fact subject to promulgation, declaration required under 5.8(2), the promulgation and declaration shall be conducted by the Company instead.

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

5.9 Penalty clauses: The Company's managerial officers and personnel in charge who violate these Regulations shall receive due penalty in accordance with the Company's Personnel Rules as the actual requirements may justify.

5.10 Supplementation of Laws and Ordinances Concerned: Any matters insufficiently provided for herein shall be subject to laws and ordinances concerned.

5.11 Enforcement and amendment:

5.11.1 These Regulations shall be put into enforcement after being resolved in the Board of Directors, reported to and agreed upon by the shareholders' meeting. Where a director objects with record or written declaration, the Company should submit the objection to the shareholders' meeting for discussion. This same principle is equally applicable to an event of amendment

5.11.2 After the Company duly sets up independent directors, in case of 5.11.1 which is submitted to the Board of Directors for discussion, the Company should take adequate consideration of the opinions of the independent directors. Their opinions, both pros and cons, and the reasons should be expressly entered into the minutes of the board of directors meeting.



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- 5.11.3 Where the Company has set up the Audit Committee in accordance with the Articles of Incorporation, enactment or amendment of these Regulations shall be subject to consent by a minimum of one-second of all Audit Committee members and be submitted to the Board of Directors for final resolution.
- 5.11.4 In the event that a case under 5.12.3 does not pass approval by over one-second of the total Audit Committee members, the case may be granted directly if it is resolved by a two-thirds majority vote in the Board of Directors. The minutes of the board of directors meeting should also expressly remark the decision resolved in the Audit Committee.
- 5.11.5 The terms total Audit Committee members under 5.11.3 and the aforementioned total directors shall refer to those actually serving during the tenure of office.

6. References:

- 6.1 Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

7. Forms concerned:

- 7.1 Memorandum (Ready-to-Check) Book.
- 7.2 Application Form of Endorsement and Guarantee.

8. Appendices:

- 8.1 Nil

Attachment :

1. Nil.



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Important notes:

1. Nil.



Document No	W-FA-I-001	Release Date	180928
Document Name	Regulations of Acquisition or Disposal of Assets	Version	F

Regulations of Acquisition or Disposal of Assets



Document No	W-FA-I-001	Release Date	180928
Document Name	Regulations of Acquisition or Disposal of Assets	Version	F

Revise History				
Version	Owner	Review	Release Date	Release Explain
A	Shing-Fang Tsai	Sheng-Shih Chang	110627	First Release
B	Shing-Fang Tsai	Sheng-Shih Chang	120619	Cooperated with the competent authority to issue an amendment on February 13, 2012, "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"
C	Yu-Wen Chen	Shing-Fang Tsai	140623	1. In accordance with the revised text of Securities and Futures Trading Center of the Republic of China, July 17th, 2013 Securities and Futures No. 1020100911. 2. Revised in accordance with the Financial Management Association, December 30th, 2013 Financial Management Order No. 1020053073.
D	Kun-Jung Wu	An-Bang Huang	170324	Revised in accordance with the competent authority "Securities and Futures Bureau, Financial Supervisory Commission" February 9th, 2017 Financial Management Order No. 1060001296.
E	Kun-Jung Wu	An-Bang Huang	180615	Meet practical needs
F	Hsiang-Chuan Tseng	Mei-Fang Huang	180928	Meet practical needs



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Document Name	Regulations of Acquisition or Disposal of Assets	Version	F

1. Purpose:

In order to strengthen asset management, safeguard investment and implement information disclosure, this method has been formulated.

2. Scope:

Company acquisition or disposal of the following 4.1 assets shall be handled in accordance with the provisions of the regulations.

3. Authorities and responsibilities:

The regulations are formulated and revised by the accounting unit in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

4. Definition:

4.1 The applicable scope of the “assets” in the regulations is as follows:

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

4.2 “Derivatives” as used in the regulations refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term



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"forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

- 4.3 The “Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law” refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under relevant laws and regulations, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares")
- 4.4 The term “related party” as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.5 The term “subsidiary” as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.6 The term “Professional appraisers” as used in the regulations Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- 4.7 The term “Date of occurrence” as used in the regulations refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, earlier than the above date or the date of receipt of approval by the competent authority shall be applied.
- 4.8 The term “Mainland China area investment” as used in the regulations refers to investments in mainland China in accordance with relevant laws and regulations.

5. Operating procedures:

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

5.2 Note:



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(1) Acquisition or disposal of assets is subject to the approval of the board of directors in accordance with the regulations or other relevant laws, if any director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

(2) Where the position of independent director has been created in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

(3) Where an audit committee has been established in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

5.3 Limit amounts of real property and securities for non-business use:

(1) The total amount of real property that the company purchases for non-business use shall not exceed 40% of the net value; the total amount of real property purchased by the subsidiaries of the company for non-business use shall not be higher than 40% net value of the company or its subsidiaries.

(2) Except with the consent of the shareholders' meeting, the total investment of securities of the company shall not exceed 70% of the net value, except that the invested company is a subsidiary of the company; the total investment in securities of each subsidiary of the company shall not exceed 70% net value of the company, and shall not exceed 70% net value of each subsidiary, except that the invested company is a subsidiary of each subsidiary.

(3) Except with the consent of the shareholders' meeting, the amount of investment in individual securities of the company shall not exceed 70% net value, except that the invested company is a subsidiary of the company; the amount of investment by the subsidiaries of the company in individual securities shall not exceed 70% net value of the company and shall not exceed 70% net value of each subsidiary, except that the invested company is a subsidiary of each subsidiary.



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5.4 The evaluation and operating procedures for the acquisition or disposal of securities:

5.4.1 (1) Price determination and supporting reference materials:

Acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and determine the transaction price in the following manner:

- (1.1) Acquiring or disposing of securities that have been traded in the securities exchange market or over-the-counter markets, transaction price is based on the market price.
- (1.2) Acquiring or disposing of securities that are not traded in the securities exchange market or the over-the-counter markets, should consider its net worth per share, profitability, future development potential, market interest rate, bond coupon rate, debtor's debt and the price is negotiated in reference to the transaction price at the time.
- (2) Opinions from experts upon request: If the dollar amount of acquiring or disposing of securities is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.

If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC); assets are acquired or disposed of through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

The calculation of the transaction amount of the preceding paragraph shall be handled in accordance with the second paragraph of 5.11.1.

5.4.2 Degree of authority delegated, and the levels to which authority is delegated:

Levels to which authority is delegated	Degree of authority delegated
The board chairman	Below (including) NT\$60million



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The board of directors	Over NT\$60million
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5.4.3 Units responsible for implementation: The units responsible for the acquisition and disposal of securities investment of the company is the financial department or related authorities.

5.4.4 Transaction Process: The transaction process for company acquisition and disposal of securities is handled in accordance with relevant operations of the “Investment Management Standards” of the company's internal control system.

5.5 The evaluation and operation procedures of the acquisition and disposal of real estate and equipment:

5.5.1 Price determination and supporting reference materials:

(1) The acquisition or disposition of immovable property shall be signed by the original user or the relevant authority and responsible unit, and the asset management unit shall refer to the present value of the announcement, the assessed value, the actual transaction price of the adjacent real estate, the recent transaction price of similar assets, etc. The bargaining or bidding method is one.

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

(2.1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

(2.2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

(2.3) Where any one of the following circumstances applies with respect to the professional appraiser's



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

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

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

(2.4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser. Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with the second paragraph of 5.11.1.

5.5.2 Degree of authority delegated, and the levels to which authority is delegated:

Levels to which authority is delegated	Degree of authority delegated
The board chairman	Below (including) NT\$60million
The board of directors	Over NT\$60million

5.5.3 Units responsible for implementation: The units responsible for the acquisition and disposal of the company's real estate and equipment are the finance department or related authorities.

5.6 The evaluation and operating procedures for the acquisition or disposal of assets from related parties:



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5.6.1 When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in accordance with 5.4.1(2), 5.5.1(2) and 5.7.2 of the regulations, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with the second paragraph of 5.11.1.

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

5.6.3 Acquisition or disposal of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors.

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of real property.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.
- (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with article 5.6.1, or an accountant's opinion. If the valuation result differs from the transaction amount by more than 20% of the transaction amount, the accountant should be consulted to express specific opinions on the reason for the difference and the transaction price, and more than two-thirds of the directors of the board of directors should attend to the board. The valuation result has to be agreed by over 50% of the directors who attended the agreement.



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(7) Restrictive covenants and other important stipulations associated with the transaction.

(8) To request the accountant to express opinions on whether the transaction of the related party is in line with normal commercial conditions and whether it does not harm the interests of the company and its minority shareholders.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5.11.1, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

5.6.4 Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to article 5.6.3, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution. If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

5.6.5 Acquisition of real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

- (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan



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value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

- (3) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding 2 paragraphs.
- (4) Acquisition of real property from a related party and appraises the cost of the real property in accordance with provisions of preceding paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.
- (5) Acquisition of real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of 5.6.3 and 5.6.4 and the provisions of 5.6.5(1)~(4) do not apply:
 - (5.1) The related party acquired the real property through inheritance or as a gift.
 - (5.2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 - (5.3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

5.6.6 When the results of the company's appraisal conducted in accordance with 5.6.5(1)~(3) are uniformly lower than the transaction price, the matter shall be handled in compliance with 5.6.7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1.1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.



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(1.2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard real property market practices.

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

(2) Acquisition of real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

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

5.6.7 Acquisition of real property from a related party and the results of appraisals conducted in accordance with the provisions of 5.6.5 and 5.6.6 are uniformly lower than the transaction price, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with relative regulations against the difference between the transaction price of real property and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve shall be set aside in a proportion consistent with the share of the company's equity stake in the other company.
- (2) Actions taken pursuant to the preceding paragraph shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

5.6.8 If the company has set aside a special reserve under the provisions of 5.6.7 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been



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restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the relevant competent authority has given its consent.

5.6.9 When the company obtains real property from a related party, it shall also comply with 5.6.7 and 5.6.8 if there is other evidence indicating that the acquisition was not an arms length transaction.

5.6.10 With respect to the acquisition or disposal of business-use equipment between the company and its subsidiary, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

5.6.11 The Company has the following circumstance with the related parties. After the approval of the Board of Directors, it shall still be approved by the shareholders' meeting and the relevant person or Persons in charge are not allowed to vote:

- (1) The difference between the transaction amount and the valuation amount is more than 20%.
- (2) The transaction amount and conditions have a significant impact on the company's operations.
- (3) Significant influence on shareholders' equity.
- (4) Other board members believe that the resolution of the shareholders' meeting should be mentioned.

5.7 The evaluation and operating procedures for the acquisition or disposal of memberships, intangible assets and other important assets:

5.7.1 Price Determination Method and Reference Basis: To obtain or dispose of the membership card, the relevant price information should be collected in advance and selected by price or bargaining method; if the intangible assets and other important assets are obtained or disposed of, the relevant price should also be collected in advance. Information is collected, then careful assessment of relevant laws and contractual content is done to determine the transaction price.

5.7.2 Opinions from experts upon request: Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified



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public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5.11.1, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

5.7.3 Degree of authority delegated, and the levels to which authority is delegated:

Levels to which authority is delegated	Degree of authority delegated
The board chairman	Below (including) NT\$60million
The board of directors	Over NT\$60million

5.7.4 Units responsible for implementation: The units responsible for the acquisition and disposal of the company's relevant memberships and intangible assets are the finance department or related authorities.

5.7.5 Transaction Process: The transaction process for company acquisition and disposal of memberships and intangible assets is handled in accordance with relevant operations of the "Purchase and payment Standards" of the company's internal control system.

5.8 The evaluation and operating procedures for the acquisition or disposal of creditor's rights of the financial institution: the company does not engage in the acquisition or disposal of the claims of financial institutions. If it wants to engage in the acquisition or disposal of the claims of financial institutions, it will be submitted to the board of directors for approval to establish its assessments and operating procedures.

5.9 The evaluation and operating procedures for the engagement in Derivatives Trading:

5.9.1 Trading principles and strategies:



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- (1) Types of derivatives that may be traded: If the company is mainly engaged in the exchange of forward foreign exchange, option, interest rate or exchange rate (SWAP), the outright purchases/sells of bonds and the selling of Repurchase agreements. Other commodities should be agreed by more than one-half of all members of the Audit Committee and approved by the Board of Directors.
- (2) Operation or hedging strategy: When the Company engages in transaction of derivatives, it should aim at avoiding risks. The Company should choose trading commodities that would hedge the risks arising from the business operations of the company.
- (3) Transaction limits and segregation of duties:

(3.1) Transaction limits:

(3.1.1) For the purpose of hedge: Degree of authority delegated, and the levels to which authority is delegated for hedge performances:

Levels to which authority is delegated	Daily transaction limits	Accumulated net transaction limits
The board chairman	Below (including) NT\$2million	Below (including) NT\$2million
The board of directors	Over NT\$2million	Over NT\$2million

(3.1.2) Transactions not for the purpose of hedging shall be submitted to the board of directors for approval.

- (3.2) Financial unit: responsible for the operation strategy of the derivative goods, and conducts various transactions according to the authorized authority.
- (3.3) Accounting unit: responsible for the accounting of the transactions of derivatives, the production of accounting statements, and the summary of periodic information.
- (3.4) Auditing unit: Understand the appropriateness of internal control such as division of duties and operational procedures, and check the compliance of the trading unit with the processing procedure.
- (4) Performance evaluation: In order to fully grasp and express the evaluation risk of the transaction, the company evaluates the profit and loss by means of the monthly evaluation method.
- (5) Total contract amount: Total amount of derivatives contracts that the company engages in for the purpose of hedging shall not exceed the actual business demand. Total amount of derivatives contracts not for the purpose of hedging is limited to 10% of the company's net value.



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(6) Maximum loss limit: After the trading position is established, stop loss points should be set to prevent excess losses. The establishment of a stop loss point is limited to no more than 10% of the total or individual transaction contract. If the loss exceeds the upper limit, it must be reported to the chairman immediately and reported to the board of directors to discuss the necessary countermeasures.

5.9.2 Risk management measures:

(1) The scope of Risk management:

(1.1) Credit risk management – Principally, the transaction object should be a domestic and foreign financial institution with good credit, and can provide professional information. The financial supervisor shall be responsible for controlling the transaction amount of the financial institutions, and shall not be over-concentrated, and adjust the transaction amount of the financial institutions at any time according to changes in market conditions.

(1.2) Market risk management - Select a market in which the quote information is fully disclosed.

(1.3) Liquidity risk management - To ensure liquidity, trading financial institutions must have sufficient equipment, information and trading capabilities and be able to trade in any market.

(1.4) Cash flow risk management - In order to ensure the stability of the company's working capital turnover, the company's source of funds for derivative commodity transactions is limited to its own funds.

(1.5) Operational risk management - Must strictly comply with the authorization quota, operating procedures and other regulations set by the company to avoid operational risks.

(1.6) Legal Risk Management - Any document signed with a financial institution must be legally reviewed before it can be formally signed to avoid legal risks.

(2) Traders engaged in derivative commodities and operators such as confirmation and delivery shall not concurrently serve each other.

(3) The risk measurement, supervision and control personnel shall be in different departments from the former personnel, and shall report to the board of directors or high-level supervisors who are not responsible for the decision-making of the transaction or part.

(4) The parts held by the derivative commodity exchanges shall be assessed periodically, in accordance with the provisions of 5.9.6.

5.9.3 Internal auditing system: The internal auditing personnel of the Company shall regularly understand the admissibility of the internal control of derivative commodity transactions, and shall make an audit report on the compliance of the monthly auditing trading department with the procedures for dealing with



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derivative commodity transactions. In case of violations, the Audit Committee shall be notified in writing:

5.9.4 Supervision and management of the board of directors:

- (1) When the company engages in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:
 - (1.1) Designate senior management personnel and pay continuous attention on monitoring and controlling derivatives trading risk.
 - (1.2) Evaluate periodically whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- (2) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - (2.1) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
 - (2.2) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.
- (3) The company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

5.9.5 A public company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under 5.9.1(4), 5.9.4(1)(1.2) And 5.9.4(2)(2.1) shall be recorded in detail in the log book.

5.9.6 Regular evaluation methods and the handling of irregular circumstances



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- (1) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
- (2) Senior management personnel authorized by the board of directors shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company, and periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors.

5.10 Assessment and operating procedures for mergers, splits, acquisitions, and assignment of shares:

5.10.1 When the company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

5.10.2 When the company becomes a public company, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. If the company fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the



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shareholders meeting, it shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

5.10.3 Unless otherwise stipulated by other laws or with special factors, the company shall convene the board of directors and the shareholders' meeting on the same day as the company participating in the merger, division or acquisition, in addition to the prior approval of the Financial Supervision and Administration Commission (hereinafter referred to as the Financial Management Association) for resolutions on mergers, splits or acquisitions. The company that participates in the transfer of shares shall convene the board of directors on the same day, unless otherwise stipulated by other laws or with special factors in advance to the consent of the FSC.

5.10.4 The Company shall prepare a full written record of the following information and retain it for 5 years for reference.

- (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

5.10.5 In accordance with relative regulations, the company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in 5.10.4(1)~(2) to the the relevant competent authority for recordation.

5.10.6 Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another



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person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

5.10.7 The company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- (2) An action, such as a disposal of major assets, which affects the company's financial operations.
- (3) An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
- (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

5.10.8 The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- (1) Handling the breach of contract.
- (2) Principles for handling equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, under the principles for handling thereof.
- (4) The method of handling changes in the number of participating entities or companies.
- (5) Preliminary progress schedule for plan execution, and anticipated completion date.
- (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.



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5.10.9 After public disclosure of the information, if the company participates in the merger, demerger, acquisition, or share transfer and intends further to carry out a merger, demerger, acquisition, or share transfer with another company, it shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

5.10.10 If any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of articles 5.10.3~5.10.6 and 5.10.9.

5.11 Public Disclosure of Information:

5.11.1 Under any of the following circumstances, if the company acquire or dispose of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (4) Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (4.1) When the company's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (4.2) When the company's paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.



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(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.

(6) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This shall not apply to the following circumstances:

(6.1) Trading of government bonds.

(6.2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

(6.3) The trading of bonds under repurchase/resale agreements, or the subscription or redemption of money market funds issued by the domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount:

(1) The amount of any individual transaction.

(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.

(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.

(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

5.11.2 The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter



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the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

- 5.11.3 If the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of notification.
- 5.11.4 If the company acquire or dispose of assets, it shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.
- 5.11.5 Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
- (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.
- 5.11.6 Information is required to be publicly announced and reported in accordance with the provisions on acquisitions and disposals of assets by a subsidiary of the company that is not itself a public company in Taiwan shall be reported by the company. The paid-in capital or total assets of the company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to the standards of requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.
- 5.11.7 A subsidiary of the company is not a publicly-issued company. It obtains or disposes of real property from the related party. Regardless of the amount of the amount, the parent company is required to file an announcement on behalf of the subsidiary.



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5.11.8 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

5.11.9 In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

5.12 Control procedures for obtaining or disposing of assets by subsidiaries:

- (1) The company shall urge all subsidiaries to stipulate the procedures for obtaining or disposing of assets. After their board of directors approves, they shall submit their shareholders' meeting for approval, and the same shall apply.
- (2) The acquisition or disposal of assets by each subsidiary shall be handled in accordance with the “Regulations for the Acquisition or Disposal of Assets” or other legal provisions. The financial department of the company shall assess the feasibility, necessity and rationality of the acquisition or disposal of the assets, and follow up the implementation status after the analysis and conduct an analysis and review.
- (3) The internal auditors of the company shall regularly audit the compliance of each subsidiary with the “Regulations for obtaining or disposing of assets” and make an audit report; the findings and recommendations of the audit report shall be notified to each of the audited subsidiaries after the audit. Improve and regularly make follow-up reports to determine that they have taken appropriate improvement regulations in a timely manner.

5.13 Penalty: The relevant personnel of the company handle the acquisition or disposal of assets. In case of violation of the provisions of the regulations, they shall be punished according to the relevant rules and regulations of the company.

5.14 Supplementary to relevant laws and regulations: Matters not covered in the regulations are handled in accordance with the relevant laws and regulations.

5.14.1 The company may not give up on Advanced Lithium Electrochemistry Co., Ltd., Taiwan, Advanced Lithium Electrochemistry Co., Ltd., Hong Kong, Aleees Eco Ark (Cayman) Co., Ltd., Emerald Battery



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Technologies Co., Ltd. and Empire Energy Co., Ltd. The company's capital increase in the coming years; Advanced Lithium Electrochemistry Co., Ltd., Hong Kong shall not abandon the capital increase of the opposite year of the Aleees Eco Ark (Shanghai) Co., Ltd.; Aleees Eco Ark (Cayman) Co., Ltd. shall not give up on Aleees Eco Ark Co., Ltd., Taiwan will increase its capital in future years.

5.14.2 In the future, if the company is required to abandon the capital increase or dispose of the company's equity in the company, it must be approved by the company's board of directors due to the strategic alliance considerations or other consents of the "Republic of China Securities Counter Trading Center". In the event of any amendments to this regulation, the major information of the public information observatory should be revealed and reported to the "Corporate Trading Centre of the Republic of China" for future reference.

5.15 Implementation and revision:

5.15.1 The company shall stipulate that the Regulations shall be implemented by the Board of Directors and submitted to the shareholders' meeting for approval, and shall be implemented from the date of the listing of the shares of the Company on the Taiwan Stock Exchange Co., Ltd. or the Securities and Futures Securities Trading Center of the Republic of China. If a director expresses dissent and has a record or written statement, the company shall report its objection to the shareholders' meeting for discussion. The same applies to the amendment.

5.15.2 When the company has set up independent directors, when submitting the regulations to the board of directors for discussion according to the provisions of 5.15.1, the opinions of each independent director shall be fully considered, and their objections or reservations shall be included in the records of the board of directors.

5.15.3 If the audit committee has been set up in accordance with the articles of association of the company, the amendment or amendment of the regulations shall be subject to the approval of more than one-half of the members of the audit committee and the resolution of the board of directors shall be submitted.

5.15.4 If more than one-half of the members of the audit committee have agreed in article 5.15.3, more than two-thirds of all directors may agree to do so, and the resolution of the audit committee shall be stated at the chairman's meeting.



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5.15.5 All members of the Audit Committee as referred to in 5.15.3 and all directors referred to in the preceding paragraph shall be calculated by the actual incumbent.

6. References:

6.1 Derivatives log book.

7. Related forms:

7.1 Derivatives log book.

8. Attachment:

8.1 None.

Operating certificate:

1. None.

Precautions:

1. None.



Stockholding of directors

(1) Number of shares for all directors in the list of shareholders

Position	Number of shares in the list of shareholders for book closure
All directors	1,170,661

Note: 1. Date of book closure February 12, 2019.

2. The company's number of shares of its paid-in capital is 210,573,654 shares in February 12, 2019.

3. The regulations for the numbers of shares required to be held do not apply in accordance with the number of shares of directors' supervisors of the company and Article 2 of the implementation regulations.

(2) Number of shares held

Position	Name	Number of shares in the list of shareholders for book closure
Chairman	Sheng Shih Chang	1,170,661
Director	Jaime Che	-
Director	Chi Kei Ching	-
Independent director	Wei Min Shen	-
Independent director	Hsuan Wang	-
Independent director	I Yun Chang	-
Independent director	Chien Hsiu Lee	-