



Stock Code : 3698

# LEXTAR ELECTRONICS CORP.

2019 Annual General Shareholders' Meeting

Meeting Agenda

(Translation)

Date: June 6, 2019

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-----Disclaimer-----

THIS IS A TRANSLATION OF THE AGENDA FOR THE 2019 ANNUAL GENERAL SHAREHOLDERS' MEETING OF LEXTAR ELECTRONICS CORP. THE TRANSLATION IS FOR REFERENCE ONLY. IF THERE IS ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND CHINESE VERSION, THE CHINESE VERSION SHALL PREVAIL.

# I. Meeting Procedure

# **Lextar Electronics Corp.**

## **2019 Annual General Shareholders' Meeting Procedure**

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## II. Meeting Agenda

# **Lextar Electronics Corp.**

## **2019 Annual General Shareholders' Meeting Agenda**

**Time: 9:00 a.m., June 6, 2019, Thursday**

**Place: No.1, Gongye E. 2nd Rd., Hsinchu Science Park, Hsinchu City, Taiwan (R.O.C.),**

**Attendants: All shareholders or their proxy holders**

**Chairman: Feng Cheng Su, Chairman of the Board of Directors**

**1.Chairman's Address**

**2.Report Items**

- (1) To report the business of 2018.
- (2) Audit Committee's Review Report.
- (3) To report distribution of employees' profit sharing bonus and directors' profit sharing.
- (4) To report the issuance of securities in private placement.

**3.Election Item**

To elect eight directors (including three independent directors)

**4.Recognition and Discussion Items**

- (1) To accept 2018 Business Report and Financial Statements.
- (2) To accept the proposal for the distribution of 2018 profits.
- (3) To approve the distribution of capital surplus by cash.
- (4) To approve the revisions to "Articles of Incorporation".
- (5) To approve the revisions to "Handling Procedures for Acquisition or Disposition of Assets", "Handling Procedures for Conducting Derivative Transactions", "Handling Procedures for Capital Lending" and "Handling Procedures for Providing Endorsements and Guarantees for Third Parties".
- (6) To approve issuance of new common shares for cash to sponsor issuance of the overseas depositary shares ("DR Offering") and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement ("Private Placement Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB").
- (7) To approve the proposal of releasing Directors and their representatives from non-competition restrictions.

**5.Extraordinary Motions**

**6.Meeting Adjourn**

## Report Items

### 1. To report the business of 2018.

Explanation: The 2018 Business Report is attached hereto as Attachment 1 (page 19 ~ 20)

### 2. Audit Committee's Review Report.

Explanation: The Audit Committee's Review Report is attached hereto as Attachment 2 (page 21)

### 3. To report distribution of employees' profit sharing bonus and directors' profit sharing.

Explanation: For 2018 profit distribution, the proportion of employee profit sharing bonus and directors' profit sharing are 12% and 0.8% of distributable pretax earnings before employee profit sharing bonus and directors' profit sharing. According to the proportion aforementioned, employees' profit sharing bonus would be NT\$ 10,497,895 and directors' profit sharing would be NT\$ 699,860. Both are proposed to be distributed by cash.

### 4. To report the issuance of securities in private placement.

Explanation:

- (1) It has been approved by the Annual General Shareholders' Meeting held on June 5, 2018 to authorize the Board of Directors, within the limit of 55,000,000 common shares, considering both the market conditions and the Company's capital needs to choose appropriate timing and one or more fund raising instruments to issue new common shares for cash to sponsor issuance of the overseas depositary shares and/or new common shares for cash in public offering and/or new common shares for cash in private placement and/or overseas or domestic convertible bonds in private placement in accordance with the applicable laws and regulations.
- (2) Considering changes over market conditions, the Company has resolved to terminate the private placement offering.



## Election Item

### 1. To elect eight directors (including three independent directors) (Proposed by the Board of Directors)

#### Explanation:

- (1) The term of office of the fourth term of directors is going to be expired on June 2, 2019. Thus, it is proposed that the 2019 Annual General Shareholders' Meeting holds the election for eight directors (including three independent directors). The term of office of the new directors (including independent directors) would be three years from the date on which they were elected.
- (2) In accordance with the Company's Article of Incorporation, the election of directors shall be conducted under the Candidate Nomination and the directors shall be elected from the nominated candidates. The academic background, experience and relevant information of the nominated candidates are attached hereto as Attachment 3 (page 22- 24).

## Recognition and Discussion Items

### 1. To accept 2018 Business Report and Financial Statements (Proposed by the Board of Directors)

#### Explanation:

- (1)The 2018 Financial Statements were audited by the independent auditors, Cheng-Chien Chen and Yung-Hua Huang of KPMG.
- (2)For the 2018 Business Report, Independent Auditors' Report, and Financial Statements thereto, please refer to Attachment 1 and 2 (page 19~ 21) and Attachment 4 and 5 (page 25~ 41).

#### Resolution:

### 2. To accept the proposal for the distribution of 2018 profits. (Proposed by the Board of Directors)

#### Explanation:

- (1) The 2018 net profit after tax was NT\$ 49,291,583. After adjusting unappropriated retained earnings at the beginning of the period and Legal reserve, the company proposes NT\$ 29,310,157 as available distribution of surplus. The proposed distributions of a cash dividend would be around NT\$0.0572 per common share. For the 2018 Earnings Distribution Statement, please refer to Attachment 6 (page 42).
- (2) The total number of common shares outstanding may change; hence, the ultimate amount of cash distributed to each common share may need to be adjusted accordingly. It is proposed that the Chairman of Board of Directors should be authorized by the 2019 Annual General shareholders' Meeting to adjust the amount of cash distributed to each common share based on the total resolved distributable amount and the number of actual common shares outstanding on the record date for the distribution.
- (3) The dividend distribution would be based on the list of shareholders registered as of the record date of cash dividend. The cash dividend distribution would be paid to the rounded-down full NT dollar. In the case of total number of allocated amount less than NT \$ 1, criteria adjustment would be applied based on decimal

point from large to small and number of account from front to back to meet the total cash dividend.

- (4) It is proposed that the Chairman of Board of Directors should be authorized by the Board to determine a record date for dividend distribution.

Resolution:

**3. To approve the distribution of capital surplus by cash. (Proposed by the Board of Directors)**

Explanation:

- (1) It is proposed to distribute NT\$ 73,020,119 from capital surplus of the issuing premium of the par value of the common share pursuant to Article 241 of the Company Act (NT\$ 0.1427 for each common share, i.e. NT\$ 142.7 for each 1,000 common shares held).
- (2) As the total number of common shares outstanding may change, the ultimate amount of cash distributed from capital surplus to each common share would be adjusted accordingly. And it is proposed that the Chairman of Board of Directors would be authorized to adjust the amount of cash to be distributed from capital surplus to each common share based on the total resolved distributable amount approved by the 2019 Annual General Shareholder's Meeting and the number of actual common shares outstanding on the record date for the distribution..
- (3) The distribution will be based on the list of shareholders registered as the record date of cash distribution of capital surplus. The aforementioned cash distribution would be paid by the rounded-down full NT dollar. As for the total number of allocated amount less than NT \$ 1, criteria adjustment would be applied based on decimal point from large to small and number of account from front to back to meet the total distribution amount.
- (4) It is proposed that the Chairman of Board of Directors would be authorized by the Board to determine a record date for the distribution of capital surplus.

Resolution:

**4. To approve the revisions to "Articles of Incorporation ". (Proposed by the Board of Directors)**

Explanation:

- (1) According to Company Act amended and promulgated by presidential decree on August 1, 2018 and to meet the operation needs, it is proposed to amend the Articles of Incorporation..
- (2) A comparison table for the "Lextar Articles of Incorporation" before and after revision is attached hereto as Attachment 7(page43~ 46).

Resolution:

**5. To approve the revisions to “ Handling Procedures for Acquisition or Disposition of Assets “,”Handling Procedures for Conducting Derivative Transactions “, “ Handling Procedures for Capital Lending “ and “ Handling Procedures for Providing Endorsements and Guarantees for Third Parties “. (Proposed by the Board of Directors)**

Explanation:

- (1)To comply with the amendment of the regulations and to meet the operation needs, it is proposed to revise “ Handling Procedures for Acquisition or Disposition of Assets “,”Handling Procedures for Conducting Derivative Transactions “, “ Handling Procedures for Capital Lending “ and “ Handling Procedures for Providing Endorsements and Guarantees for Third Parties “.
- (2)Comparison tables for “ Handling Procedures for Acquisition or Disposition of Assets “,”Handling Procedures for Conducting Derivative Transactions “, “ Handling Procedures for Capital Lending “ and “ Handling Procedures for Providing Endorsements and Guarantees for Third Parties “ before and after amendment are attached hereto as Attachment 8(page47~ 75).

Resolution:

6. To approve issuance of new common shares for cash to sponsor issuance of the overseas depositary shares ("DR Offering") and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement ("Private Placement Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB"). (Proposed by the Board of Directors)

Explanation:

(1) Fund raising purpose and fund size:

In order to invest in LED-related equipment and technology of high-level products, enrich working capital, have sound financial structure and/or support the Company's long term development funding needs, the company hereby proposes the shareholders meeting to authorize the Board of Directors ("Board"), within the limit of 55,000,000 common shares, considering the market conditions and the Company's capital needs to choose appropriate timing and fund raising method(s) to issue new common shares for cash to sponsor DR Offering and/or issue new common shares for cash in public offering and/or issue Private Placement Shares and/or issue Private Placement CB in accordance with the applicable laws and regulations and the following fund raising method principles. For issuance of Private Placement CB, the number of common shares can be converted within the limit of 55,000,000 common shares shall be calculated in accordance with the conversion price determined at the time of issuance of Private Placement CB.

(2) Fund raising method(s) and handling principles:

I. Issuance of new common shares for cash to sponsor DR Offering:

- (i) The issue price of the new common shares will be decided with reference to
- (a) the closing price of the Company's common shares on the pricing date or
  - (b) the average of the closing price of the Company's common shares --for 1, 3 or 5 trading days prior to the pricing date (each of (a) and (b) is referred to hereinafter as the "reference price").
- The Chairman is authorized to coordinate with the foreign lead-underwriter(s) of the DR Offering to determine the actual issue price in accordance with market conditions, provided that, the actual price shall not be less than 90% of the reference price after adjustment for bonus shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends.

The reference price and the actual price will be decided in accordance with market practice and applicable law. In addition, assuming that the Company

issues 55,000,000 common shares which are approximately 10.75% of the Company's total outstanding common shares as of February 28, 2019. As the actual price shall be no less than 90% of the reference price after adjustment for bonus shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, it is unlikely that such issuance will have a material dilutive effect on the holding of the current existing shareholders. Thus, determination of the issue price of the new common shares to be issued in connection with the DR Offering should be reasonable and should not have a material adverse effect on the rights and benefits of the current existing shareholders.

- (ii) Except for 10% –15% of the new common shares shall be allocated for the employees' subscription in accordance with the applicable law, it is proposed for the shareholders meeting to approve that the rights to subscribe to the remaining shares shall be waived by the shareholders and such remaining shares should be offered to the public under Article 28-1 of the Securities and Exchange Act as the underlying shares of the global depositary shares to be sold in the DR Offering. Any new common shares not subscribed by employees of the Company shall be determined by the Chairman, depending on the market needs, to be allocated as underlying shares of the global depositary shares or to be subscribed by the designated person(s).

## II. Issuance of new common shares for cash in public offering:

- (i) The par value of the new common shares to be issued per share is NT\$10. It is proposed to authorize the Chairman to coordinate with the underwriter(s) of the public offering to determine the actual issue price in accordance with the relevant provisions of the Chinese Securities Association Regulations Governing Underwriters' Assistance in Offering and Issuance of Securities by Issuing Companies and the market conditions. And the issue price shall be reported to the regulatory authority before issuance.
- (ii) It is proposed to authorize the Board to choose either of the following methods to sell the new shares in the public offering through the underwriter(s) :
  - (a) Except for 10% to 15% of the new shares must be offered to employees in accordance with Article 267, Paragraph I of the Company Act, it is proposed for the shareholders meeting to approve the pre-emptive rights to subscribe to the remaining shares to be waived by the shareholders in accordance with Article 28-1 of the Securities and Exchange Act and such remaining shares will be offered to the public via book building. And it is

proposed that any new common shares not subscribed by employees of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.

(b) Except for 10% to 15% of the new shares must be offered to employees in accordance with Article 267, Paragraph I of the Company Act, it is proposed that 10% of the new shares to be sold to the public through the underwriter(s) and the remaining shares will be subscribed to by the existing shareholders of the Company in accordance with their shareholding. And it is proposed that any new common shares not subscribed by employees and shareholders of the Company will be sold to the person(s) designated by the Chairman of the Company at the issue price.

### III. Issuance of Private Placement Shares and/or Private Placement CB:

(i) Basis and reasonableness for determination of the subscription price of the Private Placement Shares:

(a) The higher one of (x) the simple average closing price of the Company's common shares for 1, 3 or 5 trading days prior to the pricing date, and (y) the simple average closing price of the Company's common shares for 30 trading days prior to the pricing date, after adjustment for bonus shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, should be the reference price of the subscription price of the Private Placement Shares.

(b) The issue price of the Private Placement Shares shall be no less than 80% of the reference price. The issue price of the Private Placement CB shall be no less than 80% of the theoretical price. It is proposed to authorize the Board to decide the actual issue price within the range approved by the shareholders meeting depending on the status of finding the specific investor(s) and market conditions.

(c) As aforementioned subscription price of the Private Placement Shares and issue price of Private Placement CB will be determined with reference to the price of the Company's common shares and the theoretical price in accordance with the regulations governing public companies issuing securities in private placement; thus, the price determination should be reasonable.

(ii) The method, purpose, necessity and projected benefits to determine specific investor(s):



The investors subscribing to the Private Placement must meet the qualifications listed in Article 43–6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company's long term development, competitiveness, and existing shareholders' rights. The Board is fully authorized to determine the specific investor(s). The purpose, necessity and projected benefits for having strategic investor(s) are to accommodate the Company's operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in finance, business, manufacturing, technology, procurement, management, and strategy development, etc., furthermore, to strengthen the Company's competitiveness and enhance operational efficiency and long term development.

- (iii) The necessity of issuance of Private Placement Shares and/or Private Placement CB:

Considering the effectiveness and convenience for issuance of the Private Placement Shares/Private Placement CB and to accommodate the Company's development planning, including inviting the strategic investor(s), it would be necessary to issue the Private Placement Shares and/or Private Placement CB.

- (iv) For the Private Placement Shares and/or the new common shares to be issued upon conversion of Private Placement CB, after expiration of three years following delivery date of the Private Placement Shares/Private Placement CB, the Board is authorized to obtain an approval letter issued by the Taiwan Stock Exchange ("TSE") acknowledging that the Private Placement Shares /new common shares to be issued upon conversion of Private Placement CB meet the requirements for TSE listing before submitting application with the Financial Supervisory Commission for retroactive handling of public issuance of such shares and application with TSE for listing such shares on TSE.

- (v) The tentative terms and conditions of the Private Placement CB ("Offering Plan") are shown in Attachment 9 (page 76~ 78)

- (3) Use of proceeds, the schedule and the projected benefits:

The Company plans to use the funds raised from the DR Offering and/or issuance of the new common shares in public offering and/or issuance of the Private Placement Shares and/or Private Placement CB to invest in LED-related equipment and technology of high-level product, enrich working capital, have

sound financial structure and/or support the Company's long term development funding needs and plans to use such funds within three year after completing the fund raising and plans to strengthen the Company's competition and improve operational efficiency effect.

(4)The new common shares to be issued to sponsor the DR Offering, the new common shares to be issued in public offering, Private Placement Shares and the new common shares to be issued upon conversion of Private Placement CB will be issued in the scriptless form. Except that the Private Placement Shares and the new common shares to be issued upon conversion of Private Placement CB are subject to the selling restrictions within three years after the delivery date of the Private Placement Shares/Private Placement CB under Article 43-8 of the Securities and Exchange Act, the new common shares to be issued to sponsor the DR Offering, the new common shares to be issued in public offering, the Private Placement Shares and the new common shares to be issued upon conversion of Private Placement CB will have the same rights and obligations as the Company's existing issued and outstanding common shares.

(5)The reason for the situation where the issue price of the new common shares to be issued to sponsor the DR Offering, the new common shares to be issued in public offering, Private Placement Shares and the conversion price for the Private Placement CB setting as a price less than the par value due to change of the market change ,the reason for the Company not adopting other fund raising method and the reasonableness for such determination:

This is mainly based on considerations of the sound operation of the Company and the security of financial structure and issuing equity related securities for fund raising is more appropriate than issuing the pure debt type securities. If the Company decides to use the fund raising methods, such as issuing new shares for cash to sponsor the DR Offering, issuing new shares for cash in public offering, and issuing Private Placement Shares, etc. the Company would not incur any interest of the debt. In such case, not only the Company's financial risk could be reduced and the Company's financial structure could be improved, but also the flexibility of the Company's fund dispatch would also be increased. For issuance of Private Placement CB, if investor converts Private Placement CB into the common shares, such would improve the Company's financial structure and benefit the Company's long term development. Thus, it should be reasonable for the Company to issue the equity related securities. If the issue price and the conversion price is less than the par value, such would be expected to cause decrease of the Company's capital surplus and retained earnings in which case the Company will, depending on the actual operating conditions in the future,

make up for the losses. As the issue price will be determined in accordance with the relevant regulations, thus, after appearance of the effectiveness of the capital increase, the Company's financial structure will be effectively improved to be favorable to the Company's long-term development and would not have adverse impact on the rights and benefits of the shareholders.

- (6)After the shareholders meeting approves issuance of new common shares to sponsor the DR Offering, new common shares in public offering, the Private Placement Shares and the Private Placement CB, it is proposed for the shareholders meeting to authorize the Board to determine and amend, at the Board's sole discretion, the terms and condition of the new common shares to be issued for the DR Offering and/or in public offering and/or terms and condition of the Private Placement Shares and/or Offering Plan of the Private Placement CB, the plan for the use of proceeds, the schedule and projected benefits and all matters in connection therewith in accordance with the Company's actual needs, market conditions and relevant regulations. What if any amendment thereto is required by change of the regulations or as required by the regulator's instruction or based on the Company's operation evaluation or change of the market conditions, the Board is authorized to make the required amendments at the Board's sole discretion.
- (7)To complete the fund raising, the Chairman or the Chairman's designee is authorized, on behalf of the Company, to handle all matters relating to, and sign all agreements and documents in connection with, issuance of the new common shares to sponsor the DR Offering, issuance of new common shares in public offering and issuance of the Private Placement Shares and/or Private Placement CB.
- (8)The Board is authorized to handle all matters which are not addressed herein in accordance with the applicable laws and regulations.

Resolution:

**7. To approve the proposal of releasing Directors and their representatives from non-competition restrictions. (Proposed by the Board of Directors)**

Explanation:

(1) According to Article 209 of the Company Act, any Director conducting business for himself/herself or on another's behalf, in which and the scope of the business coincides with the Company's business scope, shall explain at the Shareholders' Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.

(2) It is proposed to release newly elected Directors and their representatives from non-competition restrictions in the 2019 Annual General Shareholders' meeting. The released restriction of newly elected Directors, please refer to Attachment 10 (page 79)

Resolution:

## **Extraordinary Motions**

## **Meeting Adjourn**

### **III. Attachments**

## Attachment 1

### 2018 Business Report

With slow growth of global economy in 2018, plus the impact of China-US trade war, the investors and consumers tended to be more conservative. However, in terms of the mainstream development trend of new technologies in the future, such as: Internet of Things (IoT), Artificial Intelligence (AI), Advanced Driver Assistance System (ADAS), 5G expected to realize smart connection of things, AR/VR providing immersive experience, and revolutionary display technologies, these new technologies will show overturning influence on human life continuously. Therefore, the optoelectronic semiconductor applications will be further extended by “sensing”, “display monitor” and “5G communication”. Looking back at the LED industry, the high capacity of the LED chip plants in China brought price stress, while the globally large plants focused on the development of advanced parts and integrated products, which built the technical barriers. With the history of 11 years since its establishment, Lextar Electronics insists on the operation model of integrating optoelectronic semiconductor vertically, and focuses on the chip, package, and integrated optoelectronic module, which has revived in the market of new applications. While optimizing the backlight and lighting application market continuously, Lextar also actively strengthens the deployment in the new technical fields such as automotive lighting, sensing, Mini/Micro LED and UV, which even steps from Blu-ray to red-ray technology to provide the customer with “light” solution. In terms of the production management over the past year, we quickly completed the difficult task to put the plant in Chuzhou, China into mass production, integrated the production sites, optimized the supply chain management and improved the operation efficiency. Under the efforts of all employees, Lextar achieved the stable development, adjusted the structure and maintained the profitability in 2018:

- The consolidated revenue in 2018 was NT\$11.06 billion, dropping by 8.2% comparing with that in the previous year.
- Net after-tax profit was NT\$49 million.
- The after-tax EPS was NT\$0.1
- ROE was 0.43 %

Reviewing the market of the main applications in 2018, the Mini LED developed by Lextar for a long time was commercialized successfully. The backlight application was shipped earlier than the competitors, which took the leading position in the market, and was applied in the advanced notebooks and gaming monitor. At the meantime, it also publically released the UFP I-Mini RGB display module and the Micro LED technology, so Lextar took up a critical place in Mini / Micro LED field. Besides, the key products of backlight application also include the backlight products of High Dynamic Range (HDR), Wide Color Gamut (WCG) and super narrow border panel. As the market showed diversified demands for the display monitor, Lextar was actively engaged in the market of Fine Pitch RGB Display, which could be applied in the market of shopping malls, conference halls and game machines. With the improvement of capability in manufacturing red-ray chips, Lextar would strengthen the advantages of core technologies in terms of LED chip, package, drive circuit and module design.

In the market of lighting application, with the price decline in the consumer lighting market, Lextar greatly adjusted the lighting products in 2018, reduced the manufacturing of lighting products, and focused on the development of medium and high-power parts and the design and manufacturing of photoelectric module. Moreover, it continuously promoted the high CRI LED technology and the RGBWW packaging products applied in landscape and plant lighting. Besides, we also developed the special lighting modules: including the applications of medical lighting, building lighting, stage lighting and industrial lighting, and provided the customized photoelectric design service for the customer, so as to bring value added for the products.

Lextar Electronics actively deployed in the automotive lighting, 3D sensing component, UV and the products in other new application fields in 2018. In the part of automotive lighting, the chips applied in the head light were shipped successfully; and package and module products were sold to the first-class electric motorcycle brand in Taiwan, the famous heavy motorcycle and the head light of the train in Europe, and the market of head light parts in Japan. At the meantime, Lextar took the lead in releasing the I-Mini Square tail light module and ADB smart head light system. In addition, we also made some achievements in the 3D sensing application and the development of VCSEL component, which were introduced in the big mobile phone plants successfully in 2018, and could be applied in 3D facial recognition and AR/VR. The IR LED products were also

shipped to a globally-renowned sport bracelet brand. Besides, the UV products were also widely applied in the markets of UV curing, medical care and sterilization.

In the past, Lextar constantly invested into the development of new technologies, new processes and new products, strengthened the key technologies and intensified the layout of patents. More than 2,100 patents in total have been obtained globally (including the cases approved and pending). With the R&D fund reaching NT\$ 660 million, the technology achievements have been recognized by important customer globally.

In 2018, Lextar Electronics achieved the key development achievements as listed below:

- Completed the construction of Chuzhou Plant in Anhui Province, passed the ISO certification and put into mass production successfully
- Released the Micro / Mini LED products and technologies, and took the leading position in the industry
- Applied Mini LED in the backlight module and became the first one for shipment
- Released two Micro LED technologies, namely, R/G/B and color conversion type
- Applied I-Mini LED products in the automotive tail light, and promoted the concept of individualized tail light.
- Released ADB smart head light system
- Released VCSEL package and module products of 3D sensing application, and shipped to a famous mobile phone brand smoothly
- Took the lead in the industry to release RGBWW lighting application package applicable to landscape and plant lighting.
- Shipped IR LED products to a globally renowned smart doorbell brand, and surveillance & control application.
- Shipped Vertical Flip Chip (VFC) products applicable to automotive light.

Aside from development of product technologies, Lextar also kept repaying the society. Through the three activities of “Reading Helps Dream Come True”, “Hope Reading” and “LED Magic Camp”, Lextar constantly shows care for the education of the schoolchildren in the rural areas. The program of “Reading Helps Dream Come True” has been implemented for six years consecutively, which renovated the library for Hsinchu Emei elementary school in 2018. It allowed the children to love reading in the bright library. In the 10th anniversary in the last year, we received the painting greetings from the elementary schoolchildren of Xinle village, Meihua village, Jinping village and Emei village. Also we invited them together with the principals, to participate in the 10th anniversary celebration activities. Lextar employees were immersed in the beautiful songs and aboriginal dances performed by these children. These activities further enhanced the bond between us and the schools and even the schoolchildren.

In the prospect of 2019, under the uncertainty of China-US trade war, and the stress of market competition due to the capacity expansion of China's LED plants, Lextar Electronics as the provider of photoelectric semiconductor solution, is dedicated to the integration of photo, mechanical, electric and thermal technologies and the product innovation. Besides maintaining the backlight and lighting application market with technical strength, it will be also dedicated to the development of automotive, sensing and RGB display products. Besides, it will continuously optimize the production efficiency, increase the capacity and yield rate of the new plant in Chuzhou, invest in smart manufacturing, and improve the self-manufacturing rate of SMT parts. Lextar Electronics will be continuously dedicated to the product development and design service of the semiconductor technologies to maintain the industrial place, which will also take advantage of vertical integration to realize the corporate vision of “Smart Innovation, Amazing Life”.

Sincerely,

David Su, Chairman and CEO

## **Attachment 2**

### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Earnings Distribution Statement for the year of 2018. Cheng-Chien Chen and Yung-Hua Huang, Certified Public Accountants of KPMG, have audited the Financial Statements. The 2018 Business Report, Financial Statements, and Earnings Distribution Statement have been reviewed and determined to be correct and accurate by the Audit Committee of Lextar Electronics Corp. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Lextar Optronics Corp.  
Chair of the Audit Committee meeting

Sen Tai Wen



### Attachment 3

#### List of Director Candidates

Name	Shareholding	Education & Experience	Major Current Positions
Director Feng Cheng Su	4,340,047 shares	Ph.D. , Materials Science and Engineering , State University of New York, Stony Brook General Electric (GE) Company, responsible for TFT-LCD project for avionics application. Vice President of Product Development, Unipac Optoelectronics. Executive Vice President, Vice President, AU Optronics Corp. Chairman & CEO, Lextar Electronics Corporation. Director, Wellopower Corp. Director, Wellysun Inc.	Chairman & CEO, Lextar Electronics Corporation.
Director Kuo Hsin (Michael) Tsai Representative of AU Optronics Corp.	78,418,450 shares	Executive M.B.A., National Chiao Tung University. Senior Vice President and the General Manager of Video Solutions Business Group, AU Optronics Corp. Director, Qisda Corporation	Director, General Manager and COO, AU Optronics Corp. Director, Lextar Electronics Corporation Director, Daxin Materials Corporation Director, AU Optronics Corporation America Director, AU Optronics Europe B.V. Director, AU Optronics (Slovakia) s.r.o. Director, AU Optronics Corporation Japan Director, AU Optronics Korea Ltd. Director, AFPD Pte., Ltd. Director, AU Optronics (Xiamen) Corp. Director, AU Optronics (Suzhou) Corp., Ltd. Director, AU Optronics Manufacturing (Shanghai) Corp. Executive Director, AU Optronics (Shanghai) Co., Ltd. Chairman, BriView (Xiamen) Corp.
Director Wei Lung Liao Representative of AU Optronics Corp.	78,418,450 shares	Ph.D. ,Applied Chemistry , National Chiao Tung University. Director, Qisda Corporation. Director, Darwin Precisions Corporation	Senior Vice President ,AU Optronics Corp. Director, Lextar Electronics Corporation. Director, AU Optronics (Xiamen) Corp. Director, AU Optronics (Suzhou) Corp., Ltd. Director, AU Optronics Manufacturing (Shanghai) Corp. Director, a.u.Vista Inc.

Name	Shareholding	Education & Experience	Major Current Positions
Director Hsuan Bin (H.B.) Chen	170,905 shares	B.S. Communications Engineering, National Chiao Tung University AU Optronics Corp. , General Manager, COO , Deputy Chairman Lextar Electronics Corp., Chairman	Director, Darwin Precisions Corporation. Director, D8AI Inc. Director, Lextar Electronics Corp.
Director Teng Huei Huang	2,948,762 shares	Bachelor, Department of Chemistry, Chung Yuan Christian University. Responsible for CRT production, Philips in Hsinchu, Taiwan. Manager, Unipac Optoelectronics. Vice President, Advanced Optoelectronic Technology Inc. President, LightHouse Technology. President & Vice President, Lextar Electronics Corporation.	Director, Lextar Electronics Corporation. Director, Wellysun Inc. Chairman, First Vertical Laser Inc. Director, Chuzhou Bwin Technology Co., Ltd.
Independent Director Sen Tai Wen	0 shares	MBA, RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY Vice Chairman, Ability Enterprise Co., Ltd. Chairman, CHUAN HSUN Technology Co., Ltd. Chairman & President, Visco Vision Inc. Consultant, Elitegroup Computer Systems Co., Ltd. Chairman, Vice Chairman & President, CHIH HO Computer Corp. Director, Kuo Lien Venture Corp. Director, Kuo Chi Venture Corp. Director, Yun Cheng Venture Corp. Director, Yun Tsan Venture Corp. Supervisor, Chu Kuo Venture Corp. Chairman, Sai Chia Venture Corp Director, Elite Advanced Laser Corporation. Compensation committee member, Hua Eng Wire & Cable Co., Ltd. Compensation committee member, First Copper Technology Co., Ltd.	Director, E-Pin Optical Industry Co. Ltd. Director, TAI YI International Venture Corp. Director, Visco Vision Inc. Director, Bandrich, Inc. Independent Director & Compensation committee member, Onano Industrial Corp. Independent Director & Compensation committee member, GEM Services, Inc. Independent Director & Compensation committee member, Billion Electric Co., Ltd. Independent Director & Compensation committee member, Lextar Electronics Corporation.

Name	Shareholding	Education & Experience	Major Current Positions
Independent Director Yih Lian Chen	0 shares	MBA, University of California, Los Angeles Vice President of Finance, Hewlett-Packard Taiwan Ltd. Sales Executive of Asia-Pacific, Hewlett-Packard Company. Finance Executive of China & Chairman, Hewlett-Packard Company. President, Symphox Information Co., Ltd. Director, NANO-OP Technology Inc. Chairman, Great Engineering Technology Corporation. Supervisor, Tai Hwa Oil Industrial Co., Ltd.	Director, Homeyen Networks Co., Ltd. Director, Tai Hwa Oil Industrial Co., Ltd. Independent Director & Compensation committee member, Transcend Information Inc. Independent Director & Compensation committee member, Lextar Electronics Corporation.
Independent Director Shian Ho Shen	0 shares	Bachelor, Department of Electronics Engineering, Chung Yuan Christian University Manager, Factory Manager, Vice President, United Microelectronics Corp. Vice President, AU Optronics Corp. Independent Director & Compensation committee member, Gallant Precision machining Co., Ltd. Independent Director, Surpedia Technologies Co., Ltd. Director, Grenergy Opto, Inc. Supervisor, Anpec Electronics Corporation. Compensation committee member, Airoha Technology Corp. Compensation committee member, China Electric MFG. Corp.	Director, Taiwan Surface Mounting Technology Corp. Director, Chem Tec Corporation Co., Ltd. Director, Anpec Electronics Corporation. Supervisor, C Sun Mfg. Ltd. Independent Director & Compensation committee member, Lextar Electronics Corporation.

**Rationale for Nomination:**

Mr. Sen Tai Wen and Mr. Yih Lian Chen, the independent directors, have served as the independent directors of the Company for three terms. Considering the fact that the company benefits greatly from their experience in finance, business management and other areas of corporate governance expertise, the company would nominate both of them as candidates for independent directors, with their expertise to give the board of directors timely supervision and professional advice when exercising the duties of independent directors.

## **Attachment 4**

### **Independent Auditors' Report**

To the Board of Directors of Lextar Electronics Corporation:

#### **Opinion**

We have audited the financial statements of Lextar Electronics Corporation, which comprise the statement of financial position as of December 31, 2018 and 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2018 and 2017, and notes in the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Lextar Electronics Corporation as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

##### **1. Revenue recognition**

Please refer to Note 4(p) “Revenue” of the financial statements.

Revenue recognition is one of the key judgmental areas for our audit, particularly in respect of the revenue recognition based on the transaction terms between clients and the large amount of transaction and comes from a lot of operation bases.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; testing Lextar Electronics Corporation’s controls surrounding revenue recognition, including corroborating the orders from clients, the proof of shipment, and receipt documents; understanding the base to estimate the sales return and discount through comparison with actual sales return and discount after the balance sheet date; sampling the sales transaction between the reported date, exam the external file to evaluate whether the sales recognition is appropriate.

## 2. Evaluation of inventory

Please refer to Note 4(g) “Inventory” and Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the financial statements.

Evaluation of inventory is one of the key judgmental areas for our audit, Lextar Electronics Corporation is primarily involved in the design, manufacture, and sale of InGaN epi wafers and chips, as well as light-emitting diode packages and modules. As different series or models of electronic products are rapidly being replaced by new ones, it may affect the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate inventory policies are applied through comparison with accounting standards; sampling the inventory item and comparing the aging of inventory, understanding the origin price for estimate the net realized value, and evaluating whether the calculation for lower of cost or net realized value is reasonable.

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

Management is responsible for the preparation and fair presentation of the financial

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

In preparing the financial statements, management is responsible for assessing Lextar Electronics Corporation' 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 Lextar Electronics Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Lextar Electronics Corporation' s financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the 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 Lextar Electronics Corporation' 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 Lextar Electronics Corporation' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause Lextar Electronics Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Lextar Electronics Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of Lextar Electronics Corporation audit.

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

The engagement partners on the audit resulting in this independent auditors' report are  
Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2019



(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**LEXTAR ELECTRONICS CORPORATION**  
**Balance Sheets**  
**December 31, 2018 and 2017**  
(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2018</u>		<u>December 31, 2017</u>				<u>December 31, 2018</u>		<u>December 31, 2017</u>	
<b>Assets</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<b>Liabilities and Equity</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents	\$ 2,594,205	18	1,668,493	12	2170	Notes payable and accounts payable	\$ 1,130,913	8	974,758	7
1110	Current financial assets at fair value through profit or loss	217	-	12,782	-	2180	Accounts payable to related parties	1,218,103	8	495,078	4
1170	Notes receivable and accounts receivable, net	1,755,542	12	1,702,979	12	2120	Current financial liabilities at fair value through profit or loss	2,979	-	14	-
1180	Accounts receivable due from related parties, net	1,659,469	11	1,378,464	10	2213	Payable on machinery and equipment	115,737	1	73,126	-
1476	Other current financial assets	2,121	-	3,066	-	2399	Other current liabilities, others	562,571	4	555,789	4
130X	Inventories	798,644	5	895,728	6	2321	Bonds payable, current portion	314,400	2	-	-
1479	Other current assets, others	136,803	1	192,616	2			<u>3,344,703</u>	<u>23</u>	<u>2,098,765</u>	<u>15</u>
		<u>6,947,001</u>	<u>47</u>	<u>5,854,128</u>	<u>42</u>	<b>Non-Current liabilities:</b>					
<b>Non-current assets:</b>						2530	Bonds payable	-	-	307,129	2
1517	Non-current financial assets at fair value through other comprehensive income	59,085	-	-	-	2600	Other non-current liabilities	67,523	-	4,132	-
1523	Non-current available-for-sale financial assets, net	-	-	64,805	1			<u>67,523</u>	<u>-</u>	<u>311,261</u>	<u>2</u>
1550	Investments accounted for using equity method	4,402,749	31	4,303,459	31		<b>Total liabilities</b>	<u>3,412,226</u>	<u>23</u>	<u>2,410,026</u>	<u>17</u>
1600	Property, plant and equipment	3,158,849	21	3,299,709	24	<b>Equity attributable to owners of parent</b>					
1780	Intangible assets	14,092	-	15,190	-	3110	Ordinary share	5,116,514	35	5,122,712	37
1840	Deferred tax assets	52,159	-	79,152	1	3140	Advance receipts for share capital	-	-	1,032	-
1990	Other non-current assets, others	132,646	1	175,220	1	3200	Capital surplus	6,114,952	41	6,221,156	45
		<u>7,819,580</u>	<u>53</u>	<u>4,778,785</u>	<u>58</u>	<b>Retained earnings:</b>					
						3310	Legal reserve	183,054	1	170,279	1
						3320	Special reserve	114,972	1	-	-
						3350	Unappropriated retained earnings	32,567	-	127,747	1
								<u>330,593</u>	<u>2</u>	<u>298,026</u>	<u>2</u>
						<b>Other equity interest:</b>					
						3411	Exchange differences on translation of foreign financial statements, parent	(117,234)	(1)	(116,220)	(1)
						3421	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income, parent	(56,290)	-	-	-
						3422	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	(21,858)	-	-	-
						3426	Unrealized losses on available-for-sale financial assets, parent	-	-	(50,570)	-
						3427	Unrealized losses on available-for-sale financial assets, subsidiaries accounted for using equity method	-	-	(54,265)	-
						3491	Other equity, unearned compensation	(12,322)	-	(40,234)	-
								<u>(207,704)</u>	<u>(1)</u>	<u>(261,289)</u>	<u>(1)</u>
							<b>Total equity</b>	<u>11,354,355</u>	<u>77</u>	<u>11,381,637</u>	<u>83</u>
<b>Total assets</b>		<u>\$ 14,766,581</u>	<u>100</u>	<u>13,791,663</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 14,766,581</u>	<u>100</u>	<u>13,791,663</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**LEXTAR ELECTRONICS CORPORATION**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2018 and 2017**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2018		2017	
	Amount	%	Amount	%
4110 <b>Sales revenue</b>	\$ 7,117,945	101	8,950,786	102
4170 Less: Sales returns and discount	63,928	1	133,309	2
<b>Net operating revenues</b>	7,054,017	100	8,817,477	100
5000 Operating costs	5,918,977	84	7,694,662	87
<b>Gross profit from operations</b>	1,135,040	16	1,122,815	13
<b>Operating expenses</b>				
6100 Selling expenses	400,811	5	420,156	5
6200 Administrative expenses	222,194	3	224,199	3
6300 Research and development expenses	569,351	8	569,601	6
6450 Impairment loss determined in accordance with IFRS 9	3,181	-	-	-
<b>Total operating expenses</b>	1,195,537	16	1,213,956	14
<b>Net operating loss</b>	(60,497)	-	(91,141)	(1)
<b>Non-operating income and expenses:</b>				
7010 Other income	17,027	-	29,750	-
7020 Other gains and losses, net	27,706	-	(62,528)	(1)
7060 Share of profit (loss) of associates accounted for using equity method, net	99,327	1	309,183	3
7050 Finance costs, net	(7,278)	-	(51,186)	-
<b>Profit from continuing operations before tax</b>	136,782	1	225,219	2
7950 Less: Income tax expenses	76,285	1	134,078	1
<b>Profit</b>	26,993	-	4,583	-
8300 <b>Other comprehensive income:</b>	49,292	1	129,495	1
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	4,208	-	(1,748)	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	6,805	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	11,013	-	(1,748)	-
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(1,014)	-	(346,360)	(3)
8362 Unrealized gains on valuation of available-for-sale financial assets	-	-	33,957	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	(1,014)	-	(312,403)	(3)
8300 <b>Other comprehensive income (loss), net</b>	9,999	-	(314,151)	(3)
<b>Total comprehensive income (loss)</b>	\$ 59,291	1	(184,656)	(2)
9750 <b>Basic earnings per share (NT dollars)</b>		<b>0.10</b>		<b>0.25</b>
9850 <b>Diluted earnings per share (NT dollars)</b>		<b>0.10</b>		<b>0.25</b>

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**LEXTAR ELECTRONICS CORPORATION**

**Statements of Changes in Equity**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

	Share capital		Retained earnings				Total other equity interest					Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Others	Treasury shares	
<b>Balance at January 1, 2017</b>	\$ 5,623,424	-	6,596,029	341,814	-	(171,535)	230,140	-	(138,792)	(2,713)	-	12,478,367
Profit	-	-	-	-	-	129,495	-	-	-	-	-	129,495
Other comprehensive income (loss)	-	-	-	-	-	(1,748)	(346,360)	-	33,957	-	-	(314,151)
Total comprehensive income (loss)	-	-	-	-	-	127,747	(346,360)	-	33,957	-	-	(184,656)
Appropriation and distribution of retained earnings:												
Legal reserve used to offset accumulated deficits	-	-	-	(171,535)	-	171,535	-	-	-	-	-	-
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	(949,353)	(949,353)
Retirement of treasury share	(550,000)	-	(399,353)	-	-	-	-	-	-	-	949,353	-
Distribution of restricted employee stock	50,000	-	26,045	-	-	-	-	-	-	(76,045)	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	34,550	-	34,550
Employee stock options exercised	-	1,032	-	-	-	-	-	-	-	-	-	1,032
Issuance of stock for exercise of employee stock options	1,648	-	49	-	-	-	-	-	-	-	-	1,697
Retirement of restricted employee stock	(2,360)	-	(1,614)	-	-	-	-	-	-	3,974	-	-
<b>Balance at December 31, 2017</b>	5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	-	(104,835)	(40,234)	-	11,381,637
Effects of retrospective application	-	-	-	-	-	-	-	(104,835)	104,835	-	-	-
Equity at beginning of period after adjustments	5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	(104,835)	-	(40,234)	-	11,381,637
Profit	-	-	-	-	-	49,292	-	-	-	-	-	49,292
Other comprehensive income (loss)	-	-	-	-	-	4,208	(1,014)	6,805	-	-	-	9,999
Total comprehensive income (loss)	-	-	-	-	-	53,500	(1,014)	6,805	-	-	-	59,291
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	12,775	-	(12,775)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	114,972	(114,972)	-	-	-	-	-	-
Other changes in capital surplus:												
Cash dividends from capital surplus	-	-	(102,474)	-	-	-	-	-	-	-	-	(102,474)
Share-based payments	-	-	-	-	-	-	-	-	-	16,952	-	16,952
Issuance of stock for exercise of employee stock options	1,002	(1,032)	30	-	-	-	-	-	-	-	-	-
Retirement of restricted employee stock	(7,200)	-	(3,760)	-	-	-	-	-	-	10,960	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(19,882)	-	19,882	-	-	-	-
Changes in equity of the invested company accounted for using equity method	-	-	-	-	-	(1,051)	-	-	-	-	-	(1,051)
<b>Balance at December 31, 2018</b>	\$ 5,116,514	-	6,114,952	183,054	114,972	32,567	(117,234)	(78,148)	-	(12,322)	-	11,354,355

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**LEXTAR ELECTRONICS CORPORATION**  
**Statements of Cash Flows**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 76,285	134,078
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	608,179	729,298
Amortization expense	107,549	70,560
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	42,091	(152,965)
Interest expense	7,278	51,186
Interest income	(9,828)	(6,049)
Share-based payments	16,952	34,550
Share of profit of associates and joint ventures accounted for using equity method	(99,327)	(309,183)
Gain on disposal of property, plan and equipment	(34,504)	(4,825)
Loss on bond redemption	-	9,454
Dividends income	(6,500)	-
Others	-	(3,314)
<b>Total adjustments to reconcile profit</b>	631,890	418,712
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes and accounts receivable	(333,568)	1,846,974
Inventories	97,084	444,109
Prepaid	55,913	92,178
Other financial assets	(25,276)	83,501
Other operating assets	(855)	(884)
<b>Total changes in operating assets</b>	(206,702)	2,465,878
<b>Changes in operating liabilities:</b>		
Accounts payable	879,180	(1,175,823)
Other current liabilities	6,782	(68,670)
Other operating liabilities	63,391	(28,389)
<b>Total changes in operating liabilities</b>	949,353	(1,272,882)
Total changes in operating assets and liabilities	742,651	1,192,996
<b>Total adjustments</b>	1,374,541	1,611,708
Cash inflow generated from operations	1,450,826	1,745,786
Interest received	9,488	6,099
Interest paid	(7)	(43,755)
Income taxes paid	(100)	-
<b>Net cash flows from operating activities</b>	1,460,207	1,708,130
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	(5,463)	-
Acquisition of property, plant and equipment	(479,015)	(229,661)
Proceeds from disposal of property, plant and equipment	75,939	9,580
Decrease in refundable deposits	10,015	2,275
Increase in other non-current assets	(55,957)	(63,949)
Dividends received	22,460	-
<b>Net cash flows from (used in) investing activities</b>	(432,021)	(281,755)
<b>Cash flows from (used in) financing activities:</b>		
Repayments of bonds	-	(1,708,000)
Proceeds from long-term debt	-	1,700,000
Repayments of long-term debt	-	(1,700,000)
Decrease in guarantee deposits received	-	(50)
Cash dividends paid	(102,474)	-
Exercise of employee share options	-	2,729
Payments to acquire treasury shares	-	(949,353)
<b>Net cash flows used in financing activities</b>	(102,474)	(2,654,674)
<b>Net increase (decrease) in cash and cash equivalents</b>	925,712	(1,228,299)
<b>Cash and cash equivalents at beginning of period</b>	1,668,493	2,896,792
<b>Cash and cash equivalents at end of period</b>	\$ 2,594,205	1,668,493



安侯建業聯合會計師事務所

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## Independent Auditors' Report

To the Board of Directors of Lextar Electronics Corporation:

### Opinion

We have audited the consolidated financial statements of Lextar Electronics Corporation ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2018 and 2017, and notes in 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 year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

Please refer to Note 4(q) "Revenue" of the consolidated financial statements.

Revenue recognition is one of the key judgmental areas for our audit, particularly in respect of the revenue recognition based on the transaction terms between clients and the large amount of transaction and comes from a lot of operation bases.

#### How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; testing the Group's controls surrounding revenue recognition, including corroborating the orders from clients, the proof of shipment, and receipt documents; understanding the base to estimate the sales return and discount through comparison with actual sales return and discount after the balance sheet date; sampling the sales transaction between the reported date, exam the external file to evaluate whether the sales recognition is appropriate.

#### 2. Evaluation of inventory

Please refer to Note 4(h) "Inventory" and Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the consolidated financial statements.

Evaluation of inventory is one of the key judgmental areas for our audit, the Group is primarily involved in the design, manufacture, and sale of InGaN epi wafers and chips, as well as light-emitting diode packages and modules. As different series or models of electronic products are rapidly being replaced by new ones, it may affect the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. Therefore, this whole matter needed to be taken into serious consideration.

#### How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate inventory policies are applied through comparison with accounting standards; sampling the inventory item and comparing the aging of inventory, understanding the origin price for estimate the net realized value, and evaluating whether the calculation for lower of cost or net realized value is reasonable.

#### **Other Matter**

The Group has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2019

#### Notes to Readers

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

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



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2018 and 2017**  
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2018		December 31, 2017			Liabilities and Equity	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(a))	\$ 4,090,365	26	4,423,382	29	2170	Notes payable and accounts payable	\$ 2,529,459	16	2,618,866	17
1110 Current financial assets at fair value through profit or loss (note 6(b) and (n))	217	-	16,194	-	2180	Accounts payable to related parties (note 7)	990	-	2,717	-
1170 Notes receivable and accounts receivable, net (note 6(f))	2,845,991	18	2,744,424	18	2120	Current financial liabilities at fair value through profit or loss (notes 6(b))	2,979	-	14	-
1180 Accounts receivable due from related parties, net (note 6(f) and 7)	611,076	4	537,983	3	2213	Payable on machinery and equipment	297,061	2	80,604	1
1476 Other current financial assets (notes 6(f) 、(h) and 8)	432,955	3	975,442	6	2312	Advance real estate receipt	317,263	2	-	-
130X Inventories (notes 6(g))	1,652,859	10	1,618,455	11	2313	Unearned revenue (note 6(h))	-	-	179,428	1
1461 Non-current assets classified as held for sale (notes 6 (m))	104,011	1	-	-	2399	Other current liabilities, others (notes 6(f) 、(h) and 7)	889,275	6	815,911	5
1479 Other current assets, others	288,167	2	303,183	2	2321	Bonds payable, current portion (note 6(o))	314,400	2	-	-
	<u>10,025,641</u>	<u>64</u>	<u>10,619,063</u>	<u>69</u>			<u>4,351,427</u>	<u>28</u>	<u>3,697,540</u>	<u>24</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	89,032	1	-	-	2530	Bonds payable (note 6(o))	-	-	307,129	2
1523 Non-current available-for-sale financial assets, net (note 6(d))	-	-	134,346	1	2600	Other non-current liabilities	37,481	-	11,542	-
1544 Non-current financial assets at cost (note 6(e))	-	-	10,199	-			<u>37,481</u>	<u>-</u>	<u>318,671</u>	<u>2</u>
1550 Investments accounted for using equity method (note 6(i))	266,982	2	168,604	1		<b>Total liabilities</b>	<u>4,388,908</u>	<u>28</u>	<u>4,016,211</u>	<u>26</u>
1600 Property, plant and equipment (notes 6(j) and 8)	4,671,564	30	3,924,644	25		<b>Equity attributable to owners of parent (notes 6(c), (d), (e), (o), (s) and (t))</b>				
1780 Intangible assets (note 6(k))	14,092	-	15,190	-	3110	Ordinary share	<u>5,116,514</u>	<u>32</u>	<u>5,122,712</u>	<u>33</u>
1840 Deferred tax assets (note 6(r))	52,158	-	79,152	1	3140	Advance receipts for share capital	-	-	1,032	-
1985 Long-term lease prepayments (note 6(l))	47,021	-	81,193	1	3200	Capital surplus	<u>6,114,952</u>	<u>39</u>	<u>6,221,156</u>	<u>40</u>
1990 Other non-current assets, others (notes 6(q) and 8)	577,865	3	365,457	2		<b>Retained earnings:</b>				
	<u>5,718,714</u>	<u>36</u>	<u>4,778,785</u>	<u>31</u>	3310	Legal reserve	183,054	1	170,279	1
					3320	Special reserve	114,972	1	-	-
					3350	Unappropriated retained earnings	32,567	-	127,747	1
							<u>330,593</u>	<u>2</u>	<u>298,026</u>	<u>2</u>
						<b>Other equity interest:</b>				
					3411	Exchange differences on translation of foreign financial statements, parent	(117,234)	(1)	(116,220)	(1)
					3421	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income, parent	(56,290)	-	-	-
					3422	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	(21,858)	-	-	-
					3426	Unrealized losses on available-for-sale financial assets, parent	-	-	(50,570)	-
					3427	Unrealized losses on available-for-sale financial assets, subsidiaries accounted for using equity method	-	-	(54,265)	-
					3491	Other equity, unearned compensation	(12,322)	-	(40,234)	-
							<u>(207,704)</u>	<u>(1)</u>	<u>(261,289)</u>	<u>(1)</u>
					36XX	Non-controlling interests	1,092	-	-	-
						<b>Total equity</b>	<u>11,355,447</u>	<u>72</u>	<u>11,381,637</u>	<u>74</u>
<b>Total assets</b>	<b>\$ 15,744,355</b>	<b>100</b>	<b>15,397,848</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 15,744,355</b>	<b>100</b>	<b>15,397,848</b>	<b>100</b>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2018 and 2017**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2018		2017	
	Amount	%	Amount	%
4110 <b>Sales revenue (note 7)</b>	\$ 11,376,161	103	12,352,459	103
4170 Less: Sales returns and discount	320,938	3	313,191	3
<b>Net operating revenues</b>	11,055,223	100	12,039,268	100
5000 Operating costs (notes 6(g), (q), and (t) , 7 and 12)	9,494,744	86	10,242,022	85
<b>Gross profit from operations</b>	1,560,479	14	1,797,246	15
<b>Operating expenses</b> (notes 6(f), (q), and (t), 7 and 12):				
6100 Selling expenses	590,923	5	602,652	5
6200 Administrative expenses	386,284	3	351,630	3
6300 Research and development expenses	662,703	6	650,434	5
6450 Impairment loss determined in accordance with IFRS 9	(1,403)	-	-	-
<b>Total operating expenses</b>	1,638,507	14	1,604,716	13
<b>Net operating income (loss)</b>	(78,028)	-	192,530	2
<b>Non-operating income and expenses:</b>				
7010 Other income (note 6(x))	133,482	1	74,370	1
7020 Other gains and losses, net (notes 6(o) and (y))	16,562	-	(83,174)	(1)
7060 Share of profit (loss) of associates accounted for using equity method, net (note 6(i))	17,041	-	11,505	-
7050 Finance costs, net (notes 6(o),and (z))	(9,543)	-	(51,186)	(1)
	157,542	1	(48,485)	(1)
<b>Profit from continuing operations before tax</b>	79,514	1	144,045	1
7950 Less: Income tax expenses (note 6(r))	30,130	-	14,550	-
<b>Profit</b>	49,384	1	129,495	1
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	4,208	-	(1,748)	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6 (c))	6,805	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	11,013	-	(1,748)	-
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(1,014)	-	(346,360)	(3)
8362 Unrealized gains on valuation of available-for-sale financial assets (note 6(d))	-	-	33,957	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	(1,014)	-	(312,403)	(3)
8300 <b>Other comprehensive income (loss), net</b>	9,999	-	(314,151)	(3)
<b>Total comprehensive income (loss)</b>	\$ 59,383	1	(184,656)	(2)
<b>Profit, attributable to:</b>				
Profit, attributable to owners of parent	\$ 49,292	1	129,495	1
Profit, attributable to non-controlling interests	92	-	-	-
	\$ 49,384	1	129,495	1
<b>Comprehensive income (loss) attributable to:</b>				
Comprehensive income (loss), attributable to owners of parent	\$ 59,291	1	(184,656)	(2)
Comprehensive income, attributable to non-controlling interests	92	-	-	-
	\$ 59,383	1	(184,656)	(2)
9750 <b>Basic earnings per share (NT dollars) (note 6(u))</b>		0.10		0.25
9850 <b>Diluted earnings per share (NT dollars) (note 6(u))</b>		0.10		0.25

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

Equity attributable to owners of parent

	Share capital		Retained earnings				Total other equity interest					Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Others					
<b>Balance at January 1, 2017</b>	\$ 5,623,424	-	6,596,029	341,814	-	(171,535)	230,140	-	(138,792)	(2,713)	-	12,478,367	-	12,478,367	
Profit	-	-	-	-	-	129,495	-	-	-	-	-	129,495	-	129,495	
Other comprehensive income (loss)	-	-	-	-	-	(1,748)	(346,360)	-	33,957	-	-	(314,151)	-	(314,151)	
Total comprehensive income (loss)	-	-	-	-	-	127,747	(346,360)	-	33,957	-	-	(184,656)	-	(184,656)	
Appropriation and distribution of retained earnings:															
Legal reserve used to offset accumulated deficits	-	-	-	(171,535)	-	171,535	-	-	-	-	-	-	-	-	
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	(949,353)	(949,353)	-	(949,353)	
Retirement of treasury share	(550,000)	-	(399,353)	-	-	-	-	-	-	-	949,353	-	-	-	
Distribution of restricted employee stock	50,000	-	26,045	-	-	-	-	-	-	(76,045)	-	-	-	-	
Share-based payments	-	-	-	-	-	-	-	-	34,550	-	-	34,550	-	34,550	
Employee stock options exercised	-	1,032	-	-	-	-	-	-	-	-	-	1,032	-	1,032	
Issuance of stock for exercise of employee stock options	1,648	-	49	-	-	-	-	-	-	-	-	1,697	-	1,697	
Retirement of restricted employee stock	(2,360)	-	(1,614)	-	-	-	-	-	-	3,974	-	-	-	-	
<b>Balance at December 31, 2017</b>	5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	-	(104,835)	(40,234)	-	11,381,637	-	11,381,637	
Effects of retrospective application	-	-	-	-	-	-	-	(104,835)	104,835	-	-	-	-	-	
Equity at beginning of period after adjustments	5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	(104,835)	-	(40,234)	-	11,381,637	-	11,381,637	
Profit	-	-	-	-	-	49,292	-	-	-	-	-	49,292	92	49,384	
Other comprehensive income (loss)	-	-	-	-	-	4,208	(1,014)	6,805	-	-	-	9,999	-	9,999	
Total comprehensive income (loss)	-	-	-	-	-	53,500	(1,014)	6,805	-	-	-	59,291	92	59,383	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	-	12,775	-	(12,775)	-	-	-	-	-	-	-	-	
Special reserve appropriated	-	-	-	-	114,972	(114,972)	-	-	-	-	-	-	-	-	
Other changes in capital surplus:															
Cash dividends from capital surplus	-	-	(102,474)	-	-	-	-	-	-	-	-	(102,474)	-	(102,474)	
Share-based payments	-	-	-	-	-	-	-	-	-	16,952	-	16,952	-	16,952	
Invest by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	
Issuance of stock for exercise of employee stock options	1,002	(1,032)	30	-	-	-	-	-	-	-	-	-	-	-	
Retirement of restricted employee stock	(7,200)	-	(3,760)	-	-	-	-	-	-	10,960	-	-	-	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(19,882)	-	19,882	-	-	-	-	-	-	
Changes in equity of the invested company accounted for using equity method	-	-	-	-	-	(1,051)	-	-	-	-	-	(1,051)	-	(1,051)	
<b>Balance at December 31, 2018</b>	\$ 5,116,514	-	6,114,952	183,054	114,972	32,567	(117,234)	(78,148)	-	(12,322)	-	11,354,355	1,092	11,355,447	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2018	2017
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 79,514	144,045
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	786,827	921,552
Amortization expense	135,290	104,951
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	64,716	(157,437)
Interest expense	9,543	51,186
Interest income	(46,405)	(33,394)
Dividends income	(8,844)	-
Share-based payments	16,952	34,550
Share of profit of associates and joint ventures accounted for using equity method	(17,041)	(11,505)
Loss (gain) on disposal of property, plant and equipment	(23,254)	10,164
Loss on bond redemption	-	9,454
Others	-	(3,314)
<b>Total adjustments to reconcile profit</b>	<b>917,784</b>	<b>926,207</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes and accounts receivable	(174,660)	1,078,929
Decrease (increase) in inventories	(34,404)	583,253
Decrease in other current assets	77,215	46,147
Decrease (increase) in other financial assets	42,010	(384,672)
Decrease (increase) in other operating assets	(211,723)	288,268
<b>Total changes in operating assets</b>	<b>(301,562)</b>	<b>1,611,925</b>
<b>Changes in operating liabilities:</b>		
Decrease in notes and accounts payable	(91,134)	(1,014,452)
Increase (decrease) in other current liabilities	(111,350)	61,433
Increase (decrease) in other operating liabilities	27,843	(3,691)
<b>Total changes in operating liabilities</b>	<b>(174,641)</b>	<b>(956,710)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(476,203)</b>	<b>655,215</b>
<b>Total adjustments</b>	<b>441,581</b>	<b>1,581,422</b>
Cash inflow generated from operations	521,095	1,725,467
Interest received	53,701	25,269
Interest paid	(2,272)	(43,755)
Income taxes paid	(24,843)	(10,154)
<b>Net cash flows from operating activities</b>	<b>547,681</b>	<b>1,696,827</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets designated at fair value through profit or loss	62,318	-
Acquisition of investments accounted for using equity method	(70,794)	-
Acquisition of property, plant and equipment	(1,398,544)	(553,085)
Proceeds from disposal of property, plant and equipment	27,144	999,737
Increase in receipts in advance due to disposal of assets	317,263	-
Increase in refundable deposits	(6,114)	(25,356)
Decrease in other financial assets	412,202	-
Increase in other non-current assets	(106,649)	(71,246)
Decrease in other prepayments	-	52,615
Dividends received	8,844	-
Government grants(note 6(h))	-	913,340
<b>Net cash flows from (used in) investing activities</b>	<b>(754,330)</b>	<b>1,316,005</b>
<b>Cash flows from (used in) financing activities:</b>		
Repayments of bonds	-	(1,708,000)
Proceeds from long-term debt	-	1,700,000
Repayments of long-term debt	-	(1,700,000)
Increase (decrease) in guarantee deposits received	(1,904)	7,262
Cash dividends paid	(102,474)	-
Exercise of employee share options	-	2,729
Payments to acquire treasury shares	-	(949,353)
Invest by non-controlling interests	1,000	-
<b>Net cash flows used in financing activities</b>	<b>(103,378)</b>	<b>(2,647,362)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(22,990)</b>	<b>2,796</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(333,017)</b>	<b>368,266</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,423,382</b>	<b>4,055,116</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,090,365</b>	<b>4,423,382</b>

See accompanying notes to consolidated financial statements.

## Attachment 6

**Lextar Electronics Corp.**  
**Earnings Distribution**  
**For the year ended December 31, 2018**

Unit : NTD

Item	Amount
Unappropriated retained earnings at the beginning of the period	0
Plus (Less) :	
Actuarial gains and losses during the current period	4,208,056
Disposal of equity instruments at fair value through other comprehensive gains and losses	(19,881,993)
Recognition of changes in equity method equity based on shareholding ratio	(1,050,805)
Adjusted unappropriated retained earnings at the beginning of the period	(16,724,742)
Plus : Net profit	49,291,583
Available for distribution of surpluses	32,566,841
Less :	
Legal reserve appropriated	(3,256,684)
Special surplus reserve appropriated	0
Distribution item :	
Common stock cash dividends	29,310,157
Unappropriated retained earnings at the end of the period	0

## Attachment 7

### Comparison Table of the Articles of Incorporation Before and after Amendment

Number of Article	Before amendment	After amendment	Reason of amendment
Article 1	The Company is incorporated, registered and organized as a company limited by shares and permanently existing in accordance with the Company Law of the Republic of China (the "Company Law")	The Company is incorporated, registered and organized as a company limited by shares and permanently existing in accordance with the Company Law of the Republic of China (the "Company Law") <u>and the Company's English name is Lextar Electronics Corp.</u>	To comply with the amendments of Company Act
Article 6	The share certificates of the Company shall be all in registered form. The share certificates, after due registration with the competent authority, shall be signed or sealed by at least three directors and shall be legally authenticated prior to issue. Once our central custody of securities is deposited with Taiwan Depository and Clearing Corporation (TDCC), securities with big denominations should be issued with the approval of the company. The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.	The share certificates of the Company shall be all in registered form. The share certificates, after due registration with the competent authority, shall be signed or sealed by at least three directors and shall be legally authenticated prior to issue. <del>Once our central custody of securities is deposited with Taiwan Depository and Clearing Corporation (TDCC), securities with big denominations should be issued with the approval of the company.</del> The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.	To comply with the amendments of Company Act
Article 7	The Company may charge its net cost for handling, replacing or exchanging share certificates if the original share certificates were transferred, lost or destroyed.	<del>The Company may charge its net cost for handling, replacing or exchanging share certificates if the original share certificates were transferred, lost or destroyed.</del> <u>Unless otherwise specified in applicable laws and regulations,</u>	To meet the operation needs

		<u>the shareholders services shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.</u>	
Article 14	After the end of each fiscal year, the Board shall prepare and submit the following documents to the shareholders at the ordinary meeting of shareholders for their acceptance. (1) business report, (2) financial statements, (3) proposal for allocation of earnings or recovery of loss.	After the end of each fiscal year, the Board shall prepare and submit the following documents <u>in compliance with acts and regulations</u> to the shareholders at the ordinary meeting of shareholders for their acceptance. (1) business report, (2) financial statements, (3) proposal for allocation of earnings or recovery of loss.	To comply with the amendments of Company Act
Article 15-1	When allocating the earnings for each fiscal year, the Company shall first pay all taxes and dues, then offset its accumulated deficit and set aside a legal reserve at 10% of the earnings, until such accumulated legal reserve equals the amount of paid-in capital of the Company; then set aside special reserve in accordance with applicable laws or regulations. The remaining balance together with unappropriated earnings from previous years as dividends to stockholders, the Board of Directors shall draft a proposal to distribute the earnings, which shall be approved at a shareholders' meeting. The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a	When allocating the earnings for each fiscal year, the Company shall first pay all taxes and dues, then offset its accumulated deficit and set aside a legal reserve at 10% of the earnings, until such accumulated legal reserve equals the amount of paid-in capital of the Company; then set aside special reserve in accordance with applicable laws or regulations. The remaining balance together with unappropriated earnings from previous years as dividends to stockholders, <del>The Board of Directors</del> shall draft a proposal to distribute the earnings, <del>which shall be approved at a shareholders' meeting.</del> <u>Distributing dividends and the total or partial bonus through issuing new shares should be decided by the shareholders' meeting. If issuing cash is the case, it would be decided by the board of directors and be informed to the shareholders' meeting.</u> The Company's dividend policy	To comply with the amendments of Company Act

	<p>balanced dividend and the Company's long term financial plan.</p> <p>If the retained earnings available for distribution of the current year reaches 2% of the paid in capital of the Company, no less than 20% of the retained earnings available for distribution of the current year shall be distributed as dividend.</p> <p>If the retained earnings available for distribution of the current year does not reach 2% of the paid in capital of the Company, the Company may distribute no dividend. No less than 10% of the total dividend to be paid with respect to any fiscal year shall be paid in the form of cash.</p>	<p>is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan.</p> <p>If the retained earnings available for distribution of the current year reaches 2% of the paid in capital of the Company, no less than 20% of the retained earnings available for distribution of the current year shall be distributed as dividend.</p> <p>If the retained earnings available for distribution of the current year does not reach 2% of the paid in capital of the Company, the Company may distribute no dividend. No less than 10% of the total dividend to be paid with respect to any fiscal year shall be paid in the form of cash.</p>	
Article 15-2		<p><u>When the company incurs no loss, it may issue cash from the amount of legal reserve over 25% of paid-in capital and the total or partial amount of capital surplus according to the regulation of the company. The former mentioned offerings should proportionately distribute to shareholders based on their original shares. The Board of Directors should resolve on such case and report to shareholders.</u></p>	To comply with the amendments of Company Act
Article 15-3		<p><u>Whatever the company exerts on rewarding employees affiliated with the company, such as offering cash, issuing stock,</u></p>	To comply with the amendments of Company



		<u>issuing stock warrants, issuing restricted stock award, transferring the repurchased shares to employees, and issuing new shares to these employees with their rights reserved in compliance with acts and regulations, should be resolved by the Board of Directors or be determined by the authorized member about requirements and the way of allocation.</u>	Act
Article 17	These Articles of Incorporation were enacted on April 29, 2008; .....; The tenth amendment was made on June 05, 2018.	These Articles of Incorporation were enacted on April 29, 2008; .....;The tenth amendment was made on June 05, 2018; <u>The eleventh amendment was made on June 6, 2019.</u>	To add the amendment date

## Attachment 8

### Comparison table for the “Handling Procedures for Acquisition or Disposition of Assets” Before and After Amendment

Number of Article	Before amendment	After amendment	Reason of amendment
Article 2	<p><b>Scope of Application</b></p> <p>(1) Long term and short term investments such as stock, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts, call/put warrants, beneficial certificates, and asset-backed securities;</p> <p>(2) Real property (including land, houses and buildings, investment property, and rights to use land) and equipment;</p> <p>(3) Certificates of membership;</p> <p>(4) Intangible assets such as patents, copyright, trademarks and franchises;</p> <p>(5) Derivative products;</p> <p>(6) Assets acquired or disposed of in merger, spin-off, acquisition or share transfer in accordance with the relevant laws and regulations</p> <p>(7) Other important assets.</p>	<p><b>Scope of Application</b></p> <p>(1) Long term and short term investments such as stock, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts, call/put warrants, beneficial certificates, and asset-backed securities;</p> <p>(2) Real property (including land, houses and buildings, investment property, and rights to use land) and equipment;</p> <p>(3) Certificates of membership;</p> <p>(4) Intangible assets such as patents, copyright, trademarks and franchises;</p> <p><u>(5) Right-of-use assets.</u></p> <p><del>(6)</del>(5) Derivative products;</p> <p><del>(7)</del>(6) Assets acquired or disposed of in merger, spin-off, acquisition or share transfer in accordance with the relevant laws and regulations</p> <p><del>(8)</del>(7) Other important assets.</p>	To comply with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies
Article 4	<p><b>Information Disclosure</b></p> <p>(1) If the Company or the Company’s subsidiary acquires or disposes of the following assets, the Company shall make a public announcement and file the necessary report(s) in the format prescribed by the FSC within two days from occurrence of the relevant event:</p> <p>(i) acquisition or disposal of real property from any related party or acquisition or</p>	<p><b>Information Disclosure</b></p> <p>(1) If the Company or the Company’s subsidiary acquires or disposes of the following assets, the Company shall make a public announcement and file the necessary report(s) in the format prescribed by the FSC within two days from occurrence of the relevant event:</p> <p>(i) acquisition or disposal of real property <u>or right-of-use assets</u> from any related party</p>	To comply with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

	<p>disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises;</p> <p>(ii) conducting merger, spin-off, acquisition or share transfer;</p> <p>(iii) the acquired and/or disposed assets are equipments which are for business use and the transaction counterparties are not related parties, and the transaction amounts reach any of the following,</p> <p>(a) NT\$500 million or more if the Company's paid-in capital does not reach NT\$10 billion,</p> <p>(b) NT\$1 billion or more if the Company's paid-in capital reaches NT\$10 billion or more.</p> <p>(iv) the real property was acquired by ways of mandating others to build on the Company's own land, or mandating others to build on the rented land, joint construction with others to share the buildings, joint construction with others to acquire certain proportion of</p>	<p>or acquisition or disposal of assets other than real property <u>or right-of-use assets</u> from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in <u>domestic</u> government bonds, bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises;</p> <p>(ii) conducting merger, spin-off, acquisition or share transfer;</p> <p>(iii) the acquired and/or disposed <del>assets</del> are equipments <u>or right-of-use assets</u> which are for business use and the transaction counterparties are not related parties, and the transaction amounts reach any of the following,</p> <p>(a) NT\$500 million or more if the Company's paid-in capital does not reach NT\$10 billion,</p> <p>(b) NT\$1 billion or more if the Company's paid-in capital reaches NT\$10 billion or more.</p> <p>(iv) the real property was acquired by ways of mandating others to build on the Company's own land, or mandating others to build on the rented land, joint construction with others to share the buildings, joint</p>	
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	<p>ownership of the buildings, or joint construction with others to separately sell the buildings, and the proposed investment amount to be contributed by the Company reaches NT\$500 million or more.</p> <p>(v) except for any of those referred to in the preceding four subparagraphs or investing in Mainland China, the amount of any individual transaction; the cumulative transaction amount of acquisitions or disposals, of the same type of underlying asset with the same trading counterparty within one year; the cumulative transaction amount of real property acquisitions or disposals (acquisitions and disposals are accumulated separately) within the same development plan within one year; the cumulative transaction amount of acquisitions or disposals (acquisitions and disposals are accumulated separately) of the same securities within one year, the transaction amount reaches 20 % or more of the Company's paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:</p> <p>(a) trading in government bonds;</p> <p>(b) bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of money market funds</p>	<p>construction with others to acquire certain proportion of ownership of the buildings, or joint construction with others to separately sell the buildings, <u>and furthermore the transaction counterparty is not a related party</u>, and the proposed investment amount to be contributed by the Company reaches NT\$500 million or more.</p> <p>(v) except for any of those referred to in the preceding four subparagraphs or investing in Mainland China, the amount of any individual transaction; the cumulative transaction amount of acquisitions or disposals, of the same type of underlying asset with the same trading counterparty within one year; the cumulative transaction amount of real property <u>or right-of-use assets</u> acquisitions or disposals (acquisitions and disposals are accumulated separately) within the same development plan within one year; the cumulative transaction amount of acquisitions or disposals (acquisitions and disposals are accumulated separately) of the same securities within one year, the transaction amount reaches 20 % or more of the Company's paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:</p> <p>(a) trading in <u>domestic</u> government bonds;</p>	
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	<p>issued by domestic securities investment trust enterprises.</p> <p>(2) If any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the relevant rules, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing from the day of occurrence of the fact:</p> <p>(i) change, termination, or rescission of the contract signed in regard to the original transaction; and</p> <p>(ii) the merger, demerger, acquisition, or transfer of shares is not completed by scheduled date set forth in the contract; or</p> <p>(iii) change of the originally publicly announced and reported information.</p> <p>(3) Within one year as used in subparagraph (iii) of paragraph (1) refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not to be entered.</p> <p>.....</p>	<p>(b) bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) If any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the relevant rules, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing from the day of occurrence of the fact:</p> <p>(i) change, termination, or rescission of the contract signed in regard to the original transaction; and</p> <p>(ii) the merger, demerger, acquisition, or transfer of shares is not completed by scheduled date set forth in the contract; or</p> <p>(iii) change of the originally publicly announced and reported information.</p> <p>(3) Within one year as used in subparagraph (iii) <u>(v)</u> of paragraph (1) refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not to be entered.</p> <p>.....</p>	
Article 5	<p><b>Evaluation Procedures</b></p> <p>(1) Except for the assets which are</p>	<p><b>Evaluation Procedures</b></p> <p>(1) Except for the assets which are</p>	To comply with the amendments

	<p>dealing with a government authority or by ways of mandating others to build on the Company's own land or on the land rented by the Company or equipments which are to be acquired for business use, any acquisition or disposal of real property or equipment the transaction amount of which reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, shall be subject to obtaining the evaluation report issued by the professional appraisers prior to occurrence of the event and compliance with the following provisions:</p> <p>i) If a limited price, a specified price or a special price is used as a reference for determination of the transactional price due to special reason, such transaction shall be submitted to the Board of Directors for prior approval. The same procedure shall apply to amendments to the transaction terms.</p> <p>.....</p> <p>(3) If the transaction amount of any acquisition or disposal of the certificate of membership or intangible asset reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, except for the assets which are dealing with a government authority, a certificated public accountant shall be retained to issue a fairness opinion on the transaction price prior to occurrence of the event. The</p>	<p>dealing with a <u>domestic</u> government authority or by ways of mandating others to build on the Company's own land or on the land rented by the Company or equipments which are to be acquired for business use <u>or right-of-use assets</u>, any acquisition or disposal of real property, <del>or</del> equipment, <u>or right-of-use assets</u> the transaction amount of which reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, shall be subject to obtaining the evaluation report issued by the professional appraisers prior to occurrence of the event and compliance with the following provisions:</p> <p>i) If a limited price, a specified price or a special price is used as a reference for determination of the transactional price due to special reasons, such transaction shall be submitted to the Board of Directors for prior approval. The same procedure shall be <u>also</u> applied to amendments to the transaction terms.</p> <p>.....</p> <p>(3) If the transaction amount of any acquisition or disposal of <del>the certificate of membership or</del> intangible asset <u>or right-of-use assets or the certificate of membership</u> reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, except for the assets which are dealing with a <u>domestic</u> government authority, a</p>	<p>to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies</p>
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	<p>certificated public accountant shall issue such fairness opinion in accordance with the Statements of Auditing Standards No. 20 issued by Accounting Research and Development Foundation of the Republic of China.</p> <p>(4) The professional appraisers (and its personnel), the certified public accountants, the attorneys or the securities underwriters who issue evaluation report or opinions with respect to any transaction shall not be the related parties to the parties of subject transaction.</p> <p>(5) The certificate issued by the court may be substituted for the appraisal report or the fairness opinion issued by the certified public accountant, if the assets are acquired or disposed of through an auction procedure by the court.</p> <p>(6) The calculation of the transaction amounts referred to in the preceding three paragraphs shall be made in accordance with Article 4, subparagraph (iii) of paragraph (1), and "within one 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.</p>	<p>certificated public accountant shall be retained to issue a fairness opinion on the transaction price prior to occurrence of the event. The certificated public accountant shall issue such fairness opinion in accordance with the Statements of Auditing Standards No. 20 issued by Accounting Research and Development Foundation of the Republic of China.</p> <p>(4) The professional appraisers (and its personnel), the certified public accountants, the attorneys or the securities underwriters who issue evaluation report or opinions with respect to any transaction shall <del>not be the related parties to the parties of subject transaction</del> <u>meet the following requirements:</u></p> <p><u>i) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon</u></p>	
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		<p><u>was received.</u></p> <p><u>ii) May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>iii).If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>(5) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>i) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>ii) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>iii) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>iv) They shall issue a statement attesting to the professional</u></p>	
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		<p><u>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><del>(6)</del>(5)-The certificate issued by the court may be substituted for the appraisal report or the fairness opinion issued by the certified public accountant, if the assets are acquired or disposed of through an auction procedure by the court.</p> <p><del>(7)</del>(6)-The calculation of the transaction amounts referred to in the preceding three paragraphs shall be made in accordance with Article 4, subparagraph (iii) of paragraph (1), and "within one 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.</p>	
Article 6	<p><b>Related Party Transactions</b></p> <p>(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 as provided in Article 5 and this Article, if the transaction amount reaches 10% or more</p>	<p><b>Related Party Transactions</b></p> <p>(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 as provided in Article 5 and this Article, if the transaction</p>	To comply with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

	<p>of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with Article 5. The calculation of the transaction amount shall be made in accordance with the previous section.</p> <p>(2) When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, 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 and make a payment until the following matters have been approved by the board of directors:</p> <ul style="list-style-type: none"> <li>i) the purpose and necessity of such acquisition or disposal of assets and the estimated effect thereon;</li> <li>ii) the reason to choose such related party as the transaction counterparty;</li> <li>iii) with respect to the acquisition of real property from a related party, the relevant information required for evaluation of the</li> </ul>	<p>amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with Article 5. The calculation of the transaction amount shall be made in accordance with the previous <del>Article</del> section.</p> <p>(2) When the Company intends to acquire or dispose of real property <u>or right-of-use assets</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</u> from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in <u>domestic</u> government bonds, bond trading with repurchase and/or reverse purchase arrangement, 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 and make a payment until the following matters have been approved <u>by the audit committee and</u> the board of directors:</p> <ul style="list-style-type: none"> <li>i) the purpose and necessity of such acquisition or disposal of assets and the estimated effect thereon;</li> <li>ii) the reason to choose such related party as the transaction counterparty;</li> </ul>	
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	<p>reasonableness of the proposed transaction terms in accordance with Paragraph (3), Paragraph (4), Paragraph (5), and Paragraph (6) of this Article;</p> <p>iv) the date, price and transaction counterparty of the acquisition by the related party of such real property, and the relationship between the related party and such counterparty and the relationship between the Company and such counterparty;</p> <p>v) the forecast of cash flow for each month of the coming year from the month during which the acquisition contract is to be executed and the evaluation of the transaction necessity, and the evaluation of reasonableness of the use of proceeds; and</p> <p>vi) an appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding item</p> <p>vii) the restrictive terms and conditions and other material terms of such subject transaction.</p> <p>(3) Acquisition of real property from related party shall be subject to the evaluation of reasonableness of the transaction costs in accordance with the following methods and shall retain a certified public accountant to (i) check the reasonableness of the transaction costs made by the Company and (ii) issue the specific opinion thereon:</p> <p>i) the reasonableness of the</p>	<p>iii) with respect to the acquisition of real property <u>or right-of-use assets</u> from a related party, the relevant information required for evaluation of the reasonableness of the proposed transaction terms in accordance with Paragraph (3), <u>Paragraph (4), and Paragraph (5)</u>, <del>and Paragraph (6)</del> of this Article;</p> <p>iv) the date, price and transaction counterparty of the acquisition by the related party of such real property, and the relationship between the related party and such counterparty and the relationship between the Company and such counterparty;</p> <p>v) the forecast of cash flow for each month of the coming year from the month during which the acquisition contract is to be executed and the evaluation of the transaction necessity, and the evaluation of reasonableness of the use of proceeds; and</p> <p>vi) an appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding item</p> <p>vii) the restrictive terms and conditions and other material terms of such subject transaction.</p> <p>(3) Acquisition of real property <u>or right-of-use assets</u> from related party shall be subject to the evaluation of reasonableness of the transaction costs in accordance with the following methods and shall retain a</p>	
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	<p>transaction costs may be evaluated based on (i) the transaction price of the subject real property acquired by the related party plus interest required for funding and (ii) the costs to be borne by the buyer in accordance with the applicable law (the "interest required for funding" shall be calculated based on the weighted average interest rate of the funds borrowed by the Company in the year during which the subject assets are acquired by the Company, provided that such interest rate shall not exceed the interest rate ceiling for non-financial institutions published by the Ministry of Finance); or</p> <p>ii) if the subject assets have been mortgaged to the relevant financial institution as collateral for borrowing, the total value for such assets evaluated by such financial institution for the purpose of extending a loan ( "evaluated value for loan purpose" ) may be used as a reference to evaluate the reasonableness of the transaction costs, provided that the actual aggregate amount of the loans extended by such financial institution with respect to the subject assets must reach 70% or more of the evaluated value for loan purpose and the loan period must be more than one year. The above provision shall not apply, if the financial</p>	<p>certified public accountant to (i) check the reasonableness of the transaction costs made by the Company and (ii) issue the specific opinion thereon:</p> <p>i) the reasonableness of the transaction costs may be evaluated based on (i) the transaction price of the subject real property acquired by the related party plus interest required for funding and (ii) the costs to be borne by the buyer in accordance with the applicable law (the "interest required for funding" shall be calculated based on the weighted average interest rate of the funds borrowed by the Company in the year during which the subject assets are acquired by the Company, provided that such interest rate shall not exceed the interest rate ceiling for non-financial institutions published by the Ministry of Finance); or</p> <p>ii) if the subject assets have been mortgaged to the relevant financial institution as collateral for borrowing, the total value for such assets evaluated by such financial institution for the purpose of extending a loan ( "evaluated value for loan purpose" ) may be used as a reference to evaluate the reasonableness of the transaction costs, provided that the actual aggregate amount of the loans extended by such financial institution with respect to the subject assets must reach 70% or more of</p>	
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	<p>institution is the related party of either party of the subject transaction.</p> <p>If the Company is to acquire both land and building, the transaction costs for such land and building may be evaluated, respectively, in accordance with any of the above methods.</p> <p>(4) Under any of the following circumstances, acquisition of real property from related party shall be conducted in accordance with Paragraph (2) of this Article, and Paragraph (3) of this Article shall not apply:</p> <ul style="list-style-type: none"> <li>i) the subject real property was acquired by related party by way of inheritance or gift;</li> <li>ii) the execution date of the relevant contract for the related party to acquire the subject real property is more than five years prior to the contract execution date of the subject transaction; or</li> <li>iii) the real property is acquired by entering into a joint construction contract with the related party, or through engaging the related party to build real property, either on the Company's land or on rented land.</li> </ul> <p>(5) If the transaction cost evaluated under all the methods provided for in Paragraph (3) of this Article is less than the transaction price, acquisition of real property from related parties shall be handled in accordance with Paragraph (6) of this Article; provided, that, if in any of the following circumstances, objective evidence is provided</p>	<p>the evaluated value for loan purpose and the loan period must be more than one year. The above provision shall not apply, if the financial institution is the related party of either party of the subject transaction.</p> <p>If the Company is to acquire <u>or lease</u> both land and building, the transaction costs for such land and building may be evaluated, respectively, in accordance with any of the above methods.</p> <p>(4) Under any of the following circumstances, acquisition of real property <u>or right-of-use assets</u> from related party shall be conducted in accordance with Paragraph (2) of this Article, and <u>Paragraph</u> (3) of this Article shall not apply:</p> <ul style="list-style-type: none"> <li>i) the subject real property <u>or right-of-use assets</u> was acquired by related party by way of inheritance or gift;</li> <li>ii) the execution date of the relevant contract for the related party to acquire the subject real property <u>or right-of-use assets</u> is more than five years prior to the contract execution date of the subject transaction; or</li> <li>iii) the real property is acquired by entering into a joint construction contract with the related party, or through engaging the related party to build real property, either on the Company's land or on rented land.</li> </ul> <p><u>iv) the real property right-of-use assets for business use are acquired by</u></p>	
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	<p>and the Company obtains reasonable opinion on the transaction price from a real property professional appraiser and the certified public accountant, such acquisition of real property from a related party will not be subject to Paragraph (6) of this Article:</p> <p>i) if the related party purchased or rented a piece of undeveloped land for construction and the related party provides evidence to prove any of the following conditions:</p> <p>(a) the aggregate value of the undeveloped land evaluated in accordance with the methods provided for in this Article and of the building calculated based on the related party's construction cost plus reasonable construction profit is more than the actual transaction price (the term "reasonable construction profit" shall mean the lower of the average operating gross margin percentage of the related party's construction department for the most recent 3 years or the most recent gross margin percentage for the construction industry published by the Ministry of Finance);</p> <p>(b) if, for a purchase transaction, based on an evaluation of the price difference done in</p>	<p><u>the company with subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> <p>(5) If the transaction cost evaluated under all the methods provided for in Paragraph (3) of this Article is less than the transaction price, acquisition of real property from related parties shall be handled in accordance with Paragraph (6) of this Article; provided, that, if in any of the following circumstances, objective evidence is provided and the Company obtains reasonable opinion on the transaction price from a real property professional appraiser and the certified public accountant, such acquisition of real property from a related party will not be subject to Paragraph (6) of this Article:</p> <p>i) if the related party purchased or rented a piece of undeveloped land for construction and the related party provides evidence to prove any of the following conditions:</p> <p>(a) the aggregate value of the undeveloped land evaluated in accordance with the methods provided for in this Article and of the building calculated based on the related party's construction cost plus reasonable construction profit is more than the actual transaction</p>	
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	<p>accordance with general real estate purchase/sale business practice, the terms of the target floor or area are similar to the terms of a similar transaction done by an unrelated party within the previous one year for similar size property in the same building or the neighborhood area where the target property is located; or</p> <p>(c) if, for a lease transaction, based on an evaluation of the price difference done in accordance with general real estate lease business practice, the lease terms for the target floor are similar to the lease terms for a similar transaction done for another floor in the same building by an unrelated party within the previous one year;</p> <p>ii) the Company may provides evidence to prove that the terms of the target real property are similar to the terms of a similar transaction done by an unrelated party within the previous one year for similar size property in the neighborhood where the target property is located.</p> <p>The term “similar transaction done for the property in the neighborhood” used in the above Paragraph means in principle the property which is the subject matter of such transactions ( “Reference Property” ) and the subject real property are on the same</p>	<p>price (the term "reasonable construction profit" shall mean the lower of the average operating gross margin percentage of the related party’ s construction department for the most recent 3 years or the most recent gross margin percentage for the construction industry published by the Ministry of Finance);</p> <p>(b) if, for a purchase transaction, based on an evaluation of the price difference done in accordance with general real estate purchase/sale <b>or leasing</b> business practice, the terms of the target floor or area are similar to the terms of a similar transaction <del>done</del> by an unrelated party within the previous one year for similar size property in the same building or the neighborhood area where the target property is located; or</p> <p><del>(c) if, for a lease transaction, based on an evaluation of the price difference done in accordance with general real estate lease business practice, the lease terms for the target floor are similar to the lease terms for a similar transaction done for another floor in the same building by an unrelated party within the previous one year;</del></p>	
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	<p>street or a nearby block within a distance of less than 500 meters; or the Government Announced Current Value of the subject property is similar to the Government Announced Current Value of the Reference Property. The term "similar size" means in principle that size of the target property for such transaction done by non-related party is not less than 50% of the size of the subject real property. The term "within the previous one year" means within the one-year period prior to the date on which acquisition of the subject real property occurs.</p> <p>(6) If the transaction cost evaluated under all the methods provided for in this Article is less than the transaction price, the Company shall conduct the following for acquisition of real property from the related party:</p> <p>i) allocate the difference between the transaction price of the subject real property and the evaluated transaction costs as special reserves in accordance with Paragraph 1, Article 41 of the Securities and Exchange Law which special reserves are not permitted to be distributed as dividend or recapitalized; In addition, if any shareholder's investment in the Company shall be evaluated by equity method and such shareholder is a public company, such shareholder shall set aside a corresponding amount in proportion to its holding in the Company as special reserves in accordance with</p>	<p>ii) the Company may provides evidence to prove that the terms of the target real property <u>or obtaining real property right-of-use assets through leasing</u> are similar to the terms of a similar transaction <del>done</del> by an unrelated party within the previous one year for similar size property in the neighborhood where the target property is located. The term "similar transaction <del>done</del> for the property in the neighborhood" used in the above Paragraph means in principle the property which is the subject matter of such transactions ( "Reference Property" ) and the subject real property are on the same street or a nearby block within a distance of less than 500 meters; or the Government Announced Current Value of the subject property is similar to the Government Announced Current Value of the Reference Property. The term "similar size" means in principle that size of the target property for such transaction <del>done</del> by non-related party is not less than 50% of the size of the subject real property. The term "within the previous one year" means within the one-year period prior to the date on which acquisition of the subject real property <u>or obtainment of the right-of-use assets</u> occurs.</p> <p>(6) If the transaction cost evaluated under all the methods provided for in this</p>	
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	<p>Paragraph 1, Article 41 of the Securities and Exchange Law;</p> <p>ii) Audit Committee shall handle the subject matter pursuant to Article 218 of the Company Law;</p> <p>iii) the Company shall report how it handle Item (i) and Item (ii) above to the shareholders' meeting and disclose the details of the subject transaction in the annual report and prospectus.</p> <p>(7) If a special reserve is required to be set aside under this Article, such special reserve may not be utilized until the Company 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 has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has grant its consent.</p> <p>(8) When the Company acquires real property from a related party, it shall also comply with this Article, if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>(9).The calculation of the transaction amounts referred to in the preceding paragraph (1) and (2) shall be made in accordance with Article 5, paragraph (6) 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</p>	<p>Article is less than the transaction price, the Company shall conduct the following for acquisition of real property <u>or right-of-use assets thereof</u> from the related party:</p> <p>i) allocate the difference between the transaction price of the subject real property <u>or right-of-use assets</u> and the evaluated transaction costs as special reserves in accordance with Paragraph 1, Article 41 of the Securities and Exchange Law which special reserves are not permitted to be distributed as dividend or recapitalized; In addition, if any shareholder's investment in the Company shall be evaluated by equity method and such shareholder is a public company, such shareholder shall set aside a corresponding amount in proportion to its holding in the Company as special reserves in accordance with Paragraph 1, Article 41 of the Securities and Exchange Law;</p> <p>ii) Audit Committee shall handle the subject matter pursuant to Article 218 of the Company Law;</p> <p>iii) the Company shall report how it handle <u>Items (i) and Item (ii)</u> above to the shareholders' meeting and disclose the details of the subject transaction in the annual report and prospectus.</p> <p>(7) If a special reserve is required to be set aside under this Article, such special reserve may not be utilized until the</p>	
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	<p>directors need not be counted toward the transaction amount.</p> <p>(10).With respect to the acquisition or disposal of equipment thereof held for business use when to be conducted between company and subsidiaries, chairman of the board decide such matters when the transaction is within NT\$1 billion and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p>	<p>Company 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 has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has grant its consent.</p> <p>(8) When the Company acquires real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with this Article, if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p>(9) The calculation of the transaction amounts referred to in the preceding paragraph (1) and (2) shall be made in accordance with Article <u>4 5</u>, paragraph <u>(1) (6)</u>, <u>Item(v)</u> 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 need not be counted toward the transaction amount.(10).<u>With respect to the acquisition or disposal of equipment thereof held for business use types of transactions listed below</u>, when to be conducted between company and subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the</u></p>	
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		<p><u>issued shares or authorized capital</u>, chairman of the board decide such matters when the transaction is within NT\$1 billion and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p><u>i). Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>ii). Acquisition or disposal of real property right-of-use assets held for business use.</u></p>	
Article 8	<p><b>Merger, Spin-off, Acquisition, and Share Transfer</b></p> <p>.....</p> <p>(8) When participating in a merger, spin off or acquisition, the Company shall prepare a full written record of the following information and retain such record for five years for examination and check.</p> <p>i) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin off or acquisition prior to public disclosure of the information.</p> <p>ii) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>iii) Important documents and</p>	<p><b>Merger, Spin-off, Acquisition, and Share Transfer</b></p> <p>.....</p> <p>(8) When participating in a merger, spin off, <del>or</del> acquisition <u>or share transfer</u>, the Company shall prepare a full written record of the following information and retain such record for five years for examination and check.</p> <p>i) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin off, <del>or</del> acquisition <u>or share transfer</u> prior to public disclosure of the information.</p> <p>ii) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of</p>	<p>To comply with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies</p>

	<p>minutes: Including merger, spin off or acquisition plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>.....</p>	<p>directors meeting.</p> <p>iii) Important documents and minutes: Including merger, spin off <del>or</del> acquisition <u>or share transfer</u> plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>.....</p>	
Article 11	<p><b>Miscellaneous</b></p> <p>.....</p> <p>(3) Where the subsidiary is subject to the information disclosure requirement in connection with 20% of the Company's paid-in capital or 10% of the Company's total assets as provided in Paragraph (1) of Article 4 hereof, such requirement means the amount of acquisition or disposal of the subject assets by the subsidiary reaches 20% of the Company's paid-in capital or 10% of the Company's total assets.</p> <p>(4) The term "related party" as used in the Handling Procedures shall have the same meaning as defined in NO 06 of Statements of Auditing Standards by Account Research and Development Foundation.</p> <p>(5) The term "investment in Mainland China" as used in the Handling Procedures shall have the same meaning as defined in the "Regulation Governing the Approval for Investment and Technical Cooperation in Mainland China" promulgated by the Investment Commission,</p>	<p><b>Miscellaneous</b></p> <p>.....</p> <p>(3) Where the subsidiary is subject to the information disclosure requirement in connection with <del>20%</del> of the Company's paid-in capital or <del>10%</del> of the Company's total assets as provided in Paragraph (1) of Article 4 hereof, such requirement means the amount of acquisition or disposal of the subject assets by the subsidiary reaches 20% of the Company's paid-in capital or 10% of the Company's total assets.</p> <p>(4) The term "related party" as used in the Handling Procedures shall have the same meaning as defined in NO 06 of Statements of Auditing Standards by Account Research and Development Foundation.</p> <p>(5) The term "investment in Mainland China" as used in the Handling Procedures shall have the same meaning as defined in the "Regulation Governing the Approval for Investment and Technical Cooperation in Mainland China" promulgated by the Investment Commission,</p>	<p>To comply with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies</p>

	<p>Ministry of Economic Affairs.</p> <p>(6) The term “make a public announcement” and “file the necessary report(s)” as used in the Handling Procedures, shall mean information disclosure posted in the website designated by the FSC.</p> <p>(7) Matters not provided for in this Handling Procedures shall be governed by the applicable laws, regulations, and the Company’s internal regulations.</p>	<p>Ministry of Economic Affairs.</p> <p>(6) The term “make a public announcement” and “file the necessary report(s)” as used in the Handling Procedures, shall mean information disclosure posted in the website designated by the FSC.</p> <p><u>(7) 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; 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><del>(8)</del> Matters not provided for in this Handling Procedures shall be governed by the applicable laws, regulations, a</p>	
Article 13	<p>The Board of Directors is authorized to set the aggregate limit on securities investment, the individual limit on the securities investment and the aggregate limit on real property investment for the purpose rather than business use.</p> <p>Such limits should be appended to the Handling Procedures as shown in the Attachment, namely, “Authorization Schedule for Acquisition or Disposal of Assets and the Limits on Securities Investment” .</p>	<p>The Board of Directors is authorized to set the aggregate limit on securities investment, the individual limit on the securities investment and the aggregate limit on real property investment for the purpose rather than business use <u>and Right-of-use assets.</u></p> <p>Such limits should be appended to the Handling Procedures as shown in the Attachment, namely, “Authorization Schedule for Acquisition or Disposal of Assets and the Limits on Securities</p>	<p>To comply with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies</p>

		Investment” .	
Article 14	The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on April 29, 2011; the third amendment was made on June 19, 2012; the fourth amendment was made on June 11, 2013; the fifth amendment was made on June 19, 2014, the sixth amendment was made on June 3, 2016, and the seventh amendment was made on June 29.	The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on April 29, 2011; the third amendment was made on June 19, 2012; the fourth amendment was made on June 11, 2013; the fifth amendment was made on June 19, 2014, the sixth amendment was made on June 3, 2016, the seventh amendment was made on June 29, 2017, <u>and the eighth amendment was made on June 6, 2019.</u>	To add the amendment date

#### Appendix (Bfter Amendments)

Asset Item	Approver	Authority	Aggregate Investment Limit	Individual Investment Limit
Real property not for business use	Board of Director		30% of the equity	15% of the equity
Strategical investment in equities	Board of Director Chairman	>=300,000 <300,000	50% of the equity	30 % of the equity
.....				

#### Appendix (After Amendments)

Asset Item	Approver	Authority	Aggregate Investment Limit	Individual Investment Limit
Real property not for business use <u>and Right-of-use assets.</u>	Board of Director		30% of the equity	15% of the equity
Strategical investment in equities	Board of Director Chairman	>=300,000 <300,000	<del>50%</del> of the equity	<del>30</del> <u>50</u> % of the equity
.....				

Reason of amendment: To comply with the amendment of the regulations and to meet the operation need.

**Comparison Table for the “Handling Procedures for Conducting Derivative Transactions”  
Before and After Amendment**

Number of Article	Before amendment	After amendment	Reason of amendment
Article 2	<p><b>Scope of Application</b></p> <p>1. The derivative transactions referred to in the Handling Procedures are forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derives from assets, interest rates, exchange rates, indexes or other interests. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2. A transaction which is for the purpose of hedging the business operating risk is a hedge transaction; a transaction creating additional risk from arbitraging is a speculation transaction.</p>	<p><b>Scope of Application</b></p> <p>1. The derivative transactions referred to in the Handling Procedures are forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, <del>and compound contracts combining the above products,</del> whose value is derives from <u>a specified interest rate, financial instrument price, commodity price,</u> <del>assets, interest rates, exchange rates, indexes</del> <u>of prices or rates, credit rating or credit index,</u> or other <u>variable-interests; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long term leasing contracts, or long-term purchase (sales) <u>contracts</u> agreements.</p> <p>.....</p>	To comply with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies
Article 17	The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on April 29, 2011; the third amendment was made on June 11, 2013; the fourth amendment was made on June	The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on April 29, 2011; the third amendment was made on June 11, 2013; the fourth amendment was made on June	To add the amendment date

	19, 2014; and the fifth amendment was made on June 29, 2017.	19, 2014; the fifth amendment was made on June 29, 2017, <u>and the sixth amendment was made on June 6, 2019.</u>	
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**Comparison table for the “Handling Procedures for Capital Lending”  
Before and After Amendment**

Number of Article	Before amendment	After amendment	Reason of amendment
Article 3	<p><b>The aggregate amount of loans and the maximum amount permitted to a single borrower</b></p> <p>(1) The aggregate outstanding amount of capital lending shall not exceed forty percent (40%) of the Company’s net worth as shown in the Company’s latest financial statements.</p> <p>(2) The limit on the amount of capital lending to the each individual borrower is as follows:</p> <p>(i) If there is any business transaction between the Company and other company or firm which calls for capital lending, the amount of capital lending for each individual company or firm shall not exceed the amount of transactions between the Company and the borrower to lending. The term “the amount of the transactions” as used herein means the higher of the purchase amount or sale amount of the business transactions between the Company and such borrower.</p> <p>(ii) The maximum financing amount of loan which provides a single borrower, for short-term financing needs, shall not exceed 10 percent of the Company’s net worth as stated in its</p>	<p><b>The aggregate amount of loans and the maximum amount permitted to a single borrower</b></p> <p>(1) The aggregate outstanding amount of capital lending shall not exceed forty percent (40%) of the Company’s net worth as shown in the Company’s latest financial statements.</p> <p>(2) The limit on the amount of capital lending to the each individual borrower is as follows:</p> <p>(i) If there is any business transaction between the Company and other company or firm which calls for capital lending, the amount of capital lending for each individual company or firm shall not exceed the amount of transactions between the Company and the borrower to lending. The term “the amount of the transactions” as used herein means the higher of the purchase amount or sale amount of the business transactions between the Company and such borrower.</p> <p>(ii) The maximum financing amount of loan which provides a single borrower, for short-term financing needs, shall not exceed 10 percent of the Company’s net worth as stated in its</p>	<p>To comply with the amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies</p>

	<p>latest financial statement.</p> <p>(3) The overseas subsidiaries, whose 100% outstanding voting shares are directly or indirectly held by the Company, loan their funds among others shall not be subject to the limitation forty percent (40%) of the Company's net worth and the lending period will not be subject to one year or one operating cycle. However the Company's subsidiaries shall set the amount limits and the durations of loans in its Handling Procedures.</p> <p>(4) The capital lending between the Company and its subsidiaries, or among the Company's subsidiaries shall be approved by the Board of Directors. The Board of Directors may authorize the Chairman to approve to loan a single borrower within a specific limit resolved by the Board of Directors, and for a period not more than one year, allow such borrower to make drawdown for several times or have revolving loan. The term "specific limit set" set forth in the preceding sub-paragraph shall be pursuant to paragraph (3), and the outstanding balance of loans made by the Company and its subsidiaries to a single borrower shall not exceed 10 percent or more of the borrower's net worth as stated in its latest financial statement.</p>	<p>latest financial statement.</p> <p>(3) The overseas subsidiaries, whose 100% outstanding voting shares are directly or indirectly held by the Company, loan their funds <u>between overseas subsidiaries or the company</u> among others shall not be subject to the limitation forty percent (40%) of the Company's net worth and the lending period will not be subject to one year or one operating cycle. However the Company's subsidiaries shall set the <del>amount</del> <u>limits of amount and single borrower</u> and the durations of loans in its Handling Procedures.</p> <p><u>(4) When the person in charge of the company violates the paragraph (2), it shall be responsible for the return of the loan with the borrower; if the company suffers damage, it shall be liable for damages.</u></p> <p><del>(5)</del>(4) The capital lending between the Company and its subsidiaries, or among the Company's subsidiaries shall be approved by the Board of Directors. The Board of Directors may authorize the Chairman to approve to loan a single borrower within a specific limit resolved by the Board of Directors, and for a period not more than one year, allow such borrower to make drawdown for several times or have revolving loan. The term "specific limit set" set forth in the preceding sub-paragraph shall be pursuant to paragraph (3), and</p>	
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		the outstanding balance of loans made by the Company and its subsidiaries to a single borrower shall not exceed 10 percent or more of the borrower's net worth as stated in its latest financial statement.	
Article 6	<p>.....</p> <p>(1) The Company shall make a public announcement and file the necessary report(s), for itself and its subsidiaries, of the outstanding amount of capital lending as of the end of the previous month prior to the 10th day of each month.</p> <p>(2) If the Company or the Company's subsidiary whose balance of loan reaches one of the following levels, the Company shall make a public announcement and file the necessary report(s) in the format prescribed by the FSC within two days from the date of occurrence of the relevant event:</p> <p>(i) The aggregate loan balance reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(ii) The balance of loans to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(iii) The balance of loan increases by more than NT\$10 million and by 2 percent or more of the Company's net worth as stated in its latest financial</p>	<p>.....</p> <p>(1) The Company shall make a public announcement and file the necessary report(s), for itself and its subsidiaries, of the outstanding amount of capital lending as of the end of the previous month prior to the 10th day of each month.</p> <p>(2) If the Company or the Company's subsidiary whose balance of loan reaches one of the following levels, the Company shall make a public announcement and file the necessary report(s) in the format prescribed by the FSC within two days from the date of occurrence of the relevant event:</p> <p>(i) The aggregate loan balance reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(ii) The balance of loans to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(iii) The balance of loan increases by more than NT\$10 million and by 2 percent or more of the Company's net worth as stated in its latest financial</p>	To comply with the amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies

	<p>statement.</p> <p>The term “the date of occurrence” as used in the paragraph shall mean 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.</p> <p>.....</p>	<p>statement.</p> <p>The term “the date of occurrence” as used in the paragraph shall mean 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 <u>capital lending transaction</u>, whichever date is earlier.</p> <p>.....</p>	
Article 17	<p>The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on June 30, 2010; the third amendment was made on April 29, 2011; the fourth amendment was made on June 11, 2013, and the fifth amendment was made on June 19, 2014.</p>	<p>The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on June 30, 2010; the third amendment was made on April 29, 2011; the fourth amendment was made on June 11, 2013; the fifth amendment was made on June 19, 2014, <u>and the sixth amendment was made on June 6, 2019.</u></p>	To add the amendment date

**Comparison table for the “Handling Procedures for Providing Endorsements and Guarantees for Third Parties”**

**Before and After Amendment**

Number of Article	Before amendment	After amendment	Reason of amendment
Article 10	<p><b>Information Disclosure</b></p> <p>(1) The Company shall make a public announcement and file the necessary report(s), for itself and its subsidiaries, of the outstanding amount of endorsements and/or guarantees as of the end of the previous month prior to the 10th day of each month.</p> <p>(2) If the outstanding amount of endorsements and/or guarantees provided by the Company and the subsidiaries reaches any of the following standards, the Company shall make a public announcement and file the necessary report(s) within two days from the date of occurrence of the subject endorsement or guarantee:</p> <p>i) The aggregate balance of endorsements/guarantees reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>ii) The balance of endorsements/guarantees for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>iii) The balance of endorsements/guarantees for a single enterprise reaches NT\$10 million or</p>	<p><b>Information Disclosure</b></p> <p>(1) The Company shall make a public announcement and file the necessary report(s), for itself and its subsidiaries, of the outstanding amount of endorsements and/or guarantees as of the end of the previous month prior to the 10th day of each month.</p> <p>(2) If the outstanding amount of endorsements and/or guarantees provided by the Company and the subsidiaries reaches any of the following standards, the Company shall make a public announcement and file the necessary report(s) within two days from the date of occurrence of the subject endorsement or guarantee:</p> <p>i) The aggregate balance of endorsements/guarantees reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>ii) The balance of endorsements/guarantees for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>iii) The balance of endorsements/guarantees for a single enterprise reaches NT\$10 million or more and the aggregate</p>	<p>To comply with the amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies</p>

	<p>more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>iv) The amount of new endorsements/guarantees reaches by more than NT\$30 million and by 5% or more of the Company's net worth as stated in its latest financial statement.</p> <p>This term "the date of occurrence" as used in the Handling Procedures shall mean 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.</p> <p>.....</p>	<p>amount of all endorsements/guarantees for, <u>the book amount of</u> investments <del>of a long-term nature in</del> <u>accounted for using equity method</u>, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>iv) The amount of new endorsements/guarantees reaches by more than NT\$30 million and by 5% or more of the Company's net worth as stated in its latest financial statement.</p> <p>This term "the date of occurrence" as used in the Handling Procedures shall mean 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 <u>endorsements/guarantees</u> <del>transaction</del>, whichever date is earlier.</p> <p>.....</p>	
Article 17	<p>The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on June 30, 2010; the third amendment was made on April 29, 2011; and the fourth amendment was made on June 11, 2013.</p>	<p>The course of change and development The Handling Procedures were enacted on October 20, 2008; the first amendment was made on June 29, 2009; the second amendment was made on June 30, 2010; the third amendment was made on April 29, 2011; the fourth amendment was made on June 11, 2013; <u>and the fifth amendment was made on June 6, 2019.</u></p>	To add the amendment date

## Attachment 9

### **Lextar Electronics Corp. Tentative Terms and Conditions for Issuance of Overseas or Domestic Convertible Bonds in Private Placement**

#### **1. Issuer**

Lextar Electronics Corp. (“Issuer” or “Lextar”).

#### **2. Issuance Size**

The Board of Directors (“Board”) is authorized, within the limit of 55,000,000 common shares, to issue new common shares for cash to sponsor issuance of the overseas depository shares (“DRs”) and/or issue new common shares for cash in public offering and/or issue new common shares in private placement and/or issue overseas or domestic convertible bonds in private placement (“Private Placement CB”). For issuance of Private Placement CB, the number of common shares to be converted within the limit of 55,000,000 common shares shall be calculated in accordance with the conversion price determined at the time of issuance of Private Placement CB.

#### **3. Issuance Date**

The Private Placement CB will be issued within one year after the 2018 annual general shareholders’ meeting.

#### **4. Issuance Method**

The Private Placement CB will be issued in accordance with Article 43–6 of the Securities and Exchange Act and the regulations of the jurisdiction where the Private Placement CB is issued.

The investors subscribing to the Private Placement CB must meet the qualifications listed in Article 43–6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company’s long term development, competitiveness, and existing shareholders’ rights. The Board is fully authorized to determine the specific investor(s). The purpose, necessity and projected benefits for having strategic investor(s) are to accommodate the Company’s operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in its finance, business, manufacturing, technology, procurement, management, and strategy development, etc. in order to strengthen the Company’s competitiveness and enhance its operational efficiency and long term development.

#### **5. Form, Denomination and Issuance Price**

The Private Placement CB will be issued in registered form in denomination of US\$10,000 or multiples thereof or NT\$100,000 or multiples thereof and the issue price shall be no less than 80% of the theoretical price.

## **6. Coupon Rate**

To be determined by the Board.

## **7. Term**

The term of the Private Placement CB shall not be more than seven years.

## **8. Redemption**

Unless previously redeemed, converted, or purchased and cancelled, the Private Placement CB will be redeemed by the Issuer at the maturity date in cash at a price equal to the par value or the par value plus the interest.

## **9. Conversion Securities**

The Private Placement CB will be convertible into Lextar's common shares or the DRs representing Lextar's common shares.

## **10. Conversion**

### **(1) Conversion Period:**

Unless previously redeemed, purchased, cancelled or converted, except during the closed period the holders are not permitted to convert under the Indenture, a holder of the Private Placement CB may request the Issuer to convert the Private Placement CB into Lextar's common shares or DRs at any time after a designated period of time following the issuance date of the Private Placement CB and until certain days prior to the maturity date in accordance with applicable rules and regulations and terms of the Indenture.

### **(2) Conversion Procedure:**

To exercise the relevant conversion rights attached to the Private Placement CB, the holder thereof must deposit with the Issuer a notice of conversion together with the Private Placement CB and any other documents or certificates required by ROC laws.

### **(3) Conversion Price Determination:**

The conversion price of the Private Placement CB shall be no less than 80% of (x) the simple average closing price of the Issuer's common shares for 1, 3 or 5 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, or (y) the simple average closing price of the Issuer's common shares for 30 trading days prior to the pricing date, after adjustment for shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends. It is proposed for the shareholders meeting to authorize the Board to determine the actual conversion price in accordance with applicable rules and regulations.

### **(4) Dividend Entitlement at Conversion**



Prior to conversion of the Private Placement CB, holders are not entitled to receive any dividend distribution. Following the conversion of the Private Placement CB, the rights to receive dividend payments will be the same as the other common shareholders of the Issuer.

**(5) Rights and Obligations after Conversion**

Except that the Private Placement CB is subject to the selling restrictions within three years after the delivery date of the Private Placement CB under Article 43–8 of the Securities and Exchange Act, the new common shares to be issued upon conversion of Private Placement CB will have the same rights and obligations as the Company’s existing issued and outstanding common shares.

**11. Early Redemption at the Option of the Issuer**

To be determined by the Board.

**12. Holders’ Put Option**

The Issuer may choose not to grant holders’ put option, or after expiry of a designated period following issuance of the Private Placement CB, holders may require the Issuer to redeem all or part of the Private Placement CB at a price that would result in certain annual yield on the Private Placement CB.

**13. Others**

The Board is authorized to determine and amend, at its sole discretion, the terms and conditions of the Private Placement CB and other matters which are not addressed herein.

## Attachment 10

### List of competition restrictions on Director Candidates proposed to be released

Name	Released restriction
AU Optronics Corporation	Director, Konly Venture Corp. Director, Ronly Venture Corp. Director, AUO Crystal Corp. Director, Space Money Inc. Director, U-Fresh Technology Inc. Director, Star River Energy Corporation Director, Star Shining Energy Corporation Director, Darwin Precisions Corporation Director, Qisda Corporation
Kuo Hsin (Michael) Tsai, Representative of AU Optronics Corp.	Director, General Manager and COO, AU Optronics Corp. Director, Daxin Materials Corporation Director, AU Optronics Corporation America Director, AU Optronics Europe B.V. Director, AU Optronics (Slovakia) s.r.o. Director, AU Optronics Corporation Japan Director, AU Optronics Korea Ltd. Director, AFPD Pte., Ltd. Director, AU Optronics (Xiamen) Corp. Director, AU Optronics (Suzhou) Corp., Ltd. Director, AU Optronics Manufacturing (Shanghai) Corp. Executive Director, AU Optronics (Shanghai) Co., Ltd. Chairman, BriView (Xiamen) Corp.
Wei Lung Liao, Representative of AU Optronics Corp.	Senior Vice President ,AU Optronics Corp. Director, AU Optronics (Xiamen) Corp. Director, AU Optronics (Suzhou) Corp., Ltd. Director, AU Optronics Manufacturing (Shanghai) Corp. Director, a.u.Vista Inc.
Hsuan Bin (H.B.) Chen	Darwin Precisions Corporation, Director D8AI Inc., Director
Teng Huei Huang	Director, Wellysun Inc. Chairman, First Vertical Laser Inc. Director, Chuzhou Bwin Technology Co., Ltd.
Sen Tai Wen	Director, E-Pin Optical Industry Co. Ltd. Director, TAI YI International Venture Corp. Director, Visco Vision Inc. Director, Bandrich, Inc. Independent Director & Compensation committee member, Onano Industrial Corp. Independent Director & Compensation committee member, GEM Services, Inc. Independent Director & Compensation committee member, Billion Electric Co., Ltd.
Yih Lian Chen	Director, Homeyen Networks Co., Ltd. Director, Tai Hwa Oil Industrial Co., Ltd. Independent Director & Compensation committee member, Transcend Information Inc.
Shian Ho Shen	Director, Taiwan Surface Mounting Technology Corp. Director, Chem Tec Corporation Co., Ltd. Director, Anpec Electronics Corporation. Supervisor, C Sun Mfg. Ltd.

## IV. Appendixes

## **Appendix 1:**

### **Lextar Rules and Procedures for Shareholders' Meeting**

1. Shareholders' meeting of the Company shall be conducted in accordance with the Rules and Procedures. The rule is applied after the Company has been public offering.
2. Shareholders or their proxies attending the shareholders' meeting (the "Meeting") shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders or their proxies attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders or their proxies plus the number of shares exercised by correspondence or electronic means.
3. The quorum required for the Meeting and the votes cast by the shareholders shall be calculated in accordance with the number of shares representing by shareholders attending the Meeting.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient or the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
5. The chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. In case the chairman of the Board of Directors is on leave or cannot exercise his power and authority for any reason, the vice chairman shall act on behalf of the chairman. In case the Company has no vice chairman or the vice chairman is also on leave or unable to exercise his and authority for any reason, the chairman of the Board of Directors shall designate one of the directors to act on behalf of the chairman. If the chairman does not make such designation, the directors shall elect from and among themselves an acting chairman of the Board of Directors. If the Meeting is convened by the person other than the Board of Directors who is permitted to convene such Meeting, such person shall be the chairman presiding the Meeting.
6. The Company may appoint designated counsel, Certified Public Accountant or other related persons to attend the Meeting.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes or videos shall be preserved for at least one year.
8. Chairman shall call the Meeting to order at the time scheduled for the meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one-third of the total outstanding shares of the Company, tentative resolutions may be made in accordance with Paragraph 1, Article 175 of the Company Law of the Republic of China. If during the process of the Meeting the number of shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company law of the Republic of China.
9. The agenda of the Meeting shall be set by the Board of Directors, if the Meeting is convened

by the Board of Directors. The Meeting shall proceed in accordance with the agenda unless otherwise resolved at the Meeting. During the Meeting, the chairman may, at his/her discretion, set time for intermission. Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items listed in the agenda are resolved. The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned.

10. When a shareholder present at the Meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's number, and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman. If any shareholder presenting the Meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note, the contents of actual speech shall prevail. Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholder, otherwise the chairman shall stop such interruption.
11. Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times or longer than 5 minutes each time. In case the speech of any shareholder violates this provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.
12. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting. If a legal entity is a shareholder and designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the chairman may respond him/herself or appoint an appropriate person to respond.
14. The chairman may announce to end the discussion of any discussion item and go into voting if the chairman deems it appropriate.
15. The voting method and procedures shall be announced by the chair or a person designated by the chair. The person(s) to monitor and the person(s) to count the ballots shall be appointed by the chair. The person(s) monitoring the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and recorded in the minutes of the Meeting.
16. Except otherwise provided in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
17. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any of them has been adopted, the other shall be deemed vetoed and no further voting is necessary.
18. The chairman may require or supervise the disciplinary officers or the security guards to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officer" for identification purpose.

19. In case of incident due to force majeure, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. If the meeting venue is no longer available for continued use and not all of the items on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.
20. Any matter not provided in the Rules and Procedures shall be handled in accordance with the Company Law of Republic of China and the Articles of Incorporation of the Company.
21. The Rules and Procedures shall become effective from the date on which the Rules and Procedures are approved by the Meeting. The same shall apply to amendments to the Rules and Procedures.
22. These Rules were enacted on June 29, 2009; the first amendment was made on May 28, 2015.

## **Appendix 2:**

### **Rules for the Election of Directors**

#### **Article 1**

Unless otherwise provided in applicable laws and regulations or the Articles of Incorporation of the Company, the Rules specified herein shall govern the election of the Company's directors.

#### **Article 2**

The Company's directors shall be elected at the Shareholders' Meeting.

#### **Article 3**

The Company's directors should be elected through single-named cumulative voting.

#### **Article 4**

In election of the Company's directors, each share is entitled to the voting rights equivalent to the number of directors to be elected. The voting rights may be concentrated to one candidate or be allocated among several candidates. The independent and non-independent directors shall be elected at the same time, but votes received shall be ranked respectively to determine the Director-Elect.

#### **Article 5**

The candidates who receive the most votes for the position of director shall win the election, and such number shall be in compliance with the number of positions for director set forth in the Articles of Incorporation. If two or more candidates receive the same number of votes beyond a quota, the winner shall be determined through lot-drawing. The lot may be drawn by the Chairman on behalf of the absentees.

#### **Article 6**

The Board of Directors shall, upon preparing the ballots, enter the voting rights on each ballot. The ballot box shall be prepared by the Board of Directors and shall be checked in public by the inspector before voting.

#### **Article 7**

At the beginning of the election, the chairman shall appoint the inspector and counter to take charge of monitoring and counting of the votes.

The inspector must be a shareholder.

#### **Article 8**

The Company adopts the Nomination System for the nomination of candidates to serve as directors. The Board or the shareholders holding 1% or more of the Company's total issued and outstanding shares are entitled to submit a slate of candidates for consideration as directors in pursuant to the Company Act and other applicable rules.

The Company shall announce publicly the nomination submission period, the number of director to be elected, the place for eligible shareholders to submit their nomination, and other relevant information prior to the commencement of the book closed period prior to the Shareholders' meeting.

The qualifications of the candidates for consideration as independent directors shall be in compliance with applicable laws and regulations.

**Article 9**

If the candidate is a shareholder of the Company, voters shall fill the candidate's name and shareholder's number in the "candidate" column of the ballot; if the candidate is not a shareholder of the Company, voters shall fill the candidate's name and ID number in the "candidate" column. If the candidate is a government agency or a legal entity, voters shall fill the name of the government agency or the legal entity or the name of their representative in the column. In the event that several candidates represent a government agency or a legal entity, the names of the representatives shall be filled separately in the column.

**Article 10**

A ballot shall be deemed void if such a ballot:

1. is not a ballot provided under the Rules;
2. is placed into the ballot box blank;
3. contains illegible words or corrections;
4. contains a name or shareholder's number in the "candidate" column which is inconsistent with the shareholder's register if the candidate is a shareholder of the Company; Contains a name or ID number in the "candidate" column which is incorrect if the candidate is not a shareholder of the Company;
5. contains any words or marks other than those specified in Article 9;
6. is not filled out in accordance with Article 9 or is filled incompletely; or
7. contains two or more candidates.

**Article 11**

The ballots should be counted during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

**Article 12**

The Rules and any amendment thereof shall become effective after approval by the Shareholders' Meeting.

**Article 13**

Approved by the Shareholders' Meeting on June 29, 2009

The first amendment was made on April 29, 2011.



## **Appendix 3:**

### **Articles of Incorporation (Before amendment)**

#### **Chapter 1: General Provisions**

##### **Article 1**

The Company is incorporated, registered and organized as a company limited by shares and permanently existing in accordance with the Company Law of the Republic of China (the "Company Law") and the Company's English name is Lextar Electronics Corporation.

##### **Article 2**

The scope of business of the Company shall be as follows:

- 1 ∙ C802990 Other Chemical Products Manufacturing.
- 2 ∙ CC01040 Lighting Facilities Manufacturing.
- 3 ∙ CC01080 Electronic Parts and Components Manufacturing.
- 4 ∙ CC01010 Die Manufacturing. (for operations outside the Science Park only)
- 5 ∙ E601010 Electric Appliance Construction
- 6 ∙ E603090 Illumination Equipments Construction
- 7 ∙ F113020 Wholesale of Household Appliance. (for operations outside the Science Park only)
- 8 ∙ F119010 Wholesale of Electronic Materials. (for operations outside the Science Park only)
- 9 ∙ F213010 Retail Sale of Household Appliance. (for operations outside the Science Park only)
- 10 ∙ F219010 Retail Sale of Electronic Materials. (for operations outside the Science Park only)
- 11 ∙ F401010 International trading.
- 12 ∙ ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval (for operations outside the Science Park only)

To research, develop, produce, manufacture and sell the following products:

- (1) InGan Epi Wafer & Chips
- (2) L LED package and its modules
- (3) LED lighting and its parts & components and its application; and
- (4) Systems and applied parts & components of all products referred to above

##### **Article 3**

The head office of the Company shall be in the Science-Based Industrial Park, Hsinchu, Taiwan, the Republic of China ("R.O.C.") or such other appropriate place as may be decided by the board of directors (the "Board"). Subject to the approval of the Board and other relevant authorities, the Company may, if necessary, set up branches, factories, branch operation offices or branch business offices both inside and outside of the R.O.C.

##### **Article 4**

The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Law.

The Company may provide guarantees or endorsements on behalf of third parties due to business or investment relationships with such third parties.

## Chapter 2: Shares

### Article 5

The total capital of the Company is Nine Billion New Taiwan Dollars (NT\$9,000,000,000), divided into Nine hundred Million (900,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) each and in registered form. The Board of Directors is authorized to issue the un-issued shares in installments.

A total of 16,000,000 shares among the above total capital should be reserved for issuance of new shares for performing obligation under the employee stock options, which may be issued in installments.

### Article 6

The share certificates of the Company shall be all in registered form. The share certificates, after due registration with the competent authority, shall be signed or sealed by at least three directors and shall be legally authenticated prior to issue.

Once our central custody of securities is deposited with Taiwan Depository and Clearing Corporation (TDCC), securities with big denominations should be issued with the approval of the company.

The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.

### Article 7

The Company may charge its net cost for handling, replacing or exchanging share certificates if the original share certificates were transferred, lost or destroyed.

## Chapter 3: Shareholders' Meetings

### Article 8

Shareholders' meetings shall be of two types, ordinary meetings and extraordinary meetings. Ordinary meetings shall be convened annually by the Board within six months of the end of each fiscal year. Extraordinary meetings shall be convened in accordance with the relevant laws, whenever necessary.

### Article 9

Unless otherwise provided in applicable law and regulations, a resolution shall be adopted at a meeting attended by the shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the attending shareholders shall vote in favor of the resolution. In case a shareholder is unable to attend a shareholders' meeting, such shareholder may issue a proxy in the form issued by the Company, setting forth the scope of authorization by signing and affixing such shareholder's seal on the proxy form for the representative to be present on such shareholder's behalf. Except for trust enterprises or other stock transfer agencies approved by the securities authorities, if a person is designated as proxy by more than two shareholders, any of such person's voting rights representing in excess of 3% of the total issued and outstanding shares shall not be considered. The relevant matters related to the use and rescission of the proxy shall be conducted in accordance with the Company Law and applicable rules. After the Company becomes a publicly issued company, if there is a proposal for

cancelling the Company's status as a publicly issued company, such proposal shall be submitted to the shareholders meeting for approval and during the period the Company is listed on the emerging market of the GretTai Securities Market or after the Company is listed on the Taiwan Stock Exchange (or the main board or emerging market of the GretTai Securities Market), the Company shall not amend this article.

#### **Chapter 4: Board of Directors and Audit Committee**

##### **Article 10**

The Company shall have five to nine directors. Directors shall be elected from a slate of director candidates, which are nominated under the Candidate Nomination System, at shareholders' meetings. Within the entire Board, the Company shall have at least three independent directors on the Board. The professional qualifications, restrictions on the shareholdings and concurrent positions held, method of nomination and election, and other matters with respect to independent directors shall be in compliance with applicable laws and regulations. The term of office for all directors shall be three (3) years. The directors are eligible for re-election. The number of the directors shall be decided by the board of directors.

The Company may take out liability insurance for the directors with respect to the liabilities resulting from exercising their duties during their terms of office.

The Board is authorized to determine the compensation for the directors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.

##### **Article 10-1**

Pursuant to Article 14-4 of the Securities and Exchange Law, the Company shall have the audit committee which shall be composed of all independent directors.

##### **Article 11**

The Company shall have a chairman of the Board. The chairman of the Board shall be elected by and among the directors by a majority of directors present at a meeting attended by more than two thirds of directors. The chairman of the Board shall preside internally at the meetings of the Board and shall externally represent the Company. In case the chairman of the Board asks for leave or for other reason cannot exercise his power and authority, the chairman of the Board may designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect a designee from among themselves.

##### **Article 12**

Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy in accordance with Article 205 of the Company Law. Each director may act as a proxy for one other director only.

The meeting of the Board of Directors shall be convened in accordance with the Company Law. In calling a meeting of the Board of Directors, a notice may be given to each director by means of electronic mail or facsimile.

#### **Chapter 5: President & Vice Presidents**

##### **Article 13**

The Company shall have one or more managerial personnel. Appointment, dismissal, and

remuneration of the president and vice presidents shall be subject to the provisions of the Company Law.

#### Chapter 6: Accounting

##### **Article 14**

After the end of each fiscal year, the Board shall prepare and submit the following documents: (1) business report, (2) financial statements, (3) proposal for allocation of earnings or recovery of loss to the shareholders at the ordinary meeting of shareholders for their acceptance.

##### **Article 15**

If the Company is profitable, it shall set aside 5%~20% as employee remuneration and 1% or less as the remuneration of directors and supervisors. However, if the Company has accumulated deficit, it shall first offset the accumulated deficit. Employee remuneration shall be distributed in the form of shares or cash, with recipients being the employees of the Company or the subsidiaries of the Company that meet certain criteria set by the Board of Directors.

##### **Article 15-1**

When allocating the earnings for each fiscal year, the Company shall first pay all taxes and dues, then offset its accumulated deficit and set aside a legal reserve at 10% of the earnings, until such accumulated legal reserve equals the amount of paid-in capital of the Company; then set aside special reserve in accordance with applicable laws or regulations. The remaining balance together with unappropriated earnings from previous years as dividends to stockholders. The Board of Directors shall draft a proposal to distribute the earnings, which shall be approved at a shareholders' meeting.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan.

If the retained earnings available for distribution of the current year reaches 2% of the paid in capital of the Company, no less than 20% of the retained earnings available for distribution of the current year shall be distributed as dividend. If the retained earnings available for distribution of the current year does not reach 2% of the paid in capital of the Company, the Company may distribute no dividend. No less than 10% of the total dividend to be paid with respect to any fiscal year shall be paid in the form of cash.

#### **Chapter 7: Supplementary Articles**

##### **Article 16**

With respect to the matters not provided herein, the Company Law and other applicable laws and regulations shall govern.

##### **Article 17**

These Articles of Incorporation were enacted on April 29, 2008.

The first amendment was made on May 5, 2008.

The second amendment was made on October 20, 2008.

The third amendment was made on June 29, 2009.

The fourth amendment was made on February 1, 2010.

The fifth amendment was made on April 29, 2011.

The sixth amendment was made on October 31, 2012.

The seventh amendment was made on October 14, 2014.

The eighth amendment was made on May 28, 2015.

The ninth amendment was made on June 03, 2016

The tenth amendment was made on June 05, 2018

#### Appendix 4:

Influence of Proposed Stock Dividend Distribution upon 2019 Operating Performance, Earnings Per Share, and Return on Investment : N/A ◦

#### Appendix 5:

##### Shareholding of Directors

(1) As of April 8, 2019, the first date of local bookclose period for the 2019 Annual General Shareholders' meeting, the issued capital of the Company is NT\$ 5,201,513,800 representing 520,151,380 common shares. In accordance with the Article 26 of ROC Securities & Exchange Act, the minimum requirements of the collective shareholding for directors are 16,644,844 common shares

(2) As of April 8, 2019, the actual collective shareholdings of directors were shown as below:

Title	Name of Representative	Shareholders Represented	No. of Shareholding	Shareholding %
Chairman	Feng Cheng Su		4,340,047	0.83
Director	Hsuan Bin (H.B.) Chen		170,905	0.03
Director	Teng-Huei Huang		2,948,762	0.57
Director	Kuo-Hsin (Michael) Tsai	AU Optronics Corp	78,418,450	15.08
Director	Wei-Lung Liao	AU Optronics Corp	78,418,450	15.081
Independent Director	Sen Tai Wen		0	0.00
Independent Director	Yih Lian Chen		0	0.00
Independent Director	Shian-Ho Shen		0	0.00
Total			85,878,164	16.51