

Stock Code: 1626

AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED

2021 Annual Shareholders' Meeting

Meeting Handbook

(Translation)

Time: June 28, 2021 (Monday) at 9 AM

Location: No. 6 on the 6th Floor, No. 51 Hengyang Road,
Zhongzheng District, Taipei City
(Qianzhan Hall, Taipei Financial Park)

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED

Agenda of the 2021 Annual Shareholders' Meeting

- I. Call Meeting to Order
- II. Chairperson's Remarks
- III. Report Items
- IV. Recognition
- V. Discussions
- VI. Election Matters
- VII. Other Matters
- VIII. Extempore Motions
- IX. Adjournment

AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED

Agenda of the 2021 Annual Shareholders' Meeting

Time: June 28, 2021 (Monday) at 9 AM

Venue: No. 6 on the 6th Floor, No. 51 Hengyang Road, Zhongzheng District, Taipei City
(Qianzhan Hall, Taipei Financial Park)

I. Call Meeting to Order

II. Chairperson's remarks

III. Report Items

(I) 2020 Business Report

(II) Audit Committee's Review Report on the 2020 Business Report and
Financial Statements

(III) Report on the Distribution of Remuneration for Employees and Directors of 2020

(IV) Execution Report on the Issuance of Fourth Unsecured Convertible
Corporate Bonds within the Territory of the Republic of China

(V) Amendment to the "Corporate Social Responsibility Best Practice Principles"

(VI) Amendment to the "Procedures for Ethical Management and Guidelines for Conduct"

IV. Recognition

(I) Adoption of 2020 Business Report and Consolidated Financial Statements of the Company

(II) Adoption of 2020 Earnings Distribution Statement of the Company

V. Discussions

Issue new shares by capital increase from surplus

VI. Election Matters

Election of all Directors of the Company

VII. Other Matters

Proposal to release the newly elected directors from non-competition restrictions

VIII. Extempore Motion

IX. Adjournment

Report Items

(proposed by the Board of Directors)

I. 2020 Annual Business Report, submitted for approval.

Description: 2020 Business Report (Please refer to pages 13 to 20 of this Handbook (Attachment I)).

(proposed by the Board of Directors)

II. Audit Committee's Review Report on the 2020 Financial Statements, submitted for approval.

Description: Audit Committee's 2020 Review Report

(Please refer to page 21 of this Handbook (Attachment II)).

(proposed by the Board of Directors)

III. Report on the Company's 2020 Distribution Status of the employees' and directors' remuneration, submitted for approval.

Note: (I) In accordance with Article 14.5 of the Articles of Association, where there is profit in the year of the Company, 5%-10% of the profit is to be allocated as remuneration to employees, and no more than 3% allocated as remuneration to directors.

The remunerations to employees and Directors in 2020 were allocated according to the provisions of the Company's Articles of Incorporation, and issued in cash upon the resolution of the Board Meeting on March 15, 2021. Please refer to the following table for details.

Unit: NT\$

Items	Amount to be allocated by the Board Meeting	Ratio in Profit
Employee's remuneration	12,036,507	5%
Directors' remuneration	4,814,603	2%
Total	16,851,110	7%

Note: The remuneration to employees and Directors were consistent with the estimated expense in 2020.

(proposed by the Board of Directors)

IV. Submit Execution Report of Issuance of Fourth Unsecured Convertible Corporate Bonds within the Territory of the Republic of China for Joint Deliberation.

Explanation:

Name of bonds	Fourth Unsecured Convertible Corporate Bonds within the Territory of the Republic of China
Reason for Issuance	Repay Bank Loans and Enrich Working Capital
Issuance Amount	NT\$ 400 Million
Face interest rate	0%
Issuance period	3 years. Available from December 10, 2020 to December 10, 2023
Issuance situations	The resolution of the Board Meeting on June 19, 2020 was to handle the fourth unsecured convertible corporate bonds within the territory of the Republic of China; on September 29, 2020, the Company obtained the effective letter of application from FSC No.1090358770, and was listed for buying and selling transaction on December 10, 2020.
Conversion Situations	As of April 30, 2021, on which share transfer registration is suspended, 49 bonds have been bought back, 309 bonds have been applied for conversion, and 3,642 convertible corporate bonds have not yet been applied for conversion into common stock.

(proposed by the Board of Directors)

V. Amendment to the "Corporate Social Responsibility Best Practice Principles", submitted for approval.

Note: (1) In order to practice corporate social responsibility, the Company referred to the "Corporate Social Responsibility Best Practice Principles for Listed Companies", and proposed to adopt the "Measures for Corporate Social Responsibility Best Practice Principles". Please refer to pages 33 to 41 of this Handbook (Attachment V)).

(2) For the purpose of improving the management of corporate social responsibility, SKFH is advised to establish a dedicated (or part-time) unit composed of the heads of relevant departments to be in charge of proposing and enforcing the Corporate Social Responsibility Policy and to report them to the Board of Directors.

(3) The Company has prepared a "Corporate Social Responsibility Report" every year with reference to the internationally accepted report preparation guidelines to disclose the situations of promoting corporate social responsibility.

(proposed by the Board of Directors)

VI. Amendment to the Procedures for Ethical Management and Guidelines for Conduct, submitted for resolution.

Description: to strengthen the Company's corporate culture of ethical management, enhance the Company's development and realize corporate governance, this company has established the Procedures for Ethical Management and Guidelines for Conduct. Please refer to pages 42 to 50 of this Handbook (Attachment VI).

Recognition

First proposal by the Board of Directors

Proposal: To accept the Company's 2020 Business Report and Consolidated Financial Statements.

Note: I. The 2020 Consolidated financial Statement of the Company had been audited by CPAs Chuang, Chun-Wei and Lu, Kuan-Wen with KPMG, and passed the resolution of the meeting of the 16th session of the 3rd term of Audit Committee and the 16th session of the 3rd term of Board of Directors.

II. The attached are 2020 Business Report (please refer to page 13 to 20 of this Handbook (Attachment I)), CPA Audit Report and Consolidated Financial Statement (please refer to page 22 to 30 of this Handbook (Attachment III)) for recognition.

Resolution:

Second proposal by the Board of Directors

Proposal: To accept the Company's 2020 Distribution of Earnings.

Note: 1. The undistributed earnings of the company at the beginning of the period is NT\$100,696,112, minus the current change of NT\$1,728,420 in the remeasured amount of defined benefit plans and the difference of NT\$3,660,060 between the actual acquisition or disposal of the subsidiary company's equity price and the book value, plus NT\$102,334,225 converted from the revolving special surplus reserve - the translation of the financial statements of a foreign operating agency and the 2020 after-tax net profit of NT\$156,239,275. The surplus available for distribution for the current period is NT\$353,881,132, and after deducting the statutory surplus reserve of NT\$15,085,080, the distributable surplus for the current period is NT\$338,796,052.

II. This year, it is estimated on the ex-dividend record date that the cash dividend will be NT\$83,752,590 with estimated amount of NT\$0.6 per share, while the stock dividend will be NT\$55,835,060 with estimated amount of NT\$ 0.4 per share. The fractional dollar amount which is less than one New Taiwan Dollar, if there is any, will not be distributed and will be recognized by the company as other income. It is proposed the Board of Directors be authorized to determine the record date and the payment date that the cash and stock dividends will be distributed.

3. If the foregoing matters affect the number of outstanding shares due to factors such as the conversion of the Company's corporate bonds, which lead to changes of dividend payout ratio, it is proposed the Board of Directors is authorized to adjust it.
4. Please refer to page 31 to 32 of this Handbook (Attachment IV) for the 2020 Earnings Distribution Table for the impacts of the profit distribution plan for 2020 and recent share allotment within past two years on the operating performance, earnings per share and shareholders' return on investment.

Resolution:

Discussions

(proposed by the Board of Directors)

Proposal: Issue new shares by capital increase from surplus. Please discuss.

Notes: I. The Company proposed to contribute NT\$55,835,060 from the distributable earnings in 2020 to increase the share capital and issue 5,583,506 new shares at face value of NT\$10 per share. The newly issued shares with the increased share capital would be allocated in accordance with the Shareholders' Registrar on the record date for stock dividend, i.e. 40 shares for each 1,000 shares. The shareholders can compile fractional share into one share, and register it with the Shareholders' Registrar within five days from the record date for distribution of share dividend. The Company would pay cash instead for such stock dividend (calculated to NTD and rounded down to an integer) for any failure to make the fractional share into one share by shareholders and the chair is to be authorized to offer the shares to specific persons.

II. Rights and obligations of the new shares are the same as those of the original shares.

III. In the future, if the number of outstanding shares is affected by factors such as the conversion of the Company's corporate bonds, cancellation of treasury stock or transfer of employees, which leads to changes of shareholders' allotment ratio, it is proposed the Board of Directors is authorized to adjust it.

IV. Upon the approval of the shareholders' meeting, it is proposed that the Board of Directors is authorized to determine the record date and payment date for issuance of new shares, and other relevant issues.

5. Submitted for resolution.

Resolution:

Election Matters

(proposed by the Board of Directors)

Proposal: Election of all Directors of the Company.

Explanation:

1. It is proposed to re-elect 9 Directors (including 3 Independent Directors) at the General Shareholders' Meeting on June 28, 2021 in accordance with the provisions of the Company's Articles of Incorporation. The term of office of the new Directors shall be three years, from June 28, 2021 to June 27, 2024.
2. The list of Director candidates has been reviewed and approved by the Company's Board of Directors on March 15, 2021. The relevant information is hereby stated as follows:

Serial Number	Account Number	Name	Personal Identification Card No.	Academic Background	Experiences	Type of Nominees	Representative of government or juridical entity	Served as an Independent Director for Three Consecutive Terms
1	51	Shih, Jui-Pin	D12130XXXX	Department of Electronics, Professional Training College of Chubu University	Japan Yuasa Primus Co., Ltd. Commodity Department employee	Director	None	Not applicable
2	11	Cheng, Li-Ping	A10104XXXX	Statistics of the Tamkang University	Deputy General Manager, Dongfu Electrical Appliances Co., Ltd. Chairman of Board of Directors, AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED	Director	None	Not applicable
3	62	Tsai, Cheng-Fu	D10139XXXX	Master's degree, Department of Electronics, NKUST	Person-in-charge of Lucky View Development (Int'l) Limited	Director	None	Not applicable
4	47	Shih Li, Chueh-Chu	D20015XXXX	Senior High School of Kuang Hua High School	Director of Waon Development Limited (Hong Kong); Director of Tung Fu Electric Co., Ltd.	Director	Pearl Place Holdings Limited	Not applicable
5	24	Huang, Ching-Shu	R12201XXXX	Zuozhen Junior High School	Chairman of HERN JUEI CO., LTD., Chairman of HENG TA MOLD ENTERPRISE CO., LTD., Chairman of ECOTIME OPTOELECTRONIC TECHNOLOGY CO., LTD.	Director	Richbase Corporation LIMITED	Not applicable
6	10330	Yen-Fu Chen	R12190XXXX	Master of National Dong Hwa University College of Environmental Studies	Project Manager of Chinghua Engineering Co., Ltd.(CEC), Assistant Sales Manager of Creating Nano Technologies Inc.,	Director	None	Not applicable

					Sales Representative of Nano Electronics and Micro System Technologies Inc., Assistant to the Ministry of Education Environmental Protection Group			
7	None	Chi, Lai-Ping	A11035XXXX	Bachelor of Economics, Columbia University and Master of International Relations, University of Chicago, USA	Senior Vice President and President of Greater China Region at Sony Life Insurance Co., Ltd., Managing Director of Zhongmei Liantai Metropolis Life Insurance Co., Ltd., Director of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, General Manager of MetLife Taiwan Insurance Co., Ltd.	Independent Director	None	Yes (Note 1)
8	None	CHENG, MING-CHANG	Q10108XXXX	Ph.D. of Graduate Institute of Business Administration, National Chengchi University, National Business Doctor	Chairman of China Taiwanese Investment Management Association, General Manager of China Productivity Center, Director of Graduate Institute of Business Administration, National Chung Hsing University, Deputy Director of Small and Medium Enterprises Administration, Ministry of Economy Affairs, Director, Economic Division, Mainland Affairs Council	Independent Director	None	Yes (Note 2)
9	None	Lin, Chih-Lung	D12082XXXX	Research Institute of Accounting, National Cheng Kung University	Lecturer of the Accounting Department of National Cheng Kung University Director of the Board of Nang Kuang Pharmaceutical Co., Ltd, Independent Director of the Board of TEKHO MARINE BIOTECH CO., LTD., Director of NCKU Financial Strategies Research Foundation, Independent Director of the Board of CHIA HER INDUSTRIAL CO., LTD., Legal Representative and Director of the Board of TOPOWER CO., LTD.	Independent Director	None	No

Note 1: Mr. Chi, Lai-Ping can provide important advice to the company because of his rich experience in industrial economy, finance and risk management. Although he has been re-elected as an independent director of the company for three consecutive terms, the company still needs to rely on his expertise to make it more effective. In addition to the duties of an independent director, he can still exert his expertise and provide supervision and professional advice to the board of directors. Therefore, the company elects and nominate him to continue to serve

as an independent director of the company.

Note 2: Mr. Chen, Ming-Chang can provide important advice to the company because of his rich experience in industrial economy and finance.

Although he has been re-elected as an independent director of the company for three consecutive terms, the company still needs to rely on his expertise to perform his duties as an independent director. He can still exert his expertise and provide supervision and professional advice to the board of directors. Therefore, the company elects and nominates him to continue to serve as an independent director of the company.

3. Submit for Election.

Election results:

Other Matters

(proposed by the Board of Directors)

Proposal: To release the newly elected Directors from the non-competition restrictions. Please resolve.

Explanation:

1. According to Article 209 of the Company Act of the Republic of China, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. If the Directors of the Company invest in or operate other companies with the same or similar business scope as the Company and act as Directors, they shall propose to the Shareholders' Meeting to remove the non-competition restrictions on the new Directors and their legal persons without prejudice to the interests of the Company.
3. This proposal was passed by the resolution of the Board of Directors on March 15, 2021, and was submitted to the Shareholders' Meeting to agree to the lifting of the non-competition restrictions on newly elected Directors in accordance with the procedures set out in the Articles of Incorporation of the Company. For details on the removal of non-competition restrictions, please refer to page 51 of this Handbook (Details in Attachment VII).
4. Submit for resolution.

Resolution:

Extempore Motion

Adjournment

Letter to the Shareholders

I. Introduction

At the beginning of 2020, the world economy was affected by the COVID-19 epidemic with ups and downs, geopolitical risks intensified, and the Sino-US trade war was still not resolved due to the continued strategic confrontation between the two sides after the U.S. election. As the global trade, consumption and economic situation were experiencing the biggest recession in a century, although mainland China had been the first to recover from the epidemic and had been the only major economy to achieve growth, the severe external environment had posed a severe challenge to the Company's operations throughout the year. Fortunately, with the concerted efforts of the management and all the employees, the Company still achieved the goal of making a profit for the year. Looking into Company's operating performance in the past year, we found that our products' lines already horizontally extending in China market, these products focusing precisely the channel and aiming firmly to the target. Besides, the development of foreign customers and the fermentation of new markets have made the benefits emerged to post profits. In addition to integrating into the development of smart home appliances in accordance with long-term goals, we have innovated the third-foot target product line as well as channels' breadth and depth. We focus on improving quality, deepen our brand power, and create the value of Company.

Last year, on one hand, continuing adjusting the fine operation structure, deepening the integration of resources, and strengthening Company's core manufacturing product capabilities. On the other hand, improving production efficiency while eliminating invalid production costs and enhancing product price competitiveness. It also strengthened the product strength and market power and actively took the lead in the development of home appliances that meet the demand gap of consumers who are eager to enhance a better life in order to increase the added value of products and enjoy brand premiums. It is believed that with the launch of new products, the breadth of new customers, the improvement of channels, and the deepening of the brand strategies. the Company can expect a good performance in 2021 in the post-epidemic era.

The following is a report on the Company's operation status for 2020 and future outlook for 2021:

The Company is the ultimate parent company of the listed Group, mainly responsible for investment holding, with the production bases in Shenzhen, Guangdong Province and Jiujiang, Jiangxi Province in mainland China. Its consolidated revenue for 2020 is NT\$9,207 million, the consolidated net profit after tax is NT\$156 million, and the consolidated net profit per share after

tax of NT\$1.12. Looking forward to 2021, there are still many economic challenges in the world and mainland China. In the face of the qualitative and quantitative changes in the consumer market and the intense competition in the small home appliance industry, the Company will continue to steadily expand the scale of its operations, strengthen the operational management of each company and the overall synergies, actively explore the market and deepen the whole process of customer service, and work closely with major customers and grow together, to build a core value-centered business that is competitive and sustainable.

Looking forward to the Company's future development, as mainland China has been completely out of poverty, the average national income has exceeded US\$10,000 and is growing year by year, consumers' demand for the comfort, functions and personalization of small home appliances has been increasing their requirements for the quality. We see this as an opportunity for the Company in the face of the fierce crossover and diversified competition in the development of the small home appliance market in mainland China, as well as the changed and shifted product demand in the domestic and export markets due to the epidemic. The Company and its reinvested subsidiaries will continue to prioritize responding to market needs, and will continue to cultivate its existing customer base, expand the scope of customers and develop more new heterogeneous customers; since the IPO, the management team and all employees have been working with the spirit of honesty, integrity, and diligence and the self-motivation requirement of pursuing perfection, and showing a positive and pragmatic attitude, to strengthen the operation of main business, provide the small home appliance industry with optimized products that are market-leading and meet the needs of the market, and create the greatest benefits for all shareholders and employees of the company. And we have remained true to our original aspiration to fulfill our corporate social responsibility, so as to repay our shareholders for their great expectations and care, and express our gratitude to all shareholders for their continuous support.

II. 2020 Business Results

(I) 2020 Business Plan and Implementation Results

Unit: thousand NT\$

Items	2020 Number of audit times	2019 Number of audit times	Growth Rate
Consolidated operation revenue	9,207,346	10,142,781	-9.22%
Consolidated operation gross profit	1,570,488	1,972,712	-20.39%
Consolidated operation net profit	220,906	289,876	-23.79%
Net revenue (expenditure) outside consolidated operation	2,973	32,948	-90.98%
Consolidated net profit before tax	223,879	322,824	-30.65%
Income tax expense	67,640	65,665	3.01%
Total consolidated profit or loss	156,239	257,159	-39.24%

(II) Financial revenue and profitability

Year		2020	2019
Items			
Financial Structure	Liability to asset ratio (%)	66.08	66.19
Solvency	Current ratio (%)	118.25	104.29
	Quick ratio (%)	71.41	61.01
Profitability	Asset return rate (%)	2.12	3.78
	Shareholders' equity return rate (%)	5.10	9.23
	Net profit ratio (%)	1.70	2.48
	Earnings per share (NT\$)	1.12	2.05

(III) Yearly research and new technology development status

1. Yearly research and new technology development results

(1)Shoe Cabinet with Germicidal Lamp Project Development

(3) Development of PTC Electric Heater with Large Air Volume

(4) Design and Development of Water-cooled Fans with Cooling Chip Components

(instead of ice crystals)

(5) Design and development of a bladeless fan with three air channels that can automatically swing to adjust the air outlet area

(6) Design and development of inverter window air conditioner

(7)Pet air conditioner development

(8)Application of electrolyzed water sterilization technology

(9) Application of Natural Humidification Technology of Hydrophilic Humidification Pan

(10)Clothes drying and heating integrated electric heater

(11)Superconducting cooling and heating loop fan

(12)Research on the Sterilization Function of Fresh Air Products

(13)Research on the Sterilization Function of Yuba Products

(14)Light Touch

(15)Inner Winding Motor Development

2. Future research and technology development plans

(1) Short-term business development plans

A. Development and research of wireless steam cleaning sweeper.

B. Continue to increase the application research of semiconductor refrigeration film, radar and battery.

C. Design and development of humidifier with large humidification capacity (2.5 liters/hour).

D. Research and development of new-type electric heaters (flaming mountain, footline with closeable air outlet; graphene heating element).

E. Continue to increase the development and application research of pin structure and high power internal winding motors.

F. continue to introduce and apply new technologies such as voice recognition (offline + online), motion monitoring, gesture recognition, etc. to various products.

G. Hydroxide ion air-cleaning ceiling fan development.

2. Long-term business development plans

A. Development of household appliances for cleanliness and health (antimicrobial and

sterilization).

B. Development of medical product series.

C. The Company plans to research the application of smart home appliance sensors and human-computer interaction (voice control).

D. Research on various composite air processors (cooling, heating, humidifying).

E. Development of DIY fresh air products.

F. Development and application research of high cost-effective external rotor DC motors.

II. Operating Plan Overview of the Year

1. Focusing on strengthening the brand development of Airmate, becoming a leading small home appliance company with competitiveness and core values in domestic and foreign sales in Mainland China, ensuring quality and quantity advantages, and strengthening the win-win cooperation with suppliers and customers.
2. Continue to promote the localization and indigenization of talents in each company, establish a group enterprise management model, commit to the company's product strength and continue to develop new products, new customers and new markets, improve production optimization technology, continue to invest in efficient production lines and reasonably manage and control expenses and costs, to make the company's operations aggregating profits.
3. Attach importance to the integration of labor and management, create maximum profits for employees and shareholders, and fulfill corporate social responsibilities.

(II) Sales Volume Forecast and the Basis

The main markets of the company's reinvested subsidiaries are located in mainland China, Northeast Asia, Southeast Asia, and Europe and the United States. Therefore, the estimated annual sales volume is mainly based on local industry-related statistical data, major customer information feedback and judgments on future market supply and demand. In summary, the sales of the small home appliance business will experience a steady and significant growth in volume and amount compared to 2020.

(III) Significant Sales and Production Policies

1. Export Sales

- Product sales in the Japanese and Korean markets and European and American markets maintained are steady growing in two quarters, actively developing customers

in different industries, assisting customers in developing new products to tap the Southeast Asian market.

- Focus on key customers and keep in touch with the technical team, deepen the development and technical adhesion, we increase the number of product development (enhance the patent layout, patent licensing customers), in order to win orders.
- We comprehensively enhance the export business services including customer service platform channel integration, IDM services, multiple sales with one machine, R&D awards, patent sharing and online sales, etc., to improve service quality.

2. Offline operation in China

- Team Integration: The national offline teams are divided into two regions, south and north, with 2 large regional directors established. We have increased operation support centers, promoted data-based operations, and conduct more accurate and efficient management close to the market, and enhance the brand's service power to distributor partners and consumers in the new retail era.
- Accurate focus on products: focus on hot products, reduce SKUs, fit the market, ensure sales efficiency, and improve the integration of production and sales operations. At the same time, focus on the inventory turnover rate and amount of dealers and factories, reduce the inventory of dealers and factories at the end of seasons, and finally realize order-based production.
- Continue to cultivate the channels: develop and expand the breadth of channel outlets, and continue to built more than 2,000 Airmate County/township image stores. In addition, strengthen the consumer experience of 3C and supermarket systems, and cooperate with the stores to invest in image building and train shopping guides to enhance their marketing capacities, to achieve the increase in Airmate's single store retail sales and the proportion of sales of high-end products.
- Embrace new channels: Actively embrace new sales channels, offline and online wholesale, social media group buying platforms, JD specialty stores and Tmall Premium, actively expand new sales channels, increase offline visibility, and achieve greater brand exposure and output.

3. Online operation in China

- Multi-platform benign development: For different online consumer groups and sales models on Taobao Tmall, JD Mall, Suning, Vipshop, and live broadcast, we have

developed marketable and differentiated product combinations suitable for each platform to meet the needs of different consumers. Emphasize the development of other new sales channels such as Pinduoduo, Yunji, and NetEase Yeation. Establish vertical integration of sales and production to improve brand share across the network and channels. In addition, we will enter new sales in the secondary e-commerce channels, setting our sights on high-end target markets through emerging focused private domain channels such as videos, content e-commerce, and information streaming e-commerce.

- By leveraging the high efficiency and focus of the online platform, the company focused on investing in clothes dryers, dehumidifiers, ventilators, bath heaters, foot baths, steam mops, and other niche small household appliances markets other than electric fans and heaters, in order to increase the product lines for the brand to achieve higher sustainable growth.
- Marketing Transformation: Fully embrace mobile Internet marketing, use emerging media, deeply interact with young consumers through social media such as live streaming, short video, Weibo, WeChat official accounts, and Xiaohongshu, to achieve a younger brand consumer base and enhance Airmate's visibility and reputation among various consumer groups, and improve the brand's influence.

IV. The company's future development strategy

The company and its reinvested subsidiaries will continue to focus on the development in the industry, develop competitive high-margin products, continuously improve and develop new technologies, and pursue win-win cooperation with relevant stakeholders. The company is fully committed to the maintenance of brand power and customer loyalty, while actively responding to, exploring, and satisfying the deep needs of end customers in the market, and gaining recognition and orders from new markets, new customers, and new products through immediate response to market changes, thereby forming a flagship brand in the small home appliance market.

V. The effect of external competition, the legal environment, and the overall business environment

(I) Influence of external competition environment

The small home appliance industry is in a fiercely competitive environment. The company and its subsidiaries will continue to exert their existing advantages to stay close to the market and strengthen product differentiation, and reasonably manage expenses

and costs, to reduce the impact of the external competitive environment.

(II) Influence of legal environment

The Company and its important subsidiaries have not suffered any punishment or loss in recent years from the changes in the regulatory environment.

(III) Influence of overall operation environment

At present, the production and operation of the company's reinvested subsidiaries are in mainland China. Although the overall environment of the local small home appliance industry is fiercely competitive, as mainland China has fully entered the middle-income process, its economic development and per capita income have greatly increased, and its consumption power is growing. And thanks to the increasing pursuit of product quality and high responsiveness to new products and applications, it is expected to continue to grow steadily in the future.

Respectfully, Peace and Joy, Long Blessings

LIMITED

AIRMATE (CAYMAN) INTERNATIONAL CO.

President: Rui-Bin Shih

General Manager: Yung-Chang Lin

Accounting Manager: Mei-Hsiu Ho

Representation Letter

The entities that are required to be included in the consolidated financial statements of Airmate (Cayman) International Co. Limited (or "the Company") as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company does not prepare a separate set of combined financial statements.

Hereby Declared by

Company name: AIRMATE (CAYMAN)
INTERNATIONAL CO LIMITED

President: Rui-Bin Shih

Date: March 15, 2021

Attachment III CPA Audit Report and Consolidated Financial Statement

Independent Auditors' Report

Presented to Board of Directors, Airmate (Cayman) International Co Limited

Opinion

We have audited the Consolidated Balance Sheets of Airmate (Cayman) International Co Limited and its subsidiaries (hereinafter referred to as "Airmate Group") as of December 31, 2020 and 2019, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Material Accounting Policies) for the annual period from January 1 to December 31, 2020 and 2019.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Airmate Group as of December 31, 2020 and 2019, and its consolidated financial performance and consolidated cash flows for the annual periods ended December 31, 2020, and 2019 in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

Basis of Audit Opinion

We conducted our audit for 2020 consolidated financial statements in accordance with Regulations Governing Auditing and Generally Accepted Auditing Standards (GAAS); the 2019 consolidated financial statements were audited in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants, the Jin-Guan-Zheng-Shen-Zi No.1090360805 of FSC, and GAAS. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Airmate (Cayman) International Co Limited and Subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. The CPA believes that sufficient and appropriate evidence for the audit has been obtained as the basis for expressing opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 consolidated financial statements of Airmate Group. These matters have been dealt with in the process of auditing the overall consolidated financial report and forming a review opinion. The CPA does not express separate opinions on these matters. The CPA's judgment should communicate the key audit matters on the audit report as follows:

1. Revenue recognition

For the accounting policy of revenue recognition, please refer to the revenue of the customer contract in Note 4(15) of the consolidated financial statements. For the description of the revenue and expected return assessment, please refer to rights of pending returning products in Note 6(11), refund liabilities in Note 6(13), and revenue from customer contracts in Note 6(22) of the consolidated financial statements.

Description of Key Audit Matters:

Airmate Group is principally engaged in the sales of household appliances, and its operating

revenue is one of the important items in the financial statement and is a matter of concern to users or recipients of the financial statement. Thus, revenue recognition is one of the important evaluated items when the CPA is auditing Airmate Group.

In response to the auditing procedures:

The CPA's main auditing procedures for the above-mentioned key auditing matters, including: assess the recognition of revenue that are subject to the relevant accounting regulations and has been properly disclosed; test relevant manual controls of sales and collection operations cycle; review the sales contracts and terms of important subsidiaries and customers of the group, conduct analytical procedure on important customer changes and revenue changes based on product categories; check the relevant internal and external information of the sales transactions before and after the selected balance sheet date, and evaluate whether the sales revenue is covered in an appropriate period; obtain accrued sales allowance and returns set by the management of the group and check with relevant internal and external information to evaluate the rationality of relevant parameters and key assumptions; review the reasonableness of the estimates of allowance and returns of accrued sales in previous years to assess whether there are any significant abnormalities in the allowance and returns of accrued sales set by the management; understand whether there will be any major sales allowance and returns after the period.

2. Notes receivable and accounts receivable and impairment evaluation

For the accounting policies of impairment evaluation of accounts receivable, please refer to financial tools in Note 4(7) to the consolidated financial statements. For the descriptions of accounting estimates of the allowances loss for accounts receivable and uncertainty of the assumptions, please refer to Note 5(1) to the consolidated financial statements. For the impairment evaluation of notes receivable and accounts receivable, please refer to Note 6(3) to the consolidated financial statements.

Description of Key Audit Matters:

Airmate Group reserves expected credit losses in accordance with the stipulated accounts receivable allowance for bad debt policy. The reserves are conducted based on customer's credit risk and historical credit loss experience and reasonable expectations of customers' future economic conditions. Therefore, the evaluation of the notes receivable and the impairment evaluation of accounts receivable is one of the important evaluation items for the CPA to audit the consolidated financial statement.

In response to the auditing procedures:

The CPA's main audit procedures for the above-mentioned key audit matters, including: understand whether the rationality of the Airmate Group's policy on notes receivable and impairment loss allowance for account is handled in accordance with the relevant accounting standards; perform sampling procedures to check the correctness of the accounts receivable's aging schedule and analyze the changes in the age of accounts receivable in each period; execute sampling on letter of inquiry, and test the collection status of accounts receivable after the period to evaluate the reasonableness of impairment loss allowance and the amount of reserve.

3. Inventory Valuation

For the accounting policies of inventories, please refer to Note 4(8) of the consolidated financial statements; For the accounting estimates of the inventory evaluation and the description of the uncertainty of the assumptions, please refer to Note 5(2) of the consolidated financial statements; For the description of important accounting items in inventories, please refer to Note 6(5) to the consolidated financial statements.

Description of Key Audit Matters:

Inventory is measured by the lower of cost and net realizable value. Since the inventories of Airmate Group are mainly household appliances such as electric fans and electric heaters, the characteristics of its products are affected by weather changes, which will result in unsalable inventory. The Group may sell its products at a lower price to reduce inventory. This may induce a risk that the cost of inventory is higher than the net realizable value. Therefore, inventory evaluation is one of the important evaluation items in the CPA's auditing on the financial review of Airmate Group.

In response to the auditing procedures:

The CPA understood the recognition policies of inventory depreciation loss of Airmate Group and assessed whether its inventory evaluation has been implemented in accordance with established accounting policies, including the implementation of sampling procedures to check the correctness of inventory age, and to analyze the changes in inventory age of each period; The reasonableness of past reserves for inventory depreciation loss withheld by the management was reviewed and was compared with the methods and assumptions on the reserves for inventory depreciation loss for the current period to assess whether the valuation method and assumptions of the reserves for inventory depreciation loss for the current period are appropriate. The inventory sales status after the period is reviewed to assess the reasonableness of the estimation of the reserves for inventory depreciation loss.

Responsibility of the management and the governing body for the Consolidated Financial Statements

The responsibilities of management are to prepare an appropriately expressed consolidated financial report in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and standing interpretation recognized and published by the Financial Supervisory Commission, and maintain the necessary internal controls related to the preparation of the consolidated financial statements to ensure that the consolidated financial report does not contain significant misrepresentation due to fraud or error.

In preparing the Consolidated Financial Statements, the responsibility of management includes assessing Airmate Group ability to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Airmate Group or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Airmate Group (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

Accountant's responsibility in auditing consolidated financial statement

The purpose of our audit is to provide reasonable assurance that the Consolidated Financial Statements as a whole contains no material misstatements, 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 GAAS will always detect a material misstatement in consolidated financial statements when it exists. Misstatement may be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

When the accountant is auditing in accordance with GAAS, the CPA uses professional judgment and maintains professional suspicion. The CPA will also perform the following duties:

1. Identifying and assessing the risk of material misstatement in a consolidated financial statement due to fraud or error. Moreover, obtaining sufficient and appropriate audit evidence as the basis for the auditing. The risk of not being able to detect a misstatement that is caused by fraud is

higher than that caused by mistakes because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control.

2. Obtaining 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 internal control of Airmate Group.
3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly.
4. Concluding on the appropriateness of the management's use of going concern basis of accounting, and determining whether there existed events or circumstances that might cast significant uncertainty over Airmate Group's ability to continue as a going concern. If the CPA believes that there are material uncertainties in the events or circumstances, it is necessary to remind the users of the consolidated financial statements to pay attention to the relevant disclosures of the consolidated financial statements in the audit report, or to amend the audit opinions when the disclosure is inappropriate. The CPA's conclusions are based on the audited evidence obtained as of the date of the audit report. However, future events or circumstances may cause Airmate Group to no longer have the capacity to function as a going concern.
5. Evaluating the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events.
6. Obtained adequate and appropriate audit evidence regarding financial information of members of the Group so as to express opinions for the Consolidated Financial Statements. The CPA is responsible for the guidance, supervision, and implementation of Airmate Group's audit and responsible for forming audit opinions on Airmate Group.

Items that have been communicated by the CPA to the governance bodies, including the planned scope and timing of the audit, as well as major audit findings (including significant internal control deficiencies identified during the audit).

We have also provided the statement pertaining to our accounting firm's personnel under the governance of independence to the governance unit and communicated with governance unit over relations and other items (including relevant protective measures) that could affect the CPA's independence.

From the matters communicated with those charged with governance, we determined the key audit matters of Airmate Group's 2020 consolidated financial statements. The CPA has stated those items in the audit report unless the law does not allow public disclosure of certain matters, or under extreme rare cases, the CPA decided not to communicate specific matters in the audit report because it can reasonably assume the negative impact of communication is greater than the promoted public interest.

KPMG

CPA: Chun-Wei Chuang Kuan-
Wen Lu

Number of Certificate	: Jin-Guan-Zheng-Shen-Zi No.
Approved and Issued by	1040010193
Securities Competent Authority	Jin-Guan-Zheng-Liu-Zi No.
	0940100754

March 15, 2021

Airmate (Cayman) International Co Limited and Subsidiaries
Consolidated Balance Sheets
For the years ended December 31, 2020 and 2019

Unit: NT\$ thousands

Assets		2020.12.31		2019.12.31				2020.12.31		2019.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current Assets:											
1100	Cash and cash equivalents (Note 6(1))	\$ 443,712	5	412,939	5	2100	Short-term borrowings (Notes 6(12) & 8)	\$ 315,302	4	540,627	6
1110	Financial Assets at Fair Value Through Profit or Loss - Current (Note 6(2))	72,010	1	1,807	-	2120	Financial liabilities at fair value through profit or loss - current (Notes				
1150	Amount of Notes Receivables, Net (Note 6(3))	614,541	7	509,234	6		6(2)(16))	178	-	-	-
1170	Amount of Accounts Receivable, Net (Note 6(3))	1,551,137	17	1,155,585	13	2130	Current contract liabilities (Note 6(22))	309,422	3	220,971	3
1180	Accounts Receivable from Related Parties, Net (Notes 6(3) and 7)	17,820	-	88,997	1	2150	Notes payable (Notes 6(13) & 8)	1,774,409	19	1,608,075	18
130x	Inventories (Note 6(5))	2,127,184	23	2,074,493	23	2170	Accounts payable	1,251,435	14	1,111,646	12
1470	Other Current Assets (Notes 6(3)(4)(11) and 8)	535,089	6	753,239	8	2200	Other payables (Note 6(13))	666,090	7	671,547	8
1481	Rights of Pending Returning Products - Current (Note 6(11))	104,021	1	70,955	1	2220	Other Payables to Related Parties (Note 7)	3,452	-	9,686	-
Total Current Assets		5,465,514	60	5,067,249	57	2230	Current Tax Liabilities	117,788	1	94,637	1
Non-current Assets:						2250	Current provisions (Note 6(14))	42,265	-	20,556	-
1510	Financial Assets at Fair Value through Profit or Loss - Non-current (Notes					2300	Other current liabilities (Note 6(13))	141,676	2	97,271	1
	6(2)(16))	150	-	330	-	2321	Bonds Payable or Put Option Execution - Current Portion (Notes 6(2)(16))	-	-	438,874	5
1550	Investment accounted for using the equity method (Note 6(6))	27,258	-	25,228	-	2322	Long-Term Borrowings - Current Portion (Note 6(15))	-	-	44,954	1
1600	Property, plant, and equipment (Notes 6(8), 8, and 12(3))	3,135,215	34	1,886,835	21	Total Current Liabilities		4,622,017	50	4,858,844	55
1755	Right-of-use asset (Note 6(9))	210,874	2	1,595,241	18	Non-current Liabilities:					
1780	Intangible assets (Note 6(10))	7,749	-	11,697	-	2530	Bonds Payable (Note 6(16))	679,997	7	293,350	3
1840	Deferred tax assets (Note 6(18))	177,912	2	166,125	2	2640	Defined benefit liabilities, net - non-current (Note 6(17))	32,625	1	28,717	-
1900	Other Non-current Assets (Notes 6(11) & 8)	228,670	2	148,311	2	2645	Guarantee Deposits Received	111,485	1	94,481	1
	Total Non-current Assets	3,787,828	40	3,833,767	43	2600	Other non-current liabilities (Notes 6(13) & 12(3))	668,302	7	616,531	7
						Total Non-current Liabilities		1,492,409	16	1,033,079	11
						Total Liabilities		6,114,426	66	5,891,923	66
						Equities Attributable to Owners of Parent Company (Note 6(19))					
						3110	Common Stock	1,395,876	15	1,368,506	15
						3200	Capital Surplus	1,224,541	13	1,223,135	14
						3300	Retained Earnings	779,988	9	765,987	9
						3400	Other equities	(261,489)	(3)	(363,823)	(4)
						Equities Attributable to Shareholders of the Company		3,138,916	34	2,993,805	34
						36xx	Non-controlling interests (Note 6(7))	-	-	15,288	-
						Total Equities		3,138,916	34	3,009,093	34
Total Assets		\$ 9,253,342	100	8,901,016	100	Total Liabilities and Equities		\$ 9,253,342	100	8,901,016	100

(Please see the attached notes to the consolidated financial statements)

President: Rui-Bin Shih

General Manager: Yong-Chang Lin

Accounting Manager: Mei-Hsiu Ho

Airmate (Cayman) International Co Limited and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2020 and 2019

Unit: NT\$ thousands

		2020		2019	
		Amount	%	Amount	%
4000	Operating Revenue (Notes 6 (22) & 7)	\$ 9,207,346	100	10,142,781	100
5000	Operating Cost (Notes 6 (5) & 7)	<u>7,641,207</u>	<u>83</u>	<u>8,166,237</u>	<u>81</u>
	Gross Profit	1,566,139	17	1,976,544	19
5910	Less: Unrealized profit and loss on sales	8,936	-	13,868	-
5920	Gain: Realized profit and loss on sales	<u>13,285</u>	<u>-</u>	<u>10,036</u>	<u>-</u>
	Realized Gross Profit	<u>1,570,488</u>	<u>17</u>	<u>1,972,712</u>	<u>19</u>
	Operating expenses:				
6100	Selling expense (Notes 6(17) & 7)	897,510	10	1,090,678	11
6200	Administrative expense (Note 6(17))	342,834	4	429,444	4
6300	Research & development Expense	107,717	1	146,226	1
6450	Expected credit loss (Note 6(3))	<u>1,521</u>	<u>-</u>	<u>16,488</u>	<u>-</u>
	Total Operating Expense	<u>1,349,582</u>	<u>15</u>	<u>1,682,836</u>	<u>16</u>
	Operating Profit	<u>220,906</u>	<u>2</u>	<u>289,876</u>	<u>3</u>
	Non-operating income and expenses:				
7100	Interest income (Note 6(24))	34,079	-	30,962	-
7010	Other income (Note 6(24))	70,495	1	66,395	1
7020	Other gains and losses (Note 6(24))	(56,119)	-	11,633	-
7050	Finance costs (Note 6(24))	(42,740)	-	(76,047)	(1)
7060	Share of associates and joint ventures profit or loss accounted for using the equity method (Note 6(6))	<u>(2,742)</u>	<u>-</u>	<u>5</u>	<u>-</u>
	Total non-operating income and expenses	<u>2,973</u>	<u>1</u>	<u>32,948</u>	<u>-</u>
7900	Net Profit Before Tax	223,879	3	322,824	3
7950	Less: Income Tax Expense (Note 6 (18))	<u>67,640</u>	<u>1</u>	<u>65,665</u>	<u>1</u>
	Net Income	<u>156,239</u>	<u>2</u>	<u>257,159</u>	<u>2</u>
8300	Other comprehensive gain or loss:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans (Note 6(17))	(1,728)	-	12,233	-
8349	Less: Income tax expenses (gains) related to items that are not reclassified subsequently to profit or loss:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(1,728)</u>	<u>-</u>	<u>12,233</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences arising on translation of a foreign operation's financial statements (Note 6(19))	102,334	1	(150,305)	(1)
8399	Less: Income tax related to items that may be reclassified:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total items that will may be reclassified subsequently to profit or loss:	<u>102,334</u>	<u>1</u>	<u>(150,305)</u>	<u>(1)</u>
8300	Other comprehensive income of the period	<u>100,606</u>	<u>1</u>	<u>(138,072)</u>	<u>(1)</u>
	Total comprehensive income (loss)	<u>\$ 256,845</u>	<u>3</u>	<u>119,087</u>	<u>1</u>
	Net Income Attributable to:				
8610	Parent company	\$ 156,239	2	251,919	2
8620	non-controlling interests	<u>-</u>	<u>-</u>	<u>5,240</u>	<u>-</u>
	Net Income	<u>\$ 156,239</u>	<u>2</u>	<u>257,159</u>	<u>2</u>
	Total Comprehensive Income Attributable to:				
8710	Parent company	\$ 256,845	3	114,461	1
8720	Non-controlling interests	<u>-</u>	<u>-</u>	<u>4,626</u>	<u>-</u>
	Total comprehensive income (loss)	<u>\$ 256,845</u>	<u>3</u>	<u>119,087</u>	<u>1</u>
	Earnings Per Share (Note 6(21)):				
9750	Basic EPS (Unit: NT\$)	<u>\$ 1.12</u>		<u>2.01</u>	
9850	Diluted EPS (Unit: NT\$)	<u>\$ 1.11</u>		<u>1.97</u>	

(Please see the attached notes to the consolidated financial statements)

President: Rui-Bin Shih

General Manager: Yong-Chang Lin Accounting Manager: Mei-Hsiu Ho

Airmate (Cayman) International Co Limited and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

Unit: NT\$ thousands

	Equity attributable to owners of parent company						Other Equity Item, Exchange differences arising on translation of financial statements of foreign operations	Treasury stock	Total owner equity attributable to the parent company	Non- controlling Interests	Total equity
	Capital stock Capital stock of common stocks	Capital surplus	Legal reserve	Special reserve	Undistribute d surplus	Total					
Balance as of January 1, 2019	\$ 1,228,436	979,283	139,426	287,145	75,264	501,835	(214,132)	(33,051)	2,462,371	10,662	2,473,033
Net Income	-	-	-	-	251,919	251,919	-	-	251,919	5,240	257,159
Other comprehensive income of the period	-	-	-	-	12,233	12,233	(149,691)	-	(137,458)	(614)	(138,072)
Total comprehensive income (loss)	-	-	-	-	264,152	264,152	(149,691)	-	114,461	4,626	119,087
Appropriation and distribution of retained earnings (Note 6(18)):											
Legal reserve	-	-	-	75,264	(75,264)	-	-	-	-	-	-
Capital Increase by Cash	120,000	198,805	-	-	-	-	-	-	318,805	-	318,805
Issuance of convertible bond	-	2,899	-	-	-	-	-	-	2,899	-	2,899
Convertible bond conversion	20,070	35,984	-	-	-	-	-	-	56,054	-	56,054
Share-based payment transactions	-	6,164	-	-	-	-	-	33,051	39,215	-	39,215
Balance as of December 31, 2019	1,368,506	1,223,135	139,426	362,409	264,152	765,987	(363,823)	-	2,993,805	15,288	3,009,093
Net Income	-	-	-	-	156,239	156,239	-	-	156,239	-	156,239
Other comprehensive income of the period	-	-	-	-	(1,728)	(1,728)	102,334	-	100,606	-	100,606
Total comprehensive income (loss)	-	-	-	-	154,511	154,511	102,334	-	256,845	-	256,845
Appropriation and distribution of retained earnings (Note 6(18)):											
Legal reserve	-	-	25,192	-	(25,192)	-	-	-	-	-	-
Special reserve	-	-	-	1,413	(1,413)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(109,480)	(109,480)	-	-	(109,480)	-	(109,480)
Stock dividend on ordinary shares	27,370	-	-	-	(27,370)	(27,370)	-	-	-	-	-
Issuance of convertible bond	-	12,365	-	-	-	-	-	-	12,365	-	12,365
Redemption of convertible bond	-	(10,959)	-	-	-	-	-	-	(10,959)	-	(10,959)
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	-	-	-	-	(3,660)	(3,660)	-	-	(3,660)	(15,288)	(18,948)
Balance as of December 31, 2020	\$ 1,395,876	1,224,541	164,618	363,822	251,548	779,988	(261,489)	-	3,138,916	-	3,138,916

(Please see the attached notes to the consolidated financial statements)

President: Rui-Bin Shih

General Manager: Yong-Chang Lin

Accounting Manager: Mei-Hsiu Ho

Airmate (Cayman) International Co Limited and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2020 and 2019

Unit: NT\$ thousands

	2020	2019
Cash flow of operating activities:		
Profit before tax	\$ 223,879	322,824
Adjustment items:		
Revenue and expense items		
Expected credit loss	1,521	16,488
Depreciation expense	340,639	424,109
Amortization expense	5,663	9,155
Interest expense	42,740	87,882
Interest income	(34,079)	(42,797)
Share of associates and joint ventures loss (gain) accounted for using the equity method	2,742	(5)
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	554	(9,976)
Loss on disposal and retirement of property, plant and equipment	7,663	4,131
Property, plant and equipment expenses transferred	33,149	51,215
Unrealized sales profit	8,936	13,868
Realized sales profit	(13,285)	(10,036)
Unrealized exchange loss (gain)	3,170	(2,316)
Redemption profit of corporate bonds	(10,959)	-
Other income	(3,222)	(2,117)
Revenue and expense items	385,232	539,601
Changes in assets and liabilities related to operating activities:		
Net changes in assets related to operating activities:		
(Increase) decrease in financial assets at fair value through profit or loss	(70,519)	128,911
Increase in notes receivable	(105,307)	(26,942)
Increase in accounts receivable	(413,415)	(28,242)
Decrease in accounts receivable to related parties	71,177	12,450
(Increase) decrease in inventories	(52,691)	56,121
Increase in other financial instruments - current	(36,762)	(67,173)
Net changes in assets of operating activities:	(607,517)	75,125
Net changes in liabilities related to operating activities:		
Increase in notes payable	166,334	430,589
Increase in accounts payable	122,993	214,982
Increase in other payables	4,049	159,192
(Decrease) increase in other payables - related parties	(6,234)	3,366
Increase in provisions	21,709	13,685
Increase (decrease) in contract liability	88,451	(145,056)
Increase in other current liabilities	44,405	19,223
Gain in net defined benefit liabilities	2,180	2,100
Net changes in liabilities related to operating activities	443,887	698,081
Net changes in assets and liabilities related to operating activities	(163,630)	773,206
Adjusted items	221,602	1,312,807

President: Rui-Bin Shih

General Manager: Yong-Chang Lin

Accounting Manager: Mei-Hsiu Ho

Airmate (Cayman) International Co Limited and Subsidiaries
Consolidated Statements of Cash Flows (Cont.)
For the years ended December 31, 2020 and 2019

Unit: NT\$ thousands

	2020	2019
Cash generated from operations	445,481	1,635,631
Interest received	34,079	42,797
Interest paid	(45,360)	(83,773)
Income tax paid	(42,535)	(138,063)
Net cash inflow from operating activities	391,665	1,456,592
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(166,584)	(247,465)
Disposal of property, plant, and equipment	54,553	15,729
Acquisition of intangible assets	(1,627)	-
Acquisition of right-of-use assets	(84,008)	(773,395)
Decrease (increase) in other financial assets	151,551	(249,957)
Decrease (increase) in other non-current assets	(10,064)	1,913
Net cash outflow from investing activities	(56,179)	(1,253,175)
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,770,858	1,172,824
Repayments of short-term borrowings	(1,993,948)	(1,882,259)
Corporate bonds issued	396,572	295,780
Repayment of corporate bonds	(443,200)	-
Repayments of long-term borrowings	(42,730)	(45,295)
Increase in guarantee deposits received	15,517	13,500
Increase (decrease) in other non-current liabilities	45,874	(13,201)
Cash dividends	(109,480)	-
Cash capital increase	-	318,805
Employees exercise of share options	-	6,164
Employees purchase of treasury stock	-	33,051
Acquisition of shares of subsidiaries	(18,948)	-
Change in non-controlling equities	-	(614)
Net cash outflows from financing activities	(379,485)	(101,245)
Effects of changes in foreign exchange rates	74,772	(107,001)
Net increase (decrease) in cash and cash equivalents	30,773	(4,829)
Cash and cash equivalents at beginning of period	412,939	417,768
Cash and cash equivalents at end of period	\$ 443,712	412,939

(Please see the attached notes to the consolidated financial statements)

President: Rui-Bin Shih

**General Manager: Yong-
Chang Lin**

**Accounting Manager: Mei-
Hsiu Ho**

Attachment IV Earnings Distribution Table

AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED 2020 Earnings Distribution Statement

Unit: NT\$ thousand

Items	Amount	
Undistributed earnings at the end of the period		100,696,112
Plus (less):		
Changes of re-measurement number of definite welfare plan for the period	(1,728,420)	
Difference between the price received from acquisition or disposal of interest in subsidiaries and book value	(3,660,060)	
Conversion from the revolving special surplus reserve - the translation of the financial statements of a foreign operating agency	102,334,225	
Current tax after-tax profit	156,239,275	
Distributable earnings		353,881,132
Plus (less):		
Recognition of legal reserve	(15,085,080)	
Distribution items:		
Shareholder Dividend-Cash Dividend (NT\$0.6 per share)	(83,752,590)	
Shareholder Dividend-Stock Dividend (NT\$0.4 per share)	(55,835,060)	
Undistributed earnings at the end of the period		199,208,402

Impact of share allotment without consideration resolved by the Shareholders' Meeting on the operating performance and earnings per share of the Company:

Unit: NT\$ thousand, except for cash earnings per share in NT\$

Items		Year	2019	2020 (Estimated)
Paid-in capital at beginning of period			1,228,436	1,368,506
Share allotment and dividend distribution in current year	Cash dividend per share (Note 1)		0.8	0.6
	Number of shares allocated per share in transfer of earnings to capital (Note 1)		0.02 share	0.04 share
	Number of shares allocated per share in transfer of capital reserve to capital		0	0
Change in operating performance	Operating Profit		(Note 2)	(Note 2)
	Rate of increase (decrease) in operating revenue as opposed to same period of last year			
	Net profit after tax			
	Rate of increase (decrease) in net profit after tax as opposed to same period of last year			
	Earnings per share			
	Rate of increase (decrease) in earnings per share as opposed to same period of last year			
	Earnings per share			
	Rate of increase (decrease) in earnings per share as opposed to same period of last year			
	Annual average return on investment (reciprocal of annual average price-earnings ratio)			
Earnings per share and price-earnings ratio of restricted shares	Earnings per share and price-earnings ratio of restricted shares	Proposed earnings per share	(Note 2)	(Note 2)
		Proposed annual average return on investment		
	If the capital reserves are not converted into capital	Proposed earnings per share		
		Proposed annual average return on investment		
	If the capital reserve and surplus reserves are not converted into capital, the earnings will be paid in cash	Proposed earnings per 2 shares		
		Proposed annual average return on investment		

Note 1: It is calculated only in line with the estimated amount approved by the Board of Directors and has not been resolved by the Shareholders' Meeting.

Note 2: The financial forecast has not been disclosed so it is unnecessary to disclose the estimate information.

**Attachment V: Measures for the Corporate Social Responsibility Best Practice Principles
(New Amendments)**

AIRMATE (CAYMAN) INTERNATIONAL CO. LIMITED

Corporate Social Responsibility Best Practice Principles

Chapter I General Provisions

Article 1

In order to fulfill its corporate social responsibility and promote the balance and sustainable development of economy, society, and environment, the company has formulated the Principles in compliance with the practice principles of the Corporate Social Responsibility for Listed Companies formulated by the competent authorities of the Republic of China, without violating the applicable laws of the Cayman Islands, in order to manage its economic, environmental and social risks and impacts.

Article 2

The Principles applies to the entire operations of the Company and its group companies.

The Principles encourages the Company to actively fulfill its corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.

Article 3

The Company fulfills its corporate social responsibility and pays attention to the rights and interests of stakeholders. While pursuing sustainable development and profit, the Company values topics pertaining to the environment, society, and corporate governance and incorporates them into its management approaches and operating activities.

The Company shall, in accordance with the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations and formulate relevant risk management policies or strategies.

Article 4

The company's practice of corporate social responsibility should be based on the following principles:

1. Implement and promote corporate governance.
2. Develop a sustainable environment.
3. Maintain social welfare.
4. Strengthen the disclosure of corporate social responsibility information.

Article 5

The Company shall abide by the provisions of laws and regulations and the Articles of Incorporation, as well as the contract signed with the competent authorities of the Republic of China and related regulations, and shall consider the development trend of corporate social responsibility at home and abroad, the company itself and the overall operating activities of its group companies, to formulate corporate social responsibility policies, systems or related management guidelines and specific promotion plans, and submit them to shareholders' meeting after approval by the Board of Directors.

When a shareholder proposes a motion involving corporate social responsibility, the Company's Board of Directors is advised to review and consider including it in the shareholders' meeting agenda.

Chapter II Implementation of Corporate Governance

Article 6

The Company shall follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and related ethical standards, so as to enhance corporate governance.

Article 7

The directors of the Company shall exercise the due care of good administrators to urge the Company to perform its corporate social responsibility, and shall

examine the results of performance and make constant improvement, so as to ensure the thorough implementation of its corporate social responsibility policies.

The Board of Directors shall, during the Company's implementation of the corporate social responsibility, fully take into account the interests of stakeholders as follows:

- 1 、 The Company has incorporated CSR into its business activities and developmental activities.
- 2 、 Proposed CSR mission (or vision and value) and proposed a Declaration of Corporate Social Responsibility.
- 3 、 3. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The Board of Directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the Board of Directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8

In order to improve the management of its corporate social responsibility, the company should set up a dedicated (part-time) division for corporate social responsibility, responsible for the proposal and implementation of corporate social responsibility policies, systems or related management policies and specific promotion plans, and report to the board of directors on a regular basis.

The Company shall formulate reasonable remuneration policies, to ensure that remuneration planning can be in line with the organizational strategic goals and stakeholders' interests.

Article 9

The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

Article 10

The Company shall comply with relevant laws and regulations and observe the following guidelines to maintain a fair competition environment:

- 1 、 Avoid engaging in acts that violate unfair competition.

- 2、 2. Realistically fulfill tax responsibilities.
- 3、 3. Act against corruption and bribery and build an appropriate management system.
- 4、 4. Corporate donations that conform to internal processing procedures.

Article 11

The company should regularly organize corporate ethics education and training for directors and employees and publicize the preceding items, and integrate it with the employee performance appraisal system to establish a clear and effective reward and punishment system.

Chapter III Development of A Sustainable Environment

Article 12

The company shall comply with environmental regulations and relevant international standards, appropriately protect the natural environment, and
When performing business activities, it should be committed to environmental sustainability.

Article 13

The Company should strive to improve the utilization efficiency of various resources, and use renewable materials with low impact on the environment, so that the earth's resources can be used continuously.

Article 14

The Company should establish an appropriate environmental management system based on its industrial characteristics. The Company's environmental management system should include the following items:

- I. 1. Collect and evaluate sufficient and immediate data on the effects of operating activities on the natural environment.
- II. Establish measurable goals and regularly review the continuity and relevance of these goals.
- III. Adopting enforcement measures, such as concrete plans or action plans, and examining the results of performance on a regular basis.

Article 15

The Company shall appoint a dedicated environmental management unit or team of personnel to

establish, execute, and maintain environmental management system and specific action plans, and shall offer the management and employees environmental education classes.

Article 16

The Company should consider the impact on ecological benefits, promote and educate consumers on the concept of sustainable consumption, and engage in R&D, production and service activities in accordance with the following principles to reduce the impact of Company operations on the natural environment:

- I. 1. Reduce the resource and energy consumption of products and services.
- II. Reducing emission of pollutants, toxins and waste, and disposing of waste properly.
- III. Improving recyclability and reusability of raw materials or products.
- IV. Maximizing the sustainability of renewable resources.
- V. Enhancing the durability of products.
- VI. Improving the efficiency of products and services.

Article 17

In order to improve the efficiency of water use, the company should properly and sustainably use water resources and formulate relevant management measures.

The Company should avoid polluting water, air and land in its operations; if it is unavoidable, taking into account cost-effectiveness and technical and financial feasibility, it should do its utmost to reduce the adverse effects on human health and the environment and adopt the best feasible pollution prevention and control technology measures.

Article 18

The company should pay attention to the impact of climate change on its operating activities, and follow the operating conditions and greenhouse gas investigation results, formulate the company's energy saving and carbon reduction and greenhouse gas reduction strategies, and incorporate the acquisition of carbon rights into the company's carbon reduction strategy planning, and promote them accordingly to reduce the impact of the company's operations on the natural environment.

Chapter IV Maintaining Social Welfare

Article 19

The Company shall abide by relevant labor laws and regulations, protect the legitimate rights and interests of employees, and respect the internationally recognized principles of basic labor force's human rights, and shall not commit violations against the fundamental labor rights.

The Company's human resources policy should respect basic labor human rights protection principles and establish appropriate management methods and procedures.

The company shall provide an effective and appropriate complaint mechanism for situations that endanger labor rights and interests to ensure that the complaint process is equal and transparent. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. A company shall respond to any employee's grievance in an appropriate manner.

Article 20

This Company shall provide employees with information so that they understand the rights they enjoy under the labor laws of the Company's operating country.

Article 21

The Company shall provide employees with a safe and healthy working environment, including providing necessary health and first aid facilities, and shall endeavor to reduce the hazards to employee safety and health to prevent occupational disasters.

The Company shall organize training on safety and health for employees on a regular basis.

Article 22

The Company shall create a good environment for the career development of employees and establish effective career development training programs.

Article 23

This company shall establish a regular employee communication channel so employees can receive information and express opinions on the company's operation and management activities and decisions.

The Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees, and employee representatives.

The company shall notify employees of operational changes that may have a significant impact on employees in a reasonable manner.

Article 24

The Company shall take responsibility for its products and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the company shall ensure the transparency and safety of their products and services. They further shall establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

Article 25

The Company shall ensure product and service quality based on government regulations and industry related specifications.

The product or service marketing and advertising conducted by this company shall follow relevant government laws and international guidelines, and shall not engage in deceptive, misleading, or fraudulent behavior that damages consumers' trust or consumers' rights and interests.

Article 26

The Company shall provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints and shall comply with laws and regulations for respecting consumers' rights of privacy and protect personal information provided by consumers.

Article 27

The Company is advised to assess the impact its procurement has on society as well as the environment of the community that it is purchasing from, and shall cooperate with suppliers to jointly implement the corporate social responsibility.

The Company shall formulate a supplier management policy that requires suppliers to follow relevant regulations on issues, including environmental protection, occupational safety and health, or human rights of labor. Prior to business dealings, the Company shall assess whether its suppliers have a record of causing an impact on the environment and society and shall avoid transactions with enterprises whose CSR policies are in conflict with its ones.

When the Company signs a contract with its main supplier, the content should include the terms of compliance with the corporate social responsibility policies of both parties, and if the supplier violates the policy and has a significant impact on the environment and society of the source

community, the contract may be terminated or cancelled at any time.

Article 28

The Company shall evaluate and manage the impact of the Company's operations on the community and employ appropriate manpower to enhance community recognition.

This company shall use commercial activities, donations, corporate volunteer services, or other free professional services to participate in community development and community education of public organizations, charity group, and local government organizations, and to promote community development.

Chapter V Strengthen the Disclosure of Corporate Social Responsibility Information

Article 29

This company shall follow relevant regulations and Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies in handling information disclosure, and shall adequately disclose important and reliable CSR related information to increase information transparency. This company shall disclose the following CSR related information:

- I. Any CSR policy, system, guideline and action plan approved by the Board of Directors.
- II. The risks and the impact on the corporate operations and financial conditions arising from exercising corporate governance, fostering a sustainable environment, and preserving social public welfare.
- III. The Company's goals, actions and performance toward corporate social responsibility.
- IV. The main stakeholders and their concerns.
- V. Suppliers are required to disclose information on the management and performance of major environmental and social issues.
- VI. Other corporate social responsibility related information.

Article 30

The Company shall adopt widely recognized international standards or guidelines when producing a CSR report to disclose the status of its implementation of the CSR policy. It shall also obtain a third-party assurance or verification of the report to enhance the reliability of the information in the report. The reports are advised to include:

- I. The Company's CSR policies, systems, guidelines and action plans.
- II. The main stakeholders and their concerns.

- III. Review of the Company's progress with respect to corporate governance and contributions to environmental sustainability, public welfare and the economy.
- IV. Directions and goals for future improvements.

Chapter VI Supplementary Provisions

Article 31

The company shall keep notice of domestic and international CSR system development and changes in corporate environment at all times to facilitate review and improvement of the company's established CSR system and improve CSR results.

Article 32

The Principles shall be delivered to the Audit Committee for discussion and submitted to the Board of Directors for approval before implementation. It shall also be submitted to the shareholders' meeting. The same shall apply to any revision.

Attachment VI Procedures for Ethical Management and Guidelines for Conduct (New Amendments)

Article 1 Purpose

This Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines") are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the applicable laws and regulations of the places where this Company and its business groups and organizations operate, with a view to providing all personnel of this Company with clear directions for the performance of their duties.

Article 2 Scope of Application

The scope of application of these Procedures and Guidelines includes the subsidiaries of this Company, any incorporated foundation in which this Company's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Company.

Article 3 Applicable Objects

For the purposes of these Procedures and Guidelines, the term "the Company's personnel" refers to any managerial officer, employee, mandataries or person having substantial control, of the Company or its group enterprises and organizations. Any provision, promise, request, or acceptance of improper benefits by any of the Company's personnel through a third party will be presumed to be an act by the Company's personnel.

Article 4 Unethical conduct

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits. The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.

Article 5 Types of benefits

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

Article 6 Responsible Unit

The Company shall designate the Audit Department for the specialized unit (hereinafter referred to as the specialized unit of the Company) to handle the revision, execution, interpretation, consulting service and notification content registration and file construction of this operating procedure and behavior guide, and supervise the implementation and shall regularly report to the Board of Directors.

- 6.1 Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate preventive measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
- 6.2 Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.
- 6.3 Promoting and coordinating awareness and educational activities with respect to ethics policy.
- 6.4 Developing a whistle-blowing system and ensuring its operating effectiveness.
- 6.5 Assist the Board of Directors and management to check and evaluate whether the preventive measures established by honest business are operating effectively, and regularly evaluate and comply with relevant business processes and prepare reports.

Article 7 Prohibition against providing or accepting improper benefits

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

- 7.1 Based on business needs, offering and accepting bribes in accordance with local courtesies, customs, and habits during domestic/foreign visits, guest-hosting, and promoting business and communication.
- 7.2 Normal social events attended or held and inviting others based on social etiquette,

business purposes, or improving relationships.

- 7.3 Inviting guests or being invited to participate in specific business activities or factory tours due to business needs. Fees and payment methods for such activities shall be clearly stated before the event, including the number of participants, level of accommodation, and duration, etc.
- 7.4 Attendance at folk festivals that are open to and invite the attendance of the general public.
- 7.4 Rewards, emergency assistance, condolence payments, or honorariums of the management.
- 7.5 Other conduct that complies with the rules of the Company.

Article 8 Procedures for Handling the Acceptance of Improper Benefits

Except under any of the circumstances set forth in the preceding article, when any personnel of this Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

- a) If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
- b) If there is a relationship of interest between the party offering or promising the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to their immediate supervisor and notify the dedicated unit. When the benefit cannot be returned, the personnel shall refer the matter to the responsible unit within three days after accepting the benefit for further action

The aforementioned job stake refers to any one of the following:

- a) When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
- b) When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
- c) Other circumstances in which a decision regarding Merry's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The dedicated unit of the Company shall, depending on the nature and value of the first benefit, propose a return, payment acceptance, confiscation, donation to charity or other appropriate recommendations, and report to the General Manager or the top competent supervisor of each branch/plant area for approval before implementation.

Article 9 Prohibition of Facilitation Payments and Handling Procedures

The Company shall not offer or promise to offer any bribery.

Personnel of the Company who provide or promise bribes because of threats or intimidation shall record the process and report to their direct supervisor as well as notify the Company's dedicated unit.

The Company's dedicated unit shall handle the matter immediately when a report of the aforementioned items is received. The dedicated unit shall discuss the event to lower the risk of reoccurrence. In a case involving alleged illegality, the dedicated unit shall also immediately report to the relevant judicial agency.

Article 10 Procedures for handling charitable donations or sponsorships

The charitable donation or sponsorship provided by the Company shall be handled in accordance with the following matters, and reported to the General Manager or the top manager of each branch/plant area for approval, and a notification shall be given to the Company's dedicated unit. When the amount is NT\$1 million or more, the donation or sponsorship shall be provided only after it has been submitted for adoption in accordance with the provisions of the approval authority:

- 10.1 Shall comply with the local laws of the operating site.
- 10.2 A written record of the decision shall be made.
- 10.3 Charitable donations shall be made to charitable organizations and may not be used as disguised bribes.
- 10.4 Considering what can be gained in exchange for sponsorship must be clearly defined and reasonable. The recipient of sponsorship cannot be a business partner or person with interests in the Company.
- 10.5 After the donation or sponsorship has been granted, it must be confirmed that the funds are used in accordance with the intended purpose.

Article 11: Recusal

If in the course of conducting company business, any personnel of this Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use company resources on commercial activities other

than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

Article 12 Special unit in charge of confidentiality regime and its responsibilities

The Company shall set up a legal office charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

The personnel of this Company should strictly abide by the relevant operating regulations of the Company's commercial secrets and must not disclose the Company's commercial secrets that they know to others and must not inquire or collect Company commercial secrets that are not related to their duties.

Article 13 Prohibition Against Divulging Commercial Secrets

This Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14 Prohibition against Insider Trading

The Company shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all the guidelines to cause personnel of the Company to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

The Company shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Article 15 Confidentiality Agreement

All personnel of the Company shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Such personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other parties from using such information to engage in insider trading.

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

Article 16 Announcement of policy of ethical management to outside parties

The Company shall disclose its integrity management policy in internal regulations, Annual Reports, company websites or other publications, and announce it at product launch conferences, legal person briefings and other external events in a timely manner to enable suppliers, customers, or other business-related organizations and personnel to clearly understand its integrity management philosophy and norms.

Article 17 Ethical management evaluation prior to development of commercial relationships

Before the Company establishes a business relationship with others, it should first evaluate the legality of its agents, suppliers, customers or other business dealings, as well as their ethical management policies, and ascertain whether they have a record of involvement in unethical conduct in order to ensure that they conduct business in a fair and transparent manner and do not request, offer, or take bribes.

When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

- 17.1 The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
- 17.2 Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
- 17.3 Whether enterprise's business operations are located in a country with a high risk of corruption.
- 17.4 Whether the business operated by the enterprise is in an industry with a high risk of bribery.
- 17.5 The long-term business condition and degree of goodwill of the enterprise.
- 17.6 Consultation with the enterprise's business partners on their opinion of the enterprise.

- 17.7 Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18 Statement of ethical management policy to counterparties in commercial dealings

While conducting businesses, the Company's personnel shall clarify the Company's ethical management policy and other related regulations to the transaction partner. Company personnel shall clearly refuse to directly or indirectly offer, promise to offer, request, or accept any forms of improper benefits.

Article 19 Avoidance of commercial dealings with unethical operators

The Company's personnel shall avoid businesses with agents, suppliers, customers, or other entities who engage in unethical conduct. Any existing business shall be stopped and the entities shall be listed on the banned list to implement the Company's ethical management policy.

Article 20 Stipulation of terms of ethical management in contracts

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policy of the Company part of the terms and conditions of the contract, stipulating at the least the following matters:

- 20.1 When each party is aware of the violation of the prohibition of acceptance of commissions, rebates or other improper contract benefits, they shall promptly inform other parties of their identity, offer, promise, demand or acceptance, amount or other improper interests, and provide relevant evidence and cooperate with other parties' investigations. If there has been resultant damage to either party, the party may claim from the other party twenty percent of the contract price as damages, and may also deduct the full amount of the damages from the contract price payable.
- 20.2 Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
- 20.3 Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

Article 21 Handling of Unethical Conduct by Personnel of the Company

The Company encourages internal and external personnel to report dishonest behavior or misconduct, and according to the severity of the reported violations, and a reward shall be

given to the reporting person in accordance with the Employee Handbook. If internal personnel make false reports or malicious accusations, they shall be subject to disciplinary sanctions. In severe cases, the person can be dismissed.

This Company shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for Company insiders and outsiders to submit reports (the QR code is shown below, as is the company website).

The informant can report by name or unnamed, and the following information should be provided when making a report:

- a) The informed party's name or other information sufficient to distinguish its identifying features.
- b) Specific facts available for investigation.

The relevant personnel of the Company handling whistle-blowing shall make a written statement that the identity of whistleblowers and the content of their whistle-blowing shall be kept confidential. The Company also promises to protect whistleblowers from improper disposal due to their whistle-blowing, and the Company's dedicated unit will handle it in accordance with the following procedures:

- c) Reporting matters involving general employees should be reported to the department head. Reporting matters involving Directors or senior executive should be reported to Independent Directors.
- d) The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department.
- e) If a person being informed of is confirmed to have indeed violated the applicable laws and regulations, or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company may institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
- f) Documentation of case acceptance, investigation processes and investigation results shall be retained for 5 years and may be retained electronically. In the event of a suit in respect of the whistle-blowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.

- g) With respect to a confirmed information, Merry shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.

Article 22
towards the



Actions upon event of unethical conduct by others
Company

If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall notify the governmental anti-corruption agency.

Article 23 Establishment of Rewards and Punishments, Appeal Systems and Disciplinary Sanctions

The Company shall organize an internal promotion every year and arrange for the Chairman, General Manager or senior management like Directors, employees and appointed to convey the importance of integrity.

The Company should incorporate integrity management into employee performance appraisal and human resources policies and establish clear and effective rewards, punishments and appeal systems.

If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.

Article 24 Implementation

These Procedures and Guidelines of Conduct shall be implemented after being passed as a board resolution by the Audit Committee and the Board of Directors, and shall be reported at the shareholder's meeting; the same is true for amendments.

Attachment VII: Details of the Lifting of Non-competition Restrictions

Name of Director	Concurrent Positions Held
Shih, Jui-Pin	Chairman of Airmate International Holding Co.,Ltd Chairman of Airmate China International Co.,Ltd Chairman of Waon Development Ltd Chairman of WAON DEVELOPMENT LIMITED TAIWAN BRANCH (H.K.) Chairman of Airmate Electronic Appliances (Shenzhen) Co.,Ltd. Vice Chairman of Airmate Electronic Appliances (Jiujiang) Co.,Ltd Chairman of TUNG FU ELECTRIC CO., LTD. Representative of Pearl Place Holdings Ltd
Cheng, Li-Ping	Director of the Board of Waon Development Ltd Director of the Board of Airmate Electronic Appliances (Jiujiang) Co.,Ltd.
Tsai, Cheng-Fu	Director of the Board of Waon Development Ltd Vice Chairman of Airmate Electronic Appliances (Shenzhen) Co.Ltd. Director of the Board of Zhejiang Airmate Electronic Appliances Sales Co.,Ltd. Person in Charge of Joyful Oasis Ltd. Chairman of Airmate Electronic Appliances (Jiujiang) Co.,Ltd. Managing Director and Legal Representative of Airmate Technological (Shenzhen) Co.,Ltd
Shih Li, Chueh-Chu	Director of the Board of Waon Development Ltd Director of the Board of TUNG FU ELECTRIC CO., LTD.
Huang, Ching-Shu	Chairman of HERN JUEI CO., LTD. Chairman of HENG TA MOLD ENTERPRISE CO., LTD.
Yen-Fu Chen	Sales Assistant Manager, Li Pai Yi Co., Ltd.
Chi, Lai-Ping	Chairman of HMC Asia Limited Independent Director of the Board of Taishin Securities Co., Ltd
Cheng, Ming-Chang	President of Management Institute in Taipei Lecture Professor of Nanhua University Adjunct Professor of Taipei University Straits Exchange Foundation Advisor Independent Director of Shane Global Holding Inc.
Lin, Chih-Lung	Partner CPA, President of EVER TRUST CPAs

	Lecturer of the Accounting Department of National Cheng Kung University Director of the Board of Nang Kuang Pharmaceutical Co., Ltd. Independent Director of the Board of TEKHO MARINE BIOTECH CO., LTD. Director of NCKU Financial Strategies Research Foundation Independent Director of the Board of CHIA HER INDUSTRIAL CO., LTD. Legal Representative and Director of the Board of TOPOWER CO., LTD.
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Appendix I Rules for Election of Directors

Article 1

To ensure a just, fair, and open election of directors and supervisors, these Procedures are adopted pursuant to Articles 21 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2

Unless otherwise provided by the laws and regulations or Articles of Association, election of the Company's directors shall be in accordance with these Rules.

Article 3

The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's Directors. The composition of the Board of Directors shall be considered in a diversified manner, and appropriate diversification policies shall be formulated regarding its own operation, operational type, and development needs, including but not limited to the following two main aspects:

- I. Basic Conditions and Values: Gender, Age, Nationality and Culture, etc.
- II. Professional Knowledge and Skills: Professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

- I. Judgment ability
- II. Accounting and Financial Analysis Ability
- III. Operation and management capabilities.
- IV. Crisis management capabilities.
- V. Industry knowledge.
- VI. International market outlook.
- VII. Leadership capability.
- VIII. Decision-making capacity.

More than half of the Directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

Article 4

The qualifications for the independent directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of independent directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for

Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 5

Elections of Directors at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. The Company shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee Directors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the results of the review to shareholders for their reference, so that qualified Directors will be elected.

When the number of Directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of Directors falls short by one third of the total number prescribed in the Company's Articles of Association, the Company shall call a extraordinary Shareholders Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent Directors falls below that required by paragraph 1, Article 14-2 of the Securities and Exchange Act and relevant regulations of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, a by-election shall be held at the next shareholders' meeting. When the independent Directors are dismissed en masse, an extraordinary general meeting shall be called within 60 days from the date of occurrence to hold a by-election. When the number of independent Directors falls below that prescribed in the company's Articles of Incorporation due to the dismissal of an independent Director for any reason, a supplemental election to fill the vacancy should ideally be held at the next shareholders' meeting. When the independent Directors are dismissed en masse, a special shareholders' meeting shall be called within 60 days from the date of occurrence to hold a supplemental election to fill the vacancies.

Article 6

The Company shall adopt a cumulative voting method where one share shall have the same voting rights as the number of directors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates.

Article 7

The Board of Directors shall prepare ballots in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' Meeting.

Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 8

The number of directors and independent directors will be as specified in the company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the Chairperson drawing lots on behalf of any person not in attendance.

Article 9

Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before the voting commences.

Article 10

If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a government organization or corporate shareholder, the name of the government organization or corporate shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the government organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered.

Article 11

A ballot is invalid under any of the following circumstances:

- I. A ballot was not prepared by the board of directors.
- II. Those who put blank ballots into the ballot box.
- III. The handwriting is illegible or has not altered.
- IV. If the electee filled in the voting ballot is a shareholder, the account name and shareholder account number are not consistent with the Shareholder Register; if the electee filled in the voting ballot is not a shareholder, the name and uniform ID Card No. do not match after verification.
- V. In addition to filling in the Shareholder Account No., account name and the number of voting rights allocated to the elected person, and inserting other words.

VI. The name of a candidate entered into the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.

Article 12

The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors or independent directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

The selection votes for the above selection shall be property kept after supervising personnel seal and sign for at least one year. When shareholders initiate legal proceedings according to Article 189 of the Company Aact, it shall be kept until the end of the proceedings.

Article 13

The Board of Directors of the Company shall issue notifications to the persons elected as Directors.

Article 14

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

Appendix II Rules and Procedures of the Shareholders' Meeting

Article 1

The rules are formulated in accordance with article 5 of the governance practice rules of listed and over-the-counter companies for compliance, to establish sound shareholders' meeting governance system, perfect supervision function and enhance management mechanism.

Article 2

The rules of procedure for shareholders' meeting of the Company shall follow these rules, unless otherwise stipulated by law or Articles of Association.

Article 3

The shareholders' meeting of the Company shall be convened by the board of directors, unless otherwise stipulated by law.

The Company shall prepare the shareholders' meeting notice, power of authorization paper, causes and description data of recognition case, discussion case, appointment or relief of directors in electronic files and send to open information observation station 30 days before the regular shareholders' meeting or 15 days before interim shareholders' meeting. And it shall prepare the proceedings manual and supplemental data of shareholders' meeting in electronic files and send to open information observation station 21 days before regular shareholders' meeting or 15 days before interim shareholders' meeting. It shall properly prepare the proceedings manual and supplemental data for every shareholders' meeting available to shareholders at any time 15 days before the shareholders' meeting, and display at the Company or special service agency entrusted by the Company for distribution at the meeting.

Notice and announcement shall clearly record the cause of convention; and the notice that has to be permitted by the relative party shall be in electronic form.

Matters pertaining to election or discharge of Directors, alteration of the Articles of Association, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

The cause for convening the shareholders' meeting has been stated for the full re-election of Directors and the date on which they assumed office has been set forth. After the re-election is completed in the Shareholders' Meeting, the same meeting may not be held as extraordinary motion

or in other form to change its appointment date.

A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular Shareholders' Meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. However, a shareholders' proposal for urging the Company to promote the public interest or fulfill its social responsibility may still be included in the list of proposals to be discussed at a regular Shareholders' Meeting by the Board of Directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the date on which share transfer registration is suspended before the convention of a regular Shareholders' Meeting, the Company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten (10) days.

The proposal raised by shareholders shall be within 300 words; or otherwise, it will not be listed as motion. The shareholders raising the proposal shall attend the regular shareholders' meeting in person or entrust others to do so on his behalf, and participate in the discussions.

The Company shall notify the proposal raising shareholder of the handling result before the date of shareholders' meeting convention notice, and list the motion conforming to the provisions of this Article in the convention notice. For proposal raised by shareholders not included in the motion, the board of directors shall explain the reasons for the same at the shareholders' meeting.

Article 4

Shareholders shall present letter of authorization issued by the Company before every shareholders' meeting, recording the scope of authorization, entrusted agent, attend the shareholders meeting.

One shareholder can only issue one letter of authorization and entrust one person. The letter of authorization shall be delivered to the Company five days before convention of the shareholders' meeting; if there is repetition, whichever arrives earliest shall prevail. However, announcement of revoking previous authorization is not subject to this provision.

If the shareholder is planning to attend the shareholders' meeting himself or execute his voting power in written or electronic form after delivery of the letter of authorization to the Company, he shall revoke the notice of letter of authorization to the Company in writing. In case of cancellation after the expiration of the time limit, the voting right of the entrusted agent shall prevail.

Article 5

The place for convening the shareholders' meeting shall be the domicile of the Company or other place that is convenient for shareholders to attend or suitable for the meeting. The starting time for the meeting shall not be earlier than 9 am or later than 3 pm. The convention time and place shall fully consider the opinions of independent directors.

Article 6

The Company shall clearly indicate in the convention notice items like the reporting time and place of the shareholders and other matters needing attention.

The above mentioned reporting time of shareholders shall be processed at least 30 minutes before the meeting; and the reporting place shall be explicitly marked and assigned with enough qualified personnel.

The shareholders themselves or agents entrusted by them (hereinafter referred to as shareholders) shall attend the shareholders' meeting with the attendance certificate, attendance sign-in card or other certificates. The Company shall not add requirements for provision of other certificates randomly for the above. The requester for letter of authority shall come with ID certificate for verification.

The Company shall prepare the signature book for sign-in by attending shareholders, or sign-in card has to be submitted for replacement.

The Company shall deliver the proceedings manual, annual report, attendance certificate, speech note, vote and other meeting materials to shareholders attending the meeting; if in selection of directors, ballots shall be attached.

When the government or legal person acts as shareholder, the representative to attend the shareholders' meeting is not limited to one. When legal person is entrusted to attend the shareholders' meeting, it can only assign one representative to attend.

Article 7

If the shareholder's meeting is convened by the board of directors, then the chairperson shall be acted upon by the chairman. If the chairman asks for leave or cannot execute his duty, vice chairman comes for replacement. If there is no vice chairman or the vice chairman asks for leave or cannot execute his duty, the chairman can designate one executive director as replacement; if there is no executive director, the chairman can designate one director as replacement; if the chairman does not designate, the executive director or director will recommend one as replacement.

If the above mentioned chairperson is to be acted upon by executive director or director as replacement, it shall be an executive director or director working at the position for more than six months, and who has obtained full understanding of the financial status of the Company. It is the same case when the Chairperson is representative of the Director.

The shareholders' meeting convened by board of directors is better to be chaired by the chairman himself and attended by more than half of all directors and one representative from various functional committees, and the attendance has to be recorded in the minute book.

If a shareholders' meeting is convened by a convener other than the board of directors, the convener shall be the chairperson of the shareholders' meeting. If the convener is more than two, one of them shall be recommended as the chairman.

The Company shall designate the entrusted lawyer, CPA or relevant personnel to attend the shareholders' meeting as a nonvoting delegate.

Article 8

The Company shall conduct continuous taping or video recording of the shareholders report process, meeting process, voting and counting process.

The above audio-visual data has to be kept for at least one year. When shareholders initiate legal proceedings according to Article 189 of the Company Aact, it shall be kept until the end of the proceedings.

Article 9

The attendance at shareholders' meeting shall take shares as the calculation basis. The attending shares shall be calculated with the number of shares through execution of voting power in written or electronic form according to the sign-in book or submitted sign-in card.

Upon the opening time of the meeting, the chairperson shall immediately announce opening. Only when the meeting is not attended by shareholders holding more than half of all issued shares, can the chairperson announce postponement. And the postponement is limited to two times and the postponed time cannot exceed one hour in total. If the meeting is not attended by shareholders holding more than one third of all issued shares after two times of postponement, then the chairperson will announce failed convention for lack of quorum.

If the meeting is attended by shareholders holding more than one third of all issued shares after two times of postponement, it will be false resolution according to the provisions of paragraph 1 of Article 175, which will be notified to shareholders that the meeting will be re-convened within one month.

Before closing the meeting, if the meeting is attended by shareholders holding more than half of all issued shares, the chairperson will take it as false resolution and re-apply to the shareholders' meeting for resolution according to provisions of Article 174 of the Company Act.

Article 10

9. If the Shareholders' Meeting is convened by the Board of Directors, the agenda shall be set by the Board of Directors. All the relevant proposals (including Extempore Motions and amendments to the original proposal) shall be voted on a case-by-case basis. The meeting shall be conducted in

accordance with the scheduled agenda, and shall not be changed without a resolution of the Shareholders' Meeting.

If the shareholders' meeting is convened by person other than the board of directors who has the right to convene, then the above provisions shall prevail.

Before closing the proceedings (including extempore motion) on the scheduled agenda of the above two items, the chairperson shall not announce adjournment at his own discretion; If the chairman announces adjournment by violating the proceedings rules, other members in the board shall quickly assist the attending shareholders in recommending one person as chairperson through permission of more than half of voting shareholders according to legal procedures and proceed with the meeting.

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

Article 11

Before the attending shareholders make any speech, they need to firstly fill in the speech tenet, shareholder account (attendance certificate S/N) and account name, and the speech order will be determined by the chairperson.

Shareholders who only submit speech note without making the speech will be deemed as no speech.

If the speech content and record in speech note are not consistent, the former shall prevail.

For the same motion, with the permission from the chairperson, every shareholder can only deliver a speech for two times at most for not more than five minutes per speech. Only when the shareholders' speech go against provisions or out of the agenda scope, will the chairperson stop the speech.

When the attending shareholder is making a speech, other shareholders shall not voice to interfere unless permission from the chairperson and shareholder making the speech is obtained; the chairperson shall stop violators.

If legal person shareholder designates more than two representatives to attend the shareholders' meeting, for the same motion only one person shall be recommended to speak.

After the attending shareholders' speech, the chairperson shall reply in person or designate relevant personnel for the same.

Article 12

The decision by vote at the shareholders' meeting shall take the shares as the calculation basis.

For the resolutions at the shareholders' meeting, the number of shares of shareholders with no voting power shall not be included into the total number of issued shares.

If shareholders have bearing on the meeting matters, or their stake can lead to damage of the Company's interest, they shall not join the voting or act on behalf of other shareholders in executing the voting power.

The number of shares with no voting power shall not be included into the number of voting power of attending shareholders.

If one person is entrusted by more than two shareholders at the same time, the voting power shall not exceed 3% of the total voting power of issued shares except for agencies approved by authorities in trust business or securities; otherwise the voting power over the limit will not be calculated.

Article 13

Shareholders have one voting power for every share; however, those limited or without voting power according to paragraph 2 of Article 179 of the Company Act are not subject to the provision.

When the Company holds a Shareholders' Meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. Shareholders executing the voting power in written or electronic form shall be deemed as present at the shareholders' meeting in person. but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. Therefore, the Company should avoid the submission of extraordinary motions and amendments to original proposals.

The intention expression of those executing voting power in written or electronic form shall be delivered to the Company two days before convention of shareholders' meeting. When there is repetition, whichever arrives earliest shall prevail. However, announcement of revoking the previous intention expression is not subject to this provision.

If shareholders intend on attending the shareholders' meeting in person after executing voting power in written or electronic form, they shall revoke their previous intention to express voting power in the same manner two days in advance; if it is not revoked over the time limit, the voting power in written or electronic form shall prevail. If shareholders execute the voting power in written or electronic form or entrust agent to attend the shareholders' meeting, the voting power executed by the entrusted agent shall prevail.

The decision by vote upon motion shall only be approved by the consent of more than half of the voting power of the shareholders present, unless otherwise stipulated by the Company Act or the Articles of Association of the Company. In deciding by vote, the chairperson or the personnel designated by the chairperson shall announce the total number of voting power of the attending

shareholders for one case after another, and then shareholders shall vote for decision. And on the same day of convening the meeting, the results of shareholders' permission, objection or waiver shall be entered into the open information observation station.

If there is amendment proposal or substitution proposal for the same motion, the chairperson shall determine the order of decision by vote. If one bill is passed, the others will be deemed as vetoed without the need for decision by vote.

The supervising and counting personnel for decision by vote shall be designated by the chairperson, but the supervising personnel cannot be shareholders.

The counting for decision by vote or selection of motion at shareholders' meeting shall be carried out in open place within the venue. After completion of counting, the voting result shall be announced on the spot, including the statistical number of voting power for record.

Article 14

If directors are selected at the shareholders' meeting, it shall be handled according to the appointment norms of the Company, and the selection result shall be announced on the spot, including the list of selected directors and the number of voting power.

The selection votes for the above selection shall be property kept after supervising personnel seal and sign for at least one year. When shareholders initiate legal proceedings according to Article 189 of the Company Aact, it shall be kept until the end of the proceedings.

Article 15

The resolution matters at shareholders' meeting shall be prepared into minute book to be signed or stamped by the chairperson and then distributed to shareholders within 20 days after the meeting.

The preparation and distribution of minute book shall be in electronic form.

The Company shall distribute the above minute book in the form of announcement that is entered into the open information observation station.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, a summary of the deliberations and their voting results (including vote counts) and where there is an election of Directors, the approval votes of each candidate shall be disclosed and shall be retained for the duration of the existence of the Company.

Article 16

The number of shares obtained by the solicitor and the number of shares represented by the entrusted agent shall be clearly disclosed by the Company on the floor of the shareholders' meeting in the statistical table fabricated in accordance with the prescribed format on the day when the shareholders' meeting is held.

For the resolution matters at shareholders' meeting, if there is any important information involved according to legal stipulations or Taiwan Stock Exchange (consortium financial person over-the-counter transaction center of securities of the Republic of China), the Company shall upload the content to the open information observation station within specified time.

Article 17

The meeting staff for preparing shareholders' meeting shall wear identification certificate or armband.

The chairperson shall instruct the provost officers or security staff to maintain order. When the provost officers or security staff are maintaining order at the venue, they shall wear the armband with "provost officer" or identification certificate.

If the venue is equipped with loud-speaking equipment, the chairperson shall stop it when shareholders are using the equipment not allocated by the Company for speech.

If shareholders violate the proceedings rules, disobey the requirement for correction of the chairperson, interfere with the meeting, and refuse to stop after warnings, the chairperson shall instruct provost officers or security staff to guide them out of the venue.

Article 18

During the meeting, the chairperson can at his own discretion announce adjournment; in the case of any events of force majeure, the chairperson can decide to suspend the meeting temporarily and announce the time for continuing with meeting depending on the circumstances.

Before closing proceedings (including extempore motion) on the scheduled agenda at shareholders' meeting, the meeting shall make resolution to seek another venue for meeting if the current venue does not allow for continuous use.

The shareholders' meeting may, in accordance with Article 182 of the Company Act, decide to postpone or renew the meeting within five days.

Article 19

These rules shall come into force upon approval of the board of shareholders and the same shall apply for amendment.

Appendix III Directors' Shareholding Status

The shareholding situation of all directors of the Company

The number of shares recorded in the list of shareholders by directors of the Company as of the transfer suspension date of this regular shareholders' meeting (April 30, 2021) is as follows:

Title	Name	Current holding of shares	
		Number of shares	Shareholding ratio
Director	Shih, Jui-Pin	1,009,480	0.72%
Vice Chairman	Tsai, Cheng-Fu	4,009,788	2.85%
Director	Cheng, Li-Ping	3,157,095	2.24%
Director	Shih Li, Chueh-Chu	2,089,722	1.48%
Director	Shih, Jui-Lin	587,204	0.42%
Director	Chen, Yen-Fu	16,402	0.01%
Director	Chen, Shun-Loong	2,297,040	1.63%
Independent Director	Fan, Chin-Hwa	5,100	0.00%
Independent Director	Chiu, Shean-Bii	0	0.00%
Independent Director	Cheng, Ming-Chang	0	0.00%
Independent Director	Chi, Lai-Ping	0	0.00%

Note: 1. The total number of shares of the Company issued is 140,732,074 shares, as of the closing date of the Shareholders' Meeting (April 30, 2021)

Note 2: The number of shares to be legally held by all directors of the Company is 8,443,924. There are 13,166,731 shares held as of the transfer suspension date of this regular shareholders' meeting (April 30, 2021).

Note 3: The number of shares held by independent shareholders is not included into the above number of shares held by all directors.

艾美特(開曼)國際有限公司

THE COMPANIES LAW (2020 Revision)
Company Limited by Shares
AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION
OF
AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED
艾美特(開曼)國際有限公司

(adopted by a Special Resolution passed on [June 11], 2020)

1. The name of the Company is **Airmate (Cayman) International Co Limited** 艾美特(開曼)國際有限公司.
2. The Registered Office of the Company shall be at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands or at such other place as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by the Companies Law (2020 Revision).
4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by the Companies Law (2020 Revision).
5. Nothing in the preceding sections shall be deemed to permit the Company to carry on the business of a Bank or Trust Company without being licensed in that behalf under the provisions of the Banks & Trust Companies Law (as amended), or to carry on Insurance Business from within the Cayman Islands or the business of an Insurance Manager, Agent, Sub-agent or Broker without being licensed in that behalf under the provisions of the Insurance Law (as amended), or to carry on the business of Company Management without being licensed in that behalf under the provisions of the Companies Management Law (as amended).
6. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.
8. The authorised share capital of the Company is New Taiwan Dollars 2,162,500,000 divided into 216,250,000 ordinary shares of a par value of New Taiwan Dollars 10.00 each provided always that subject to the provisions of the Companies Law (2020 Revision) and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be Ordinary, Preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
9. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Companies Law (2020 Revision) and, subject to the provisions of the Companies Law (2020 Revision) and the Articles of Association, it shall have the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

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THE COMPANIES LAW (2020 Revision)
Company Limited by Shares

**AMENDED AND RESTATED ARTICLES OF ASSOCIATION
OF
AIRMATE (CAYMAN) INTERNATIONAL CO LIMITED
艾美特(開曼)國際有限公司
(adopted by a Special Resolution passed on[June 11], 2020)**

Table A

The regulations in Table A in the First Schedule to the Law (as defined below) do not apply to the Company.

INTERPRETATION

1. Definitions

- 1.1** In these Amended and Restated Articles, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Applicable Law	the Applicable Public Company Rules, the Law or such other rules or legislation applicable to the Company;
Applicable Public Company Rules	the ROC laws, rules and regulations (including, without limitation, the Company Law of the ROC, the Securities and Exchange Law of the ROC, the rules and regulations promulgated by the FSC, the rules and regulations promulgated by the TPEx and the rules and regulations promulgated by the TSE, as amended from time to time) affecting public reporting companies or companies listed on any ROC stock exchange or securities market that from time to time are required by the relevant regulator as applicable to the Company;
Articles	these Articles of Association as altered from time to time;
Audit Committee	the audit committee of the Board, which shall comprise solely of all the Independent Directors of the Company;
Board	the board of directors appointed or elected pursuant to the Articles and acting at a meeting of directors at which there is a quorum in accordance with the Articles;
Book Closure Period	has the meaning given thereto in Article 20.3;

Capital Reserve	for the purpose of the Articles only, comprises of the premium paid on the issuance of any share and income from endowments received by the Company under the Law;
Chairman	the Director elected amongst all the Directors as the chairman of the Board;
Company	Airmate (Cayman) International Co Limited 艾美特(開曼)國際有限公司;
Compensation Committee	a committee of the Board, which shall be comprised of professional individuals and having the functions, in each case, prescribed by the Applicable Public Company Rules;
Cumulative Voting	the voting mechanism for an election of Directors as described in Article 35.2;
Directors	the directors for the time being of the Company and shall include any and all Independent Director(s);
Directors' Remuneration	has the meaning given thereto in Article 14.5;
Dissenting Member	has the meaning given thereto in Article 28.2;
Electronic Record	has the same meaning as in the Electronic Transactions Law;
Electronic Transactions Law	the Electronic Transactions Law (2003 Revision) of the Cayman Islands;
Employees' Compensations	has the meaning given thereto in Article 14.5;
ESM	the emerging stock market of the ROC;
Family Relationship within Second Degree of Kinship	in respect of a person, means another person who is related to the first person either by blood or by marriage of a member of the family and within the second degree shall include the parents, siblings, grandparents, children and grandchildren of the first person as well as the parents, siblings and grandparents of the first person's spouse;
FSC	the Financial Supervisory Commission of the ROC;
Independent Directors	the Directors who are elected as "Independent Directors" in accordance with the Applicable Public Company Rules or the Articles;
Joint Operation Contract	a contract between the Company and one or more person(s) or entit(ies) where the parties thereto agree to pursue the same business venture and jointly bear losses and enjoy profits arising out of such business venture in accordance with the terms thereof;
Law	The Companies Law of the Cayman Islands and every modification, reenactment or revision thereof

	for the time being in force;
Lease Contract	a contract or arrangement between the Company and any other person(s) pursuant to which such person(s) lease or rent from the Company the necessary means and assets to operate the whole business of the Company in the name of such person, and as consideration, the Company receives a pre-determined compensation from such person;
Litigious and Non-Litigious Agent	a person appointed by the Company pursuant to the Applicable Law as the Company's process agent for purposes of service of documents in the relevant jurisdiction and the Company's responsible person in the ROC under the Securities and Exchange Law of the ROC;
Management Contract	a contract or arrangement between the Company and any other person(s) pursuant to which such person(s) manage and operate the business of the Company in the name of and for the benefit of the Company, and as consideration, such person(s) receive a pre-determined compensation from the Company while the Company continues to be entitled to the profits (or losses) of such business;
Market Observation Post System	the public company reporting system maintained by the TSE;
Member	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons, as the context so requires;
Memorandum	the memorandum of association of the Company;
Merger	a transaction whereby: (a) (i) all of the companies participating in such transaction are combined into a new company, which new company generally assumes all rights and obligations of the combined companies; or (ii) all of the companies participating in such transaction are merged into one of such companies as the surviving company, and the surviving company generally assumes all rights and obligations of the merged companies, and in each case the consideration for the transaction being the shares of the surviving or new company or any other company, cash or other assets; or (b) other forms of mergers and acquisitions which fall within the definition of "merger and/or consolidation" under the Applicable Public Company Rules;

month	calendar month;
Notice	written notice as further provided in the Articles unless otherwise specifically stated;
Officer	any person appointed by the Board to hold an office in the Company;
Ordinary Resolution	a resolution passed at a general meeting (or, if so specified, a meeting of Members holding a class of shares) of the Company by not less than a simple majority of the votes cast;
Preferred Shares	has the meaning given thereto in Article 6;
Private Placement	means, for so long as the shares are traded on the ESM or listed on the TSE, the private placement by the Company of shares or other securities of the Company as permitted by the Applicable Public Company Rules;
Register of Directors and Officers	the register of directors and officers referred to in the Articles;
Register of Members	the register of members of the Company maintained in accordance with the Law and (as long as the shares of the Company are traded on the ESM or listed on the TSE) the Applicable Public Company Rules;
Registered Office	the registered office for the time being of the Company;
Restricted Shares	has the meaning given thereto in Article 2.5;
ROC	Taiwan, the Republic of China;
Seal	the common seal or any official or duplicate seal of the Company;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary;
share(s)	share(s) of par value New Taiwan Dollars 10.00 each in the Company;
Share Swap	a 100% share swap as defined in the ROC Business Mergers and Acquisitions Act whereby a company (the "Acquiring Company") acquiring all the issued and outstanding shares of another company with the consideration being the shares of the Acquiring Company, cash or other assets;
Special Resolution	Subject to the Law, means a resolution passed at a general meeting of the Company by a majority of at

	least two-thirds of the votes cast by such Members who, being entitled to do so, vote in person or by their proxies, or, in the case of Members that are corporations or other non-natural person, by their duly authorised representatives by computing the number of votes to which each Member is entitled;
Spin-off	a spin-off as defined in the ROC Business Mergers and Acquisitions Act whereby a company transfers a part or all of its business that may be operated independently to an existing company or newly incorporated company (the "Acquirer") with the consideration being the shares of the Acquirer, cash or other assets;
Statutory Reserve	has the meaning given thereto in Article 14.5;
Subsidiary	with respect to any company, (1) the entity, more than one half of whose total number of the issued voting shares or the total amount of the share capital are directly or indirectly held by such company; (2) the entity that such company has a direct or indirect control over its personnel, financial or business operation; (3) the entity, one half or more of whose shareholders involved in management or board of directors are concurrently acting as the shareholders involved in management or board of directors of such company; and (4) the entity, one half or more of whose total number of issued voting shares or the total amount of the share capital are held by the same shareholder(s) of such company;
Supermajority Resolution	a resolution passed by a majority vote of the Members present at a general meeting attended by Members who represent two-thirds or more of the total issued shares or, if the total number of shares represented by the Members present at the general meeting is less than two-thirds of the total issued shares, but more than one half of the total issued shares, means instead, a resolution passed by two-thirds or more of votes cast by the Members present at such general meeting;
Treasury Shares	has the meaning given thereto in Article 3.13;
TDCC	the Taiwan Depository & Clearing Corporation;
TPEX	the Taipei Exchange;
TSE	the Taiwan Stock Exchange Corporation; and
year	calendar year.

1.2 In the Articles, where not inconsistent with the context:

- (a) words denoting the plural number include the singular number and vice versa;
 - (b) words denoting the masculine gender include the feminine and neuter genders;
 - (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
 - (d) the words:-
 - (i) "may" shall be construed as permissive; and
 - (ii) "shall" shall be construed as imperative;
 - (e) "written" and "in writing" include all modes of representing or reproducing words in visible form, including the form of an Electronic Record;
 - (f) a reference to statutory provision shall be deemed to include any amendment or re-enactment thereof;
 - (g) unless otherwise provided herein, words or expressions defined in the Law shall bear the same meaning in the Articles; and
 - (h) Section 8 of the Electronic Transactions Law shall not apply to the extent that it imposes obligations or requirements in addition to those set out in the Articles.
- 1.3** In the Articles expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.
- 1.4** Headings used in the Articles are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

- 2.1** Subject to the Applicable Law, the Articles and any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Company may by resolution of the Members prescribe, provided that no share shall be issued at a discount except in accordance with the Law and the Applicable Public Company Rules.
- 2.2** Unless otherwise provided in the Articles, the issue of new shares of the Company shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors. The issue of new shares shall at all times be subject to the sufficiency of the authorized capital of the Company.
- 2.3** After the application for trading of the shares on the ESM has been approved by the TPEx, where the Company increases its issued share capital by issuing new shares for cash consideration in the ROC, the Company shall allocate 10% of the total amount of the new shares to be issued, for offering in the ROC to the public ("**Public Offering Portion**") unless it is not necessary or appropriate, as

determined by the FSC, the TPEx or TSE (as applicable) for the Company to conduct the aforementioned public offering or otherwise provided by Applicable Law. However, if a percentage higher than the aforementioned 10% is resolved by the Members in a general meeting by Ordinary Resolution to be offered, the percentage determined by such resolution shall prevail and shares corresponding to such percentage shall be reserved as Public Offering Portion. The Company may also reserve 10% to 15% of such new shares for subscription by the employees of the Company and its Subsidiaries (the "**Employee Subscription Portion**"). The Company may prohibit such employees from transferring the shares so subscribed within a certain period; provided, however, that such a period cannot be more than two years.

- 2.4 Unless otherwise resolved by the Members in general meeting by Ordinary Resolution, where the Company increases its issued share capital by issuing new shares for cash consideration pursuant to Article 2.3 hereof, after allocation of the Public Offering Portion, including, for the avoidance of doubt, any percentage in excess of 10% of the total amount of the new shares to be issued for offering in the ROC to the public as resolved by the Members in general meeting be offered pursuant to Article 2.3, and the Employee Subscription Portion pursuant to Article 2.3 hereof, the Company shall make a public announcement and notify each Member that he is entitled to exercise a pre-emptive right to purchase his pro rata portion of the remaining new shares, to be issued in the capital increase for cash consideration. The Company shall state in such announcement and notices to the Members the procedures for exercising such pre-emptive rights. Where an exercise of the pre-emptive right may result in fractional entitlement of a Member, the entitlements (including fractional entitlements) of two or more Members may be combined to jointly subscribe for one or more whole new shares in the name of a single Member, subject to compliance with such directions and terms and conditions as determined by the Board and the Applicable Public Company Rules. If the total number of the new shares to be issued has not been fully subscribed for by the Members within the prescribed period, the Company may consolidate such shares into the public offering tranche or offer any un-subscribed new shares to a specific person or persons in such manner as is consistent with the Applicable Public Company Rules.

If any person who has subscribed the new shares (by exercising the aforesaid pre-emptive right of Members or subscribing the Public Offering Portion or the Employee Subscription Portion) fails to pay when due any amount of the subscription price in relation to such newly-issued shares within the payment period as determined by the Company, the Company shall fix a period of no less than one month and call for payment of the subscription price or the Company may declare a forfeiture of such subscription. No forfeiture of such subscription shall be declared as against any such person unless the amount due thereon shall remain unpaid for such period after such demand has been made. Notwithstanding the provisions of the preceding sentence, forfeiture of the subscription may be declared without the demand process if the payment period for subscription price set by the Company is one month or longer. Upon forfeiture of the subscription, the shares remaining unsubscribed to shall be offered for subscription in such manner as is consistent with the Applicable

Public Company Rules.

- 2.5 Subject to the provisions of the Law, the Company may issue new shares with restricted rights ("**Restricted Shares**") to employees of the Company and its Subsidiaries with the sanction of a Supermajority Resolution provided that Article 2.3 hereof shall not apply in respect of the issue of such shares. For so long as the shares are traded on the ESM or listed on the TSE, the terms of issue of Restricted Shares, including but not limited to the number of Restricted Shares so issued, issue price of Restricted Shares and other related matters shall be in accordance with the Applicable Public Company Rules.
- 2.6 The pre-emptive right of employees under Article 2.3 and the pre-emptive right of Members under Article 2.4 shall not apply in the event that new shares are issued due to the following reasons or for the following purposes:
in connection with a Merger, Spin-off, or pursuant to any reorganization of the Company;
in connection with meeting the Company's obligations under share subscription warrants and/or options, including those rendered in Articles 2.8 and 2.11 hereof;
in connection with the issue of Restricted Shares in accordance with Article 2.5 hereof;
in connection with meeting the Company's obligations under convertible bonds or corporate bonds vested with rights to acquire shares;
in connection with meeting the Company's obligations under Preferred Shares vested with rights to acquire shares;
in connection with the issue of shares in accordance with Article 14.5; or
in connection with Private Placement of the securities issued by the Company.
- 2.7 The Company shall not issue any unpaid shares or partly paid-up shares.
- 2.8 Notwithstanding Article 2.5 hereof, the Company may, upon approval by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, adopt one or more employee incentive programmes and may issue shares or options, warrants or other similar instruments, to employees of the Company and its Subsidiaries, and for the avoidance of doubt, resolution of the Members is not required.
- 2.9 Options, warrants or other similar instruments issued in accordance with Article 2.8 above are not transferable save by inheritance.
- 2.10 Directors of the Company and its Subsidiaries shall not be eligible for Restricted Shares pursuant to Article 2.5 hereof or the incentive programmes pursuant to Article 2.8 hereof, provided that directors who are also employees of the Company or its Subsidiaries may subscribe for Restricted Shares or participate in an incentive programme in their capacity as an employee and not as a director of the Company or its Subsidiaries.
- 2.11 The Company may enter into agreements with employees of the Company and/or the employees of its Subsidiaries in relation to the incentive programme approved pursuant to Article 2.8 above, whereby employees may subscribe for, within a specific period, a specific number of the shares. The terms and

conditions of such agreements shall be no less restrictive on the relevant employee than the terms specified in the applicable incentive programme.

- 2.12** Without prejudice to any provisions in this Article 2, where shares are issued by the Company for purposes of changing the currency denomination of share capital of the Company as approved by the members at a general meeting (the "**Redenomination**"), to the extent that the percentage of shareholding interest of the members of the Company will not be affected and the members are not required to pay for any new shares issued in connection with the Redenomination (other than out of the proceeds of any share buy back of their existing shares which are subject to the Redenomination), no further approval or consent of the Member or Members shall be required.

3. Redemption and Purchase of Shares

- 3.1** Subject to the Law, the Company is authorised to issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or a Member.
- 3.2** The Company is authorised to make payments in respect of the redemption of its shares out of capital or out of any other account or fund authorised for this purpose in accordance with the Law.
- 3.3** The redemption price of a redeemable share, or the method of calculation thereof, shall be fixed by the Board at or before the time of issue.
- 3.4** Every share certificate relating to redeemable share shall indicate that the share is redeemable.
- 3.5** (i) Subject to the provisions of the Applicable Law and the Articles, the Company may, upon approval of the Directors may determine.
- (ii) Without prejudice to Article 3.5.(i), in the case of a repurchase of shares by the Company for purposes of changing the currency denomination of share capital of the Company, consent of the holders of the shares subject to such repurchase shall not be required.
- 3.6** In the event that the Company proposes to purchase any share traded on the ESM or listed on the TSE pursuant to the preceding Article, the resolution of the Board approving such proposal and the implementation thereof should be reported to the Members in the next general meeting in accordance with the Applicable Public Company Rules. Such reporting obligation shall also apply even if the Company does not implement the proposal to purchase its shares traded on the ESM or listed on the TSE for any reason.
- 3.7** For so long as the shares are traded on the ESM or listed on the TSE, the Company is authorised to purchase any share traded on the ESM or listed on the TSE in accordance with the following manner of purchase:
- (b) the total price of the shares purchased by the Company shall not exceed the sum of retained earnings minus earnings distribution resolved by the Board or the general meeting, plus the following realized capital reserve:

- (i) the premium received from the disposal of assets that has not been booked as retained earnings;
- (ii) the premium paid on the issuance of any share and income from endowments received by the Company provided however that income from the shares shall not be included before such shares have been transferred to others;
- (c) the maximum number of shares purchased by the Company shall not exceed ten percent of the total number of issued and outstanding shares of the Company; and
- (d) the purchase shall be at such time, at such price and on such other terms as determined and agreed by the Board in its sole discretion provided however that:
 - such purchase transactions shall be in accordance with the applicable ROC securities laws and regulations and the Applicable Public Company Rules; and
 - such purchase transactions shall be in accordance with the Law.

- 3.8** The redemption price may be paid in any manner authorised by Article 16.1.
- 3.9** A delay in payment of the redemption price shall not affect the redemption but, in the case of a delay of more than thirty days, interest shall be paid for the period from the due date until actual payment at a rate which the Directors, after due enquiry, estimate to be representative of the rates being offered by banks holding “A” licenses (as defined in the Banks and Trust Companies Law (Revised) of the Cayman Islands) in the Cayman Islands for thirty day deposits in the same currency.
- 3.10** The Directors may exercise as they think fit the powers conferred on the Company by Section 37(5) of the Law (payment out of capital) but only if and to the extent that the redemption could not otherwise be made (or not without making a fresh issue of shares for this purpose).
- 3.11** Subject as aforesaid, the Directors may determine, as they think fit all questions that may arise concerning the manner in which the redemption of the shares shall or may be effected.
- 3.12** No share may be redeemed unless it is fully paid-up.
- 3.13** Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) shall be cancelled immediately or held as treasury shares ("**Treasury Shares**") at the discretion of the Directors.
- 3.14** No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up of the Company) may be made to the Company in respect of a Treasury Share.
- 3.15** The Company shall be entered in the Register of Members as the holder of the Treasury Shares provided that:
- (a) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported

exercise of such a right shall be void;

- (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the Articles or the Law.

3.16 After the Company purchases the shares traded on the ESM or listed on the TSE, any proposal to transfer the Treasury Shares to the employees of the Company and its Subsidiaries at a price below the average actual repurchase price must be approved by Special Resolution in the next general meeting and the items required by the Applicable Public Company Rules shall be specified in the notice of the general meeting and may not be proposed as an extemporaneous motion. The aggregate number of Treasury Shares resolved at all general meetings and transferred to the employees of the Company and its Subsidiaries shall not exceed 5% of the total issued shares, and each employee may not subscribe for more than 0.5% of the total issued shares in aggregate. The Company may prohibit such employees from transferring such Treasury Shares within a certain period; provided, however, that such a period cannot be more than two years.

3.17 Subject to Article 3.16 and the Applicable Public Company Rules, Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors.

4. Rights Attaching to Shares

Subject to Article 2.1, the Memorandum and the Articles, other contractual obligations or restrictions that the Company is bound by and any resolution of the Members to the contrary and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares, the share capital of the Company shall be divided into shares of a single class the holders of which shall, subject to the provisions of the Articles:

- (a) be entitled to one vote per share;
- (b) be entitled to such dividends as recommended by the Board and approved by the Members at general meeting;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to shares.

5. Share Certificates

5.1 The Company may issue shares in uncertificated/scripless form or issue share certificates. Where share certificates are issued, every Member shall be entitled to a certificate issued under the Seal (or a facsimile thereof), which shall be affixed or imprinted with the authority of the Board, specifying the number and, where appropriate, the class of shares held by such Member. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means. For so long as the shares are traded on the ESM or listed on the TSE, shares of the Company shall be issued in uncertificated/scripless form unless the

issuance of share certificates is required by the provisions of the Applicable Public Company Rules.

- 5.2 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.
- 5.3 Share may not be issued in bearer form.
- 5.4 When the Company shall issue share certificates pursuant to Article 5.1 hereof, the Company shall deliver the share certificates to the subscribers within thirty (30) days from the date such share certificates may be issued pursuant to the Law, the Memorandum, the Articles, and the Applicable Public Company Rules, and shall make a public announcement prior to the delivery of such share certificates pursuant to the Applicable Public Company Rules.
- 5.5 Where the Company shall issue the shares in uncertificated/scripless form, the Company shall comply with the Law and the Applicable Public Company Rules to handle relevant matters, and shall deliver the shares to the subscribers by book-entry transfer through the book-entry system of the TDCC within thirty days after the Company is permitted by applicable listing laws and regulations to issue such shares and make a public announcement prior to the delivery.

6. Preferred Shares

- 6.1 The Company may by Special Resolution designate one or more classes of shares with preferred or other special rights as the Company, by Special Resolution, may determine (shares with such preferred or other special rights, the "Preferred Shares"), and cause to be set forth in the Articles.
- 6.2 For so long as the shares are traded on the ESM or listed on the TSE, the rights and obligations of Preferred Shares may include (but not limited to) the following terms and shall be consistent with the Applicable Public Company Rules:
 - (a) the order of priority and fixed amount or fixed ratio of allocation of dividends and bonus on Preferred Shares;
 - (b) the order of priority and fixed amount or fixed ratio of allocation of surplus assets of the Company;
 - (c) the order of priority for or restriction on the voting right(s) (including declaring no voting rights whatsoever) of the Members holding the Preferred Shares;
 - (d) the method by which the Company is authorized or compelled to redeem the Preferred Shares, or a statement that redemption rights shall not apply; and
 - (e) other matters concerning rights and obligations incidental to Preferred Shares.

REGISTRATION OF SHARES

7. Register of Members

- (a) For so long as shares are traded on the ESM or listed on the TSE, the Board shall

cause to be kept a Register of Members which may be kept outside the Cayman Islands at such place as the Directors shall appoint and which shall be maintained in accordance with the Law and the Applicable Public Company Rules.

- (b) In the event that the Company has shares that are not traded on the ESM or listed on the TSE, the Company shall also cause to be kept a register of such shares in accordance with Section 40 of the Law.

8. Registered Holder Absolute Owner

Except as required by law:

- (a) no person shall be recognised by the Company as holding any share on any trust; and
- (b) no person other than the Member shall be recognised by the Company as having any right in a share.

9. Transfer of Registered Shares

9.1 Title to shares traded on the ESM or listed on the TSE may be evidenced and transferred in a manner consistent with the Applicable Public Company Rules (including through the book-entry system of the TDCC).

9.2 All transfers of shares which are in certificated form may be effected by an instrument of transfer in writing in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and, if the Board so requires, by or on behalf of the transferee. Without prejudice to the foregoing, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. Notwithstanding the foregoing, an instrument of transfer shall not be required for a repurchase of shares by the Company for purposes of changing the currency of share capital of the Company.

9.3 The Board may refuse to recognise any instrument of transfer in respect of shares in certificated form unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

9.4 The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

9.5 The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share in certificated form in the event such registration of transfer would (i) conflict with the Applicable Law; or (ii) conflict with the Memorandum and/or the Articles. If the Board refuses to register a transfer of any share, the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

10. Transmission of Registered Shares

10.1 In the case of the death of a Member, the survivor or survivors where the

deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 39 of the Law, for the purpose of this Article, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

- 10.2** Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share.
- 10.3** On the presentation of the evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration or refuse registration as stipulated in Article 9.5 as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.
- 10.4** Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

11. Alteration of Capital

- 11.1** The Company may from time to time by Ordinary Resolution:

- increase its share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
- sub-divide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

- 11.2** The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Article and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the new proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

SPECIAL RESOLUTION AND SUPERMAJORITY RESOLUTION

12. Special Resolution and Supermajority Resolution

- 12.1** Subject to the Law and the Articles, the Company may from time to time by Special Resolution:
- (a) change its name;
 - (b) alter or add to the Articles;
 - (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein;
 - (d) reduce its share capital and any capital redemption reserve fund; or
 - (e) issue securities by way of Private Placement within the territory of the ROC in accordance with the Applicable Public Company Rules.
- 12.2** Notwithstanding Article 12.1(e) hereof, the ordinary corporate bonds to be issued through Private Placement by the Company in accordance with the Articles and the Applicable Public Company Rules may be offered in different tranches within one year of the date of the meeting of the Directors approving such Private Placement.
- 12.3** Subject to the Law and Article 12.4, the following actions by the Company shall require the approval of the Members by a Supermajority Resolution:
- (a) effecting any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 17 hereof;
 - (b) effecting any Merger (except for any Merger which falls within the definition of "merger" and/or "consolidation" under the Law, which requires the approval of the Company by Special Resolution only), Share Swap, or Spin-off of the Company;
 - (c) entering into, amend, or terminate any Lease Contract, Management Contract or Joint Operation Contract;
 - (d) the transferring of the whole or any essential part of the business or assets of the Company;
 - (e) acquiring or assuming the whole business or assets of another person, which has a material effect on the Company's operation; or
 - (f) issuing employee stock options at an issue price lower than the closing price of the shares on the issue date provided that in no event shall the issue price be lower than the par value per share.

12.4 Subject to the Law, the Company may be wound up voluntarily:

- (a) if the Company resolves by Ordinary Resolution that it be wound up voluntarily because the Company is unable to pay its debts as they fall due; or
- (b) if the Company resolves by Special Resolution that it be wound up voluntarily for reasons other than set out in Article 12.4(a) above.

13. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the sanction of a Special Resolution passed at a general meeting of the holders of the shares of the class. Notwithstanding the foregoing, if any modification or alteration in the Articles is prejudicial to the preferential rights of any class of shares, such modification or alteration shall be adopted by a Special Resolution and shall also be adopted by a Special Resolution passed at a separate meeting of Members of that class of shares. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith. To any such meeting all the provisions of the Articles relating to general meetings shall apply *mutatis mutandis*.

DIVIDENDS AND CAPITALISATION

14. Dividends

- 14.1** The Board may, subject to approval by the Members by way of Ordinary Resolution or, in the case of Article 12.3(a), Supermajority Resolution and subject to the Articles and any direction of the Company in general meeting, declare a dividend to be paid to the Members in proportion to the number of shares held by them, and such dividend may be paid in cash, shares or, subject to Article 14.2, wholly or partly in specie. No unpaid dividend shall bear interest as against the Company.
- 14.2** Subject to the provisions of Article 14.1, the Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution, subject, however to obtaining the prior consent of any shareholder to whom it is proposed to make a distribution in specie and a valuation of the assets for distribution from an ROC certified public accountant, prior to the Directors fixing the value of the assets for distribution. The Directors may make cash payments to some Members on the footing of the value so fixed in order to adjust the rights of Members. Without limiting the foregoing generality, the Directors may vest any such specific assets in trustees on such terms as the Directors think fit and may issue fractional shares.
- 14.3** Subject to the Applicable Law, no dividends or other distribution shall be paid except out of profits of the Company, realised or unrealised, out of share premium account or any reserve, fund or account as otherwise permitted by the

Law. Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the number of the shares that a Member holds. If any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividends accordingly.

14.4 Subject to the Law and this Article and except as otherwise provided by the rights attached to a

14.5 Unless otherwise provided in the Law, the Applicable Public Company Rules or the Articles, upon the final settlement of the Company's annual accounts, if there is "surplus profit" (as defined below), the Company shall set aside an amount as compensation to employees and remuneration for the Directors as follows; provided however that, if the Company has accumulated losses, the Company shall reserve an amount thereof first to making up such losses:

- (a) five per cent (5%) to ten per cent (10%) as compensation to employees ("**Employees' Compensations**"), including employees of the Company's Subsidiaries; and
- (b) no more than three per cent (3%) as remuneration for the Directors (excluding the Independent Directors) ("**Directors' Remuneration**").

The distribution proposals in respect of Employees' Compensation and Directors' Remuneration shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the abovementioned distributions and allocation. The "surplus profit" referred to above means the net profit before tax and for the avoidance of doubt, such amount is before any payment of compensation to employees and remuneration for the Directors.

Subject to the Applicable Law, the Employees' Compensations shall be appropriated in the form of cash or stock.

For so long as the shares are traded on the ESM or listed on the TSE, if there are profits, in n losses incurred in previous years; (iii) ten per cent (10%) as reserve ("**Statutory Reserve**") (unless the Statutory Reserve has reached the total paid-up capital of the Company); and (iv) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules.

If there are any remaining profits, such remaining profits, together with a part or whole of accumulated undistributed profits in the previous years, subject to compliance with the Law and after setting aside the amounts for Employees' Compensations and Directors' Remuneration in accordance with Article 14.5 and such amounts as the Board deems fit in accordance with the dividend policy set out in preceding paragraph, may be distributed as dividends to Members in proportion to their shareholdings. Dividends to be distributed to the Members, may be made by way of cash dividends or by way of stock dividends or a combination thereof, provided that, the cash dividends shall not be less than fifty per cent (50%) of the total amount of dividends payable under the preceding sentence and, provided further that, subject to the Law and the Applicable Public Company Rules and unless otherwise resolved by the Board and the Members, after having considered the financial, business and operational factors of the Company, the amount of the remaining profits

distributed as dividends to Members shall not be less than twenty-five per cent (25%) of profit after tax of the relevant year.

14.6 The Board shall fix any date as the record date for determining the Members entitled to receive any dividend or other distribution.

14.7 For the purpose of determining Members entitled to receive payment of any dividend or other distributions, the Directors may provide that the Register of Members be closed for transfers for five (5) days before the relevant record date or such other period consistent with the Applicable Public Company Rules subject to compliance with the Law.

15. Capital Reserve and Power to Set Aside Profits

15.1 The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for meeting the deficiencies for implementing dividend distribution plans or for any other purpose to which those funds may be properly applied. Pending application, such sums may be in the absolute discretion of the Directors either be employed in the business of the Company or invested in such investment as Directors may from time to time think fit, and need not be kept separate from other assets of the Company. The Directors may also, without placing the same to reserve, carry forward any profit which they decide not to distribute.

15.2 Subject to any direction from the Company in general meeting, the Directors may on behalf of the Company exercise all the powers and options conferred on the Company by the Law in regard to the Capital Reserve. Subject to compliance with the Law, the Directors may on behalf of the Company set off accumulated losses against credits standing in the Capital Reserve and make distributions out of the Capital Reserve.

16. Method of Payment

16.1 Any dividend, interest, or other monies payable in cash in respect of the shares may be paid by wire transfer to the Member's designated account or by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members, or to such person and to such address as the holder may in writing direct.

16.2 In the case of joint holders of shares, any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the address of the holder first named in the Register of Members, or to such person and to such address as the holder may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

17. Capitalisation

Subject to the Law and Article 12.3(a), the Board may capitalise any sum for the time being standing to the credit of the Capital Reserve or other reserve accounts or to the

credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

MEETINGS OF MEMBERS

18. Annual General Meetings

- 18.1** The Company shall hold a general meeting as its annual general meeting within six months following the end of each fiscal year, which shall be called by the Board.
- 18.2** The general meetings (including annual general meetings and extraordinary general meetings) shall be held at such time and place as the Chairman or any two Directors or any Director and the Secretary or the Board shall appoint.
- 18.3** For so long as the shares are traded on the ESM or listed on the TSE, unless otherwise provided by the Law, the general meetings shall be held in the ROC. If the Board resolves to hold a general meeting outside the ROC, the Company shall apply for the approval of the ESM (in the case that the shares are traded on the ESM) or the TSE (in the case that the shares are listed on the TSE) thereof within two days after the Board adopts such resolution. Where a general meeting is to be held outside the ROC, the Company shall engage a professional stock affairs agent in the ROC to handle the administration of such general meeting (including but not limited to the handling of the voting of proxies submitted by Members).

19. Extraordinary General Meetings

- 19.1** General meetings other than annual general meetings shall be called extraordinary general meetings.
- 19.2** The Board may convene an extraordinary general meeting of the Company whenever in their judgment such a meeting is necessary or is desirable.
- 19.3** For so long as the shares are traded on the ESM or listed on the TSE, the Board shall on a Member's requisition as defined in Article 19.4 forthwith proceed to convene an extraordinary general meeting of the Company.
- 19.4** A Member's requisition set forth in Article 19.3 is a requisition of one or more Members of the Company holding in the aggregate at the date of deposit of the requisition not less than three per cent (3%) of the total number of issued shares of the Company which as at that date have been held by such Member(s) for at least one year.
- 19.5** The Member's requisition must state in writing the matters to be discussed at the extraordinary general meeting and the reason therefor and must be signed by the requisitionists and deposited at the Registered Office and the Company's stock affairs agent located in the ROC, and may consist of several documents in like form each signed by one or more requisitionists.
- 19.6** If the Board does not within fifteen (15) days from the date of the deposit of the

Member's requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Board.

- 19.7 For so long as the shares are traded on the ESM or listed on the TSE, any one or more Members holding in aggregate more than half of the total number of the issued shares of the Company as at the relevant Book Closure Period for at least three consecutive months may convene an extraordinary general meeting.
- 19.8 In addition to the event that the Board is unwilling or unable to convene a general meeting, an Independent Director of the Audit Committee may convene a general meeting in the interest of the Company when he/she in his/her absolute discretion deems necessary.

20. Notice

- 20.1 Before the shares are traded on the ESM or listed on the TSE, at least five days' notice of a general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and the general nature of business to be conducted at the meeting.
- 20.2 For so long as the shares are traded on the ESM or listed on the TSE, at least thirty days' notice of an annual general meeting, and at least fifteen days' notice of an extraordinary general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and the general nature of the business to be considered at the meeting. The notice may, as an alternative, be given by means of electronic transmission, after obtaining a prior written consent from the recipient(s) thereof.
- 20.3 For so long as the shares are traded on the ESM or listed on the TSE, the Board shall fix a record date for determining the Members entitled to receive notice of and to vote at any general meeting of the Company in accordance with Applicable Public Company Rules and close its Register of Members accordingly in accordance with Applicable Public Company Rules. The Board shall fix the period that the Register of Members shall be closed for transfers in accordance with the Applicable Public Company Rules (the "**Book Closure Period**").
- 20.4 Subject to Article 23.4, the accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.
- 20.5 For so long as the shares are traded on the ESM or listed on the TSE, the Company shall announce to the public the notice of a general meeting, the proxy instrument, agendas and materials relating to the matters to be reported and discussed in the general meetings, including but not limited to, election or discharge of Directors, in accordance with Article 20.2 hereof, and shall transmit the same via the Market Observation Post System in accordance with Applicable Public Company Rules. If the voting power of a Member at a general meeting shall be exercised by way of a written ballot, the Company shall also send the written document for the Member to exercise his voting power together with the above mentioned materials in accordance with Article

20.2. The Directors shall prepare a meeting handbook of the relevant general meeting and supplemental materials, which will be made available to all Members and shall be transmitted to the Market Observation Post System in accordance with the Applicable Public Company Rules.

20.6 For so long as the shares are traded on the ESM or listed on the TSE, the following matters shall be stated in the notice of a general meeting, with a summary of the major content to be discussed, and shall not be proposed as an extemporary motion:

- (a) election or discharge of Directors,
- (b) alteration of the Memorandum or Articles,
- (c) reduction of share capital,
- (d) application for de-registration as a public company in the ROC,
- (e) (i) dissolution, Merger, Share Swap or Spin-off, (ii) entering into, amending, or terminating any Lease Contract, Management Contract or Joint Operation Contract, (iii) transfer of the whole or any essential part of the business or assets of the Company, and (iv) acquisition or assumption of the whole of the business or assets of another person, which has a material effect on the operations of the Company,
- (f) ratification of an action by Director(s) who engage(s) in business for himself or on behalf of another person that is within the scope of the Company's business,
- (g) distribution of the whole or part of the surplus profit of the Company in the form of new shares, capitalization of Capital Reserve and any other amount in accordance with Article 17,
- (h) making distributions of new shares or cash out of the Statutory Reserve, the premium received on the issuance of any shares and income from endowments received by the Company to its Members,
- (i) Private Placement of any equity-related securities to be issued by the Company, and
- (j) issuance of employee stock options at an issue price lower than the closing price of the shares on the issue date.

The material contents of the above matters may be uploaded onto the website designated by the FSC or the Company, and such website shall be indicated in the notice of general meeting.

20.7 For so long as the shares are traded on the ESM or listed on the TSE, the Board shall keep the Memorandum and Articles, minutes of general meetings, financial statements, the Register of Members, and the counterfoil of any corporate bonds issued by the Company at the Registered Office (if applicable) and the Company's stock affairs agent located in the ROC. Members may request, from time to time, by submitting document(s) evidencing his interests involved and indicating the designated scope of the inspection, access to inspect, review, transcribe or make copies of the foregoing documents, and the Company shall cause the stock affairs agent to provide such Members with access to above documents.

20.8 For so long as the shares are traded on the ESM or listed on the TSE, the Company shall make available all the statements and records prepared by the Board and the report prepared by the Audit Committee which will be submitted to the Members at the annual general meeting at the Registered Office (if

applicable) and its stock affairs agent located in the ROC ten (10) days prior to such annual general meeting in accordance with Applicable Public Company Rules. Members may inspect and review the foregoing documents from time to time and may be accompanied by their lawyers or certified public accountants for the purpose of such inspection and review.

- 20.9** The Board or any person who is entitled to convene a general meeting under the Articles may demand the Company or the Company's stock affairs agent to provide the Register of Members.

21. Giving Notice

- 21.1** Any Notice or document, whether or not to be given or issued under the Articles from the Company to a Member, shall be in writing either by delivering it to such Member in person or by sending it by letter mail or courier service to such Member at his registered address as appearing in the Register of Members or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address. For the purpose of this Article, a notice may be sent via electronic means if so agreed to by the Members in writing.

- 21.2** Any Notice or other document shall be deemed to be effective when it is sent in accordance with Articles 20 and 21 of the Articles.

Any Notice or document may be given to a Member either in the English language or the Chinese language, subject to due compliance with all Applicable Law, rules and regulations.

This Article shall apply *mutatis mutandis* to the service of any document by a Member on the Company under the Articles.

22. Postponement of General Meeting

The Board may postpone any general meeting called in accordance with the provisions of the Articles provided that notice of postponement is given to each Member before the time for such meeting. A notice stating the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of the Articles provided that in the event that the Members resolve to postpone the general meeting to a specified date which is not more than five days, Articles 20.1, 20.2, 20.3, 20.4, 20.5 and 21 do not apply and notice of the adjournment shall not be required.

23. Quorum and Proceedings at General Meetings

- 23.1** No resolutions shall be adopted unless a quorum is present. Unless otherwise provided for in the Articles, Members present in person or by proxy or in the case of a corporate Member, by corporate representative, representing more than one-half of the total issued shares of the Company entitled to vote, shall constitute a quorum for any general meeting.

- 23.2** For so long as the shares are traded on the ESM or listed on the TSE, the Board shall submit business reports, financial statements and proposals for distribution of profits or allocation of losses prepared by it for the purposes of annual general meetings of the Company for ratification by the Members in a manner consistent with the Applicable Public Company Rules. After ratification by the

Members at the general meeting, the Board shall distribute copies of or announce to the public the ratified financial statements and the Company's resolutions on distribution of profits or allocation of losses, to each Member or otherwise make the same available to the Members in accordance with the Applicable Public Company Rules.

- 23.3** Unless otherwise provided in the Articles, a resolution put to the vote of the meeting shall be decided on a poll. No resolution put to the vote at the meeting shall be decided by a show of hands.
- 23.4** For so long as the shares are traded on the ESM or listed on the TSE, if and to the extent permitted under the Law, nothing in the Articles shall prevent any Member from initiating proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the convening of any general meeting or the passage of any resolution in violation of applicable laws or regulations or the Articles within 30 days after passing of such resolution. The Taiwan Taipei District Court, ROC, may be the court of the first instance for adjudicating any disputes arising out of the foregoing.
- 23.5** Unless otherwise expressly required by the Law, the Memorandum or the Articles, any matter which has been presented for resolution, approval, confirmation or adoption by the Members at any general meeting may be passed by an Ordinary Resolution.
- 23.6** For so long as the shares are traded on the ESM or listed on the TSE, member(s) holding one per cent (1%) or more of the Company's total issued shares immediately prior to the relevant book close period, during which the Company closed its Register of Members, may propose to the Company in writing or by electronic means designated by the Company one matter for discussion at an annual general meeting. The Company shall give a public notice in such manner and at such time as permitted by Applicable Law specifying the place and a period of not less than ten (10) days for Members to submit proposals. The Board shall include a proposal unless (a) the proposing Member(s) holds less than one per cent (1%) of the Company's total issued shares, (b) the matter of such proposal may not be resolved by a general meeting or the proposal exceeds 300 Chinese characters; (c) the proposing Member(s) has/have proposed more than one proposal; or (d) the proposal is submitted to the Company after the date fixed and announced by the Company for accepting Member(s)' proposal(s). If any of the proposals submitted by such Member(s) is to urge the Company to promote public interests or fulfill its social responsibilities, the Board may accept such proposal to be discussed at a general meeting.
- 23.7** The rules and procedures of general meetings shall be established by the Board and approved by an Ordinary Resolution, and such rules and procedures shall be in accordance with the Law, the Articles and the Applicable Public Company Rules.

24. Chairman to Preside

- 24.1** The Chairman shall act as chairman at all meetings of the Members at which such person is present. In his absence the Directors who are present at the meeting of Members shall elect one from among themselves to act as the chairman at such meeting in lieu of the Chairman.

- 24.2 For so long as the shares are traded on the ESM or listed on the TSE, the chairman at all meetings of the Members shall be appointed in accordance with the Applicable Public Company Rules.

25. Voting on Resolutions

- 25.1 Subject to any rights, privileges or restrictions attached to any share, every Member who (being an individual) is present in person or by proxy or (in the case of a corporation or other non-natural person) by duly authorized corporate representative(s) or by proxy shall have one vote for every share of which he is the holder. A Member who holds shares for benefit of others, need not use all his votes or cast all the votes he holds in the same way as he uses his votes in respect of shares he holds for himself. The qualifications, scope, methods of exercise, operating procedures and other matters with respect to exercising voting power separately shall comply with the Applicable Public Company Rules.
- 25.2 No person shall be entitled to vote at any general meeting or at any separate meeting of the holders of a class of shares unless he is registered as a Member on the record date for such meeting.
- 25.3 Votes may be cast either in person or by proxy. A Member may appoint another person as his proxy by specifying the scope of appointment in the proxy instrument prepared by the Company to attend and vote at a general meeting, provided that a Member may appoint only one proxy under one instrument to attend and vote at such meeting.
- 25.4 Subject to the Law, for so long as the shares are traded on the ESM or listed on the TSE, the Company shall provide the Members with a method for exercising their voting power by way of electronic transmission; provided, however, that the Company shall provide the Members with a method for exercising their voting power by way of a written ballot or electronic transmission if a general meeting is to be held outside the ROC or otherwise required under the Applicable Public Company Rules. The method for exercising such voting power shall be described in the general meeting notice to be given to the Members if the voting power may be exercised by way of a written ballot or electronic transmission. Any Member who intends to exercise his voting power by way of a written ballot or by way of electronic transmission shall serve the Company with his voting decision at least two (2) days prior to the date of such general meeting. Where more than one voting decision are received from the same Member by the Company, the first voting decision shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous voting decision in the later-received voting decision. A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his shares at the general meeting only in the manner directed by his written instrument or electronic document. The chairman of the general meeting as proxy shall not have the power to exercise the voting rights of such Members with respect to any matters not referred to or indicated in the written or electronic document and/or any amendment to resolution(s) proposed at the said general meeting. For the purpose of clarification, such Members voting in such manner shall be deemed to have waived their voting rights with respect to any extemporary matters or

amendment to resolution(s) proposed at the general meeting.

- 25.5** In the event any Member who intended to exercise his voting power by way of a written ballot or electronic transmission and has served his voting decision on the Company pursuant to Article 25.4 hereof later intends to attend the general meetings in person, he shall, at least two (2) days prior to the date of such general meeting, serve the Company with a separate notice revoking his previous voting decision. Such separate notice shall be sent to the Company in the same manner (e.g., by courier, registered mail or electronic transmission, as applicable) as the previous voting decision under Article 25.4 was given to the Company. Votes by way of a written ballot or electronic transmission shall remain valid if the relevant Member fails to revoke his voting decision before the prescribed time.
- 25.6** A Member who has served the Company with his voting decision in accordance with Article 25.4 for the purpose of exercising his voting power by way of a written ballot or by way of electronic transmission may appoint a person as his proxy to attend the meeting in accordance with the Articles, in which case the vote cast by such proxy shall be deemed to have revoked his previous voting decision served on the Company and the Company shall only count the vote(s) cast by such expressly appointed proxy at the meeting.

26. Proxies

- 26.1** The instrument of proxy shall be in the form approved by the Board from time to time and be ex (c) basic identification information relating to the relevant Member, proxy and the solicitor (if any). The form of proxy shall be provided to the Members together with the relevant notice for the relevant general meeting, and such notice and proxy materials shall be distributed to all Members on the same day.
- 26.2** An instrument of proxy shall be in writing, be executed under the hand of the appointor in writing, or, if the appointor is a corporation or other non-natural person, under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member of the Company.
- 26.3** For so long as the shares are traded on the ESM or listed on the TSE, subject to the Applicable Public Company Rules, except for an ROC trust enterprise or stock affair agents approved pursuant to Applicable Public Company Rules, save with respect to the Chairman being deemed appointed as proxy under Article 25.4, in the event a person acts as the proxy for two or more Members, the total number of issued and voting shares entitled to be voted as represented by such proxy shall be no more than three per cent (3%) of the total number of issued and voting shares of the Company immediately prior to the relevant book closed period, during which the Company close its Register of Member; any vote in respect of the portion in excess of such three per cent (3%) threshold shall not be counted.
- 26.4** In the event that a Member exercises his voting power by way of a written ballot or electronic transmission and has also authorised a proxy to attend a general meeting, then the voting power exercised by the proxy at the general meeting shall prevail. In the event that any Member who has authorised a proxy to attend a general meeting later intends to attend the general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two (2) days prior to the date of such general meeting, serve the

Company with a separate notice revoking his previous appointment of the proxy. Votes by way of proxy shall remain valid if the relevant Member fails to revoke his appointment of such proxy before the prescribed time.

- 26.5** The instrument of proxy shall be deposited at the Registered Office or the office of the Company's stock affairs agent in the ROC or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company not less than five (5) days before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, save with respect to the Chairman being deemed appointed as proxy under Article 25.4. Where more than one instrument to vote are received from the same Member by the Company, the first instrument received shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous proxy in the later-received instrument.

27. Proxy Solicitation

For so long as the shares are traded on the ESM or listed on the TSE, the use and solicitation of proxies shall be in compliance with the Applicable Public Company Rules, including but not limited to "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."

28. Dissenting Member's Appraisal Right

- 28.1** Subject to compliance with the Law, in the event any of the following resolutions is passed at general meetings, any Member who has abstained from voting in respect of such matter and expressed his dissent therefor, in writing or verbally (with a record) before or during the meeting, may request the Company to purchase all of his shares at the then prevailing fair price:

- (a) the Company proposes to enter into, amend, or terminate any Lease Contract, Management Contract or Joint Operation Contract;
- (b) the Company transfers the whole or an essential part of its business or assets, provided that, the foregoing does not apply where such transfer is pursuant to the dissolution of the Company;
- (c) acquires or assumes the whole business or assets of another person, which has a material effect on the operation of the Company;
- (d) the Company proposes to undertake a Spin-off, Merger or Share Swap; or
- (e) the Company generally assumes all the assets and liabilities of another person or generally assigns all its assets and liabilities to another person.

- 28.2** Without prejudice to the Law, any Member exercising his rights in accordance with Article 28.1 and the Dissenting Member agree on a price at which the Company will purchase the Dissenting Member's shares, the Company shall make the payment within ninety (90) days from the date of the resolution passed at the general meeting. If, within ninety (90) days from the date of the resolution passed at the general meeting, the Company and the Dissenting Member fail to agree on a price at which the Company will purchase the Dissenting Member's shares, the Company shall pay the fair price it deems fit to the Dissenting Member within ninety (90) days from the date of the resolution passed at the general meeting. If the Company fails to pay the fair price it deems fit to the Dissenting Member within the ninety-day period, the Company shall be deemed to agree on the repurchase price proposed by such Dissenting Member.

28.3 Without prejudice to the Law, if, within sixty (60) days from the date of the resolution passed at the general meeting, the Company and the Dissenting Member fail to agree on a price at which the Company will purchase such Dissenting Member's shares, then, within thirty (30) days immediately following the date of the expiry of such sixty-day period, the Company shall file a petition with the court against all the Dissenting Members for a determination of the fair price of the Shares held by all the Dissenting Members. The Taiwan Taipei District Court, ROC, may be the court of the first instance for this matter.

Notwithstanding the above provisions under this Article 28, nothing under this Article shall restrict or prohibit a Member from exercising his right under section 238 of the Law to payment of the fair value of his shares upon dissenting from a merger or consolidation.

29. Shares that May Not be Voted

29.1 Shares held:

- (a) by the Company itself;
- (b) by any entity in which the Company owns, legally or beneficially, more than fifty per cent (50%) of its total issued and voting share or share capital; or
- (c) by any entity in which the Company, together with (i) the holding company of the Company and/or (ii) any Subsidiary of (a) the holding company of the Company or (b) the Company owns, legally or beneficially, directly or indirectly, more than fifty per cent (50%) of its issued and voting share or share capital.

shall not carry any voting rights nor be counted in the total number of issued shares at any given time but only for so long as the circumstances as set out in sub-paragraphs (a) to (c) (as applicable) above continue.

29.2 A Member who has a personal interest in any motion discussed at a general meeting, which interest may be in conflict with and impair those of the Company, shall abstain from voting such Member's shares in regard to such motion and such shares shall not be counted in determining the number of votes of the Members present at the said meeting. However, such shares may be counted in determining the number of shares of the Members present at such general meeting for the purposes of determining the quorum. The aforementioned Member shall also not vote on behalf of any other Member.

29.3 For so long as the shares are traded on the ESM or listed on the TSE, if the number of shares pledged by a Director at any time amounts to more than 50% of the total shares held by such Director at the time of his latest appointment, such pledged shares exceeding 50% of the total shares held by such Director at the time of his latest appointment, up to 50% of the total number of shares held by the Director at the time of his latest appointment, shall not carry any voting rights and such above-threshold shares shall not be counted in determining the number of votes of the Members present at a general meeting.

30. Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint

holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

31. Representation of Corporate Member

31.1 A corporation or non-natural person which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation or such non-natural person which such person represents as that corporation or non-natural person could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

31.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation or non-natural person which is a Member.

32. Adjournment of General Meeting

The chairman of a general meeting may, with the consent of a majority in number of the Members present at any general meeting at which a quorum is present, and shall if so directed, adjourn the meeting. Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, a notice stating the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of the Articles.

33. Directors Attendance at General Meetings

The Directors of the Company shall be entitled to receive notice of, attend and be heard at any general meeting.

DIRECTORS AND OFFICERS

34. Number and Term of Office of Directors

34.1 There shall be a Board consisting of no less than seven (7) and no more than eleven (11) persons. The term of office for each Director shall not exceed a period of three (3) years provided that in the event the expiration of the term of office of such Directors would otherwise leave the Company with no Directors, the term of office of such Directors shall be extended automatically to the date of the general meeting next following the expiration of such term, at which new Directors will be elected to assume office. Directors may be eligible for re-election. The Company may from time to time by Special Resolution increase or reduce the number of Directors, subject to the foregoing and the Applicable Law.

34.2 For so long as the shares are traded on the ESM or listed on the TSE, unless otherwise approved by the TPEx (in the case that the shares are traded on the ESM) or the TSE (in the case that the shares are listed on the TSE), the number of Directors having a spousal relationship or Family Relationship within Second Degree of Kinship with any other Directors shall be less than half of the total

number of Directors.

- 34.3** In the event that the Company convenes a general meeting for the election of Directors and any of the Directors elected does not meet the requirements provided in Article 34.2 hereof, the non-qualifying Director(s) who was elected with the fewest number of votes shall be deemed not to have been elected, to the extent necessary to meet the requirements provided for in Article 34.2 hereof. Any person who has already served as a Director but is in violation of the aforementioned requirements shall be automatically discharged from his office effective from such violation without any action required on behalf of the Company.
- 34.4** For so long as the shares are listed on the TSE, unless otherwise permitted under the Applicable Public Company Rules, there shall be at least three (3) Independent Directors accounting for not less than one-fifth of the total number of Directors. To the extent required by the Applicable Public Company Rules, at least one of the Independent Directors shall be domiciled in the ROC and at least one of them shall have accounting or financial expertise. Before the shares are listed on the TSE, the Board may resolve that the Company shall hold an election of Independent Director(s) at the general meeting.
- 34.5** The Directors (including Independent Directors and Directors other than Independent Directors) shall be nominated by adopting the candidate nomination system specified in the Applicable Public Company Rules for so long as the shares are traded on the ESM or listed on the TSE.
- 34.6** Independent Directors shall have professional knowledge and shall maintain independence within the scope of their directorial duties, and shall not have any direct or indirect interests in the Company. The professional qualifications, restrictions on shareholdings and concurrent positions, and assessment of independence with respect to Independent Directors shall be consistent with the Applicable Public Company Rules.

35. Election of Directors

- 35.1** The Company may at a general meeting elect any person to be a Director, which vote shall be calculated in accordance with Article 35.2 below. Members present in person or by proxy, representing more than one-half of the total issued shares shall constitute a quorum for any general meeting to elect one or more Directors.
- 35.2** The Director(s) shall be elected by Members upon a poll vote by way of cumulative voting (the manner of voting described in this Article to be referred to as "**Cumulative Voting**") in the following manner:
- (a) on an election of Directors, the numbers of votes attached to each voting share held by a Member shall be cumulative and correspond to the number of Directors nominated for appointment at the general meeting;
 - (b) the Member(s) may vote all or part of their cumulated votes in respect of one or more Director candidates;
 - (c) such number of Director candidates receiving the highest number of votes in the same category (namely, independent or non-independent) of Directors to be elected shall be appointed; and

- (d) where two or more Director candidates in the same category receive the same number of votes and as a result the total number of new Directors in such category intended to be appointed is exceeded, there shall be a draw by such Director candidates receiving the same number of votes to determine who shall be appointed; the chairman of the meeting shall draw for a Director nominated for appointment who is not present at the general meeting.

- 35.3 For so long as the shares are traded on the ESM or listed on the TSE, if the number of Independent Directors is less than three (3) persons due to the resignation or removal of such Independent Directors for any reason, the Company shall hold an election of Independent Directors at the next following general meeting. If all of the Independent Directors are resigned or removed, the Board shall hold, within sixty (60) days from the date of resignation or removal of last Independent Director, a general meeting to elect succeeding Independent Directors to fill the vacancies.
- 35.4 For so long as the shares are traded on the ESM or listed on the TSE, if the number of Directors is less than seven (7) persons due to the vacancy of Director(s) for any reason, the Company shall call an election of Director(s) at the next following general meeting to fill the vacancies. When the number of vacancies in the Board of the Company equals to one third of the total number of Directors elected, the Board shall hold, within sixty (60) days from the date of the occurrence of vacancies, a general meeting to elect succeeding Directors to fill the vacancies.
- 35.5 Where a legal entity is a Member, its authorized representative may be elected as Director of the Company in accordance with the Articles. If there are more than one authorized representatives, each of them may be nominated for election at a general meeting.

36. Removal of Directors

- 36.1 The Company may from time to time by Supermajority Resolution remove any Director from office, whether or not appointing another in his stead. Where re-election of all Directors is effected prior to the expiration of the term of office of existing Directors, the term of office of all current Directors is deemed to have expired on the date of the re-election or any other date as otherwise resolved by the Members at the general meeting if the Members do not resolve that all current Directors will only retire at the expiration of their present term of office. Members present in person or by proxy, representing more than one-half of the total issued shares shall constitute a quorum for any general meeting to re-elect all Directors. If the term of office of all Directors expires at the same time and no general meeting was held before such expiry for re-election, their term of office shall continue and be extended to such time when new Directors are elected or re-elected in the next general meeting and they commence their office.
- 36.2 For so long as the shares are traded on the ESM or listed on the TSE, in case a Director has, in the course of performing his duties, committed any act resulting in material damages to the Company or is in serious violation of applicable laws, regulations and/or the Articles, but has not been removed by a Supermajority Resolution, the Member(s) holding three per cent (3%) or more of the total number of issued shares of the Company may, within thirty (30) days after such

general meeting, to the extent permissible under Applicable Law, institute a lawsuit to remove such Director. The Taiwan Taipei District Court, ROC, may be the court of the first instance for this matter.

37. Vacation of Office of Director

37.1 The office of Director shall be vacated:

- (a) if the Director is removed from office pursuant to the Articles;
- (b) if the Director dies;
- (c) if the Director is automatically discharged from his office in accordance with Article 34.3;
- (d) if the Director resigns his office by notice in writing to the Company;
- (e) if the Director is the subject of a court order for his removal in accordance with Article 36.2;
- (f) if the Director is automatically removed in accordance with Article 37.2;
- (g) if the Director ceases to be a Director in accordance with Article 37.3; or
- (h) with immediate effect without any action required on behalf of the Company if

the Director has been adjudicated bankrupt or the court has declared a liquidation process in connection with the Director, and such Director has not been reinstated to his rights and privileges;

an order is made by any competent court or official on the grounds that the Director has no legal capacity, or his legal capacity is restricted according to Applicable Law;

the Director has been adjudicated of the commencement of assistantship (as defined under the Taiwan Civil Code) or similar declaration and such assistantship/declaration having not been revoked yet;

the Director has committed an offence as specified in the ROC statute of prevention of organizational crimes and subsequently has been adjudicated guilty by a final judgment, and (A) has not commenced to serve the term of the sentence yet, or (B) has commenced to serve the term of sentence but not yet served the full term or (C) less than five years have elapsed from the date of completion of the full sentence, the date of expiry of probation period or the date on which the Director has been pardoned;

the Director has committed an offence in terms of fraud, breach of trust or misappropriation and subsequently has been punished with imprisonment for a term of more than one year, and (A) has not commenced to serve the term of the sentence yet, or (B) has commenced to serve the term of sentence but not yet served the full term or (C) less than two years have elapsed from the date of completion of the full sentence, the date of expiry of probation period or the date on which the Director has been pardoned;

the Director has been adjudicated guilty by a final judgment for committing offenses under the Taiwan Anti-Corruption Act during the time of his public service, and (A) has not commenced to serve the term of the sentence yet, or (B) has commenced to serve the term of sentence but not yet served the full term or (C) less than two years have elapsed from the date of completion of

the full sentence, the date of expiry of probation period or the date on which the Director has been pardoned; or
the Director has been dishonored for use of credit instruments, and the term of such sanction has not expired yet.

In the event that any of the foregoing events specified in Article 37.1(h) has occurred in relation to a candidate for election of Director, such person shall be disqualified from being elected as a Director.

- 37.2 In case a Director (other than an Independent Director) has, during the term of office as a Director (other than an Independent Director), transferred more than one half of the Company's shares being held by him at the time he was elected, he shall, *ipso facto*, be removed automatically from the office of Director with immediate effect and in such case no approval from the Members shall be required.
- 37.3 If a Director (other than an Independent Director) has, after having been elected as a Director (other than an Independent Director) but before assuming his office, transferred more than one half of the Company's shares being held by him at the time of his election as a Director (other than an Independent Director), or if the said Director, during the Book Closure Period prior to a general meeting, has transferred more than one half of the Company's shares being held by him, then the election of such Director shall immediately be invalidated without the need of any shareholders' approval.

38. Compensation of Directors

- 38.1 For so long as the shares are traded on the ESM or listed on the TSE, the Board shall, in accordance with the Applicable Public Company Rules, establish a Compensation Committee comprised of at least three members, one of whom shall be an Independent Director. The professional qualifications of the members of the Compensation Committee, the responsibilities, powers and other related matters of the Compensation Committee shall comply with the Applicable Public Company Rules. Upon the establishment of the Compensation Committee, the Board shall, by a resolution, adopt a charter for the Compensation Committee the provisions of which shall be consistent with the Applicable Public Company Rules. Before the shares are traded on the ESM, the Board may resolve to establish a Compensation Committee.
- 38.2 The compensation referred in the preceding Article shall include the compensation, stock option and other incentive payments of Directors and managers of the Company.
- 38.3 The compensation of the Directors may be decided by the Board by reference to recommendation made by the Compensation Committee (if established), the standard generally adopted by other enterprises in the same industry, and shall be paid in cash only. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally. A Director is also entitled to distribution of profits of the Company if permitted by the Law, the Applicable Public Company Rules, the service agreement or other similar contract that he/she has entered into with the Company.

39. Defect in Election of Director

All acts done in good faith by the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the election of any Director, or that they or any of them were disqualified, be as valid as if every such person had been duly elected and was qualified to be a Director.

40. Directors to Manage Business

The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by the Law or by the Articles, required to be exercised by the Company in general meeting subject, nevertheless, to the Articles, the provisions of the Law, and to such directions as may be prescribed by the Company in general meeting.

41. Powers of the Board of Directors

Without limiting the generality of Article 40, the Board may subject to Article 12.3:

- (a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their compensation and determine their duties;
- (b) exercise all the powers of the Company to borrow money and to mortgage or charge or otherwise grant a security interest in its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;
- (c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;
- (d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;
- (e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised, execute any deed or instrument in any manner permitted by the Law;
- (f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;
- (g) delegate any of its powers (including the power to sub-delegate) to a committee of one or more persons appointed by the Board and every such committee shall conform to such directions as the Board shall impose on them. Subject to any directions or regulations made by the Directors for this purpose, the meetings and proceedings of any such committee shall be governed by the provisions of the Articles regulating the meetings and proceedings of the Board;
- (h) delegate any of its powers (including the power to sub-delegate) to any person

- on such terms and in such manner as the Board sees fit;
- (i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;
 - (j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and
 - (k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

42. Register of Directors and Officers

42.1 The Board shall cause to be kept in one or more books at the Registered Office a Register of Directors and Officers in accordance with the Law and shall enter therein the following particulars with respect to each Director and Officer:

- (a) first name and surname; and
- (b) address.

42.2 The Board shall, within the period of sixty days from the occurrence of:-

- (a) any change among its Directors and Officers; or
- (b) any change in the particulars contained in the Register of Directors and Officers,

cause to be entered on the Register of Directors and Officers the particulars of such change and the date on which such change occurred, and shall notify the Registrar of Companies in accordance with the Law.

43. Officers

The Officers shall consist of a Secretary and such additional Officers as the Board may determine all of whom shall be deemed to be Officers for the purposes of the Articles.

44. Appointment of Officers

The Secretary (and additional Officers, if any) shall be appointed by the Board from time to time.

45. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

46. Compensation of Officers

The Officers shall receive such compensation as the Board may determine.

47. Conflicts of Interest

47.1 Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company and such Director or such Director's firm, partner or company shall be entitled to compensation as if such Director were not a Director; provided that this Article 47.1 shall not apply to Independent Directors.

- 47.2** A Director who is directly or indirectly interested in any matter under discussion at a meeting of the Directors or a contract or proposed contract or arrangement with the Company shall declare the nature and the essential contents of such interest at the relevant meeting of the Directors as required by the Applicable Law. If the Company proposes to enter into any transaction specified in Article 28.1 or effect other forms of mergers and acquisitions in accordance with Applicable Law, a Director who has a personal interest in such transaction shall declare the essential contents of such personal interest and the reason why he believes that the transaction is advisable or not advisable at the relevant meeting of the Directors and the general meeting as required by the Applicable Law. Where the spouse, the person related to a Director by blood and within the second degree, or any company which has a controlling or controlled relation with a Director, has a personal interest in the matters under discussion at a meeting of the Directors in the preceding paragraph, such Director shall be deemed to have a personal interest in the matter. For the purpose of this Article 47.2, the terms "controlling" and "controlled" shall be interpreted in accordance with the Applicable Public Company Rules.
- 47.3** Notwithstanding anything to the contrary contained in this Article 47, a Director who has a personal interest in the matter under discussion at a meeting of the Directors, which may conflict with and impair the interest of the Company, shall not vote nor exercise voting rights on behalf of another Director; the voting right of such Director who cannot vote or exercise any voting right as prescribed above shall not be counted in the number of votes of Directors present at the board meeting.
- 47.4** Notwithstanding anything to the contrary contained in this Article 47, a Director who is engaged in anything on his own account or on behalf of another person, which is within the scope of the Company's business, shall explain to the Members in a general meeting the essential contents of such conduct and seek their approval by Supermajority Resolution.

48. Indemnification and Exculpation of Directors and Officers

- 48.1** The Directors and Officers of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and every former director, officer or trustee and their respective heirs, executors, administrators, and personal representatives (each of which persons being referred to in this Article as an "indemnified party") shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and no indemnified party shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud, dishonesty or

breach of duties provided under Article 48.4 which may attach to any of the said persons.

48.2 The Company may purchase and maintain insurance for the benefit of any Director or Officer of the Company against any liability incurred by him in his capacity as a Director or Officer of the Company or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any Subsidiary thereof.

48.3 To the extent permitted under the laws of the Cayman Islands, Members continuously holding one per cent (1%) or more of the total issued shares of the Company for six months or longer may:

- (a) request in writing the Board to authorise any Independent Director of the Audit Committee to file a petition with the Taipei District Court, ROC for and on behalf of the Company against any of the Directors; or
- (b) request in writing any Independent Director of the Audit Committee to file a petition with the Taipei District Court, ROC for and on behalf of the Company against any of the Directors; or

the Member(s) may, to the extent permitted under the laws of the Cayman Islands, file a petition with the Taipei District Court, ROC for and on behalf of the Company against the relevant Directors within thirty (30) days after such Member(s) having made the request under the preceding clause (a) or (b) if (i) in the case of clause (a), the Board fails to make such authorisation or the Independent Director of the Audit Committee having been authorised by the Board fails to file such petition, or (ii) in the case of clause (b), the Independent Director of the Audit Committee fails to file such petition.

48.4 Without prejudice and subject to the general directors' duties that a Director owe to the Company and its shareholders under common law principals and the laws of the Cayman Islands, a Director shall perform his fiduciary duties of loyalty and due care of a good administrator in the course of conducting the Company's business, and shall indemnify the Company, to the maximum extent legally permissible, from any loss incurred or suffered by the Company arising from breach of his fiduciary duties. If a Director has made any profit for the benefit of himself or any third party as a result of any breach of his fiduciary duties, the Company shall, if so resolved by the Members by way of an Ordinary Resolution, take all such actions and steps as may be appropriate and to the maximum extent legally permissible to seek to recover such profit from such relevant Director. If a Director has, in the course of conducting the Company's business, violated any laws or regulations that causes the Company to become liable for any compensation or damages to any person, such Director shall become jointly and severally liable for such compensation or damages with the Company and if any reason such Director is not made jointly and severally liable with the Company, such Director shall indemnify the Company for any loss incurred or suffered by the Company caused by a breach of duties by such Director. The Officers, in the course of performing their duties to the Company, shall assume such duties and obligations to indemnify the Company in the same manner as if they are Directors.

MEETINGS OF THE BOARD OF DIRECTORS

49. Board Meetings

- 49.1** Board meetings shall be convened by the Chairman, and the Board may meet for the transaction
- 49.2** For so long as the shares are traded on the ESM or listed on the TSE, the Company shall hold regular meetings of the Board at least on a quarterly basis and such meetings shall be held in compliance with the Applicable Public Company Rules.
- 49.3** A resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail. For these purposes, where Directors present and entitled to vote at the meeting do not cast a vote at the meeting, such Directors will be deemed to vote against the resolution.
- 49.4** A Director may be represented at any meetings of the Board by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.
- 49.5** The instrument appointing a proxy shall be in writing in such form as the Board may approve and may at any time be revoked in like manner, and notice of every such appointment or revocation in like manner.
- 49.6** A proxy must be a Director and can only act on behalf of one appointing Director at a meeting of the Board.

50. Notice of Board Meetings

- 50.1** The Chairman may, and the Secretary on the requisition of the Chairman shall, at any time summon a meeting of the Board.
- 50.2** Before the shares are traded on the ESM, at least 48 hours prior notice shall be given for any meeting of the Board provided that in the case of urgent circumstances as agreed by a majority of the Directors, a meeting of the Board may be convened on short notice, or be held anytime after notice has been given to every Director or be convened without prior notice if all Directors agree. For so long as the shares are traded on the ESM or listed on the TSE, to convene a meeting of the Board, a notice setting forth therein the matters to be considered and if appropriate, approved at the meeting shall be given to each Director no later than seven (7) days prior to the scheduled meeting date. However, in the case of emergency as agreed by a majority of the Directors, the meeting may be convened with a shorter notice period in a manner consistent with the Applicable Public Company Rules. For the purpose of this Article, a notice may be sent via electronic means if so agreed to by the Directors.

51. Participation in Meetings by Video Conference

Directors may participate in any meeting of the Board by means of video conference or other communication facilities, as permitted by the Applicable Law, where all persons participating in the meeting to communicate with each other simultaneously and

instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

52. Quorum at Board Meetings

The quorum for a meeting of the Board shall be more than one-half of the total number of the Directors.

53. Board to Continue in the Event of Vacancy

The Board may act notwithstanding any vacancy in its number.

54. Chairman to Preside

The Chairman, if there be one, shall act as chairman at all meetings of the Board at which such person is present. In his absence a chairman shall be appointed or elected in accordance with the Applicable Public Company Rules.

55. Validity of Prior Acts of the Board

No regulation or alteration to the Articles made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

56. Minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:

- (a) of all elections and appointments of Officers;
- (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and
- (c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, meetings of managers and meetings of committees appointed by the Board.

57. Register of Mortgages and Charges

57.1 The Directors shall cause to be kept the Register of Mortgages and Charges required by the Law.

57.2 The Register of Mortgages and Charges shall be open to inspection by Members and creditors in accordance with the Law, at the Registered Office on every business day in the Cayman Islands, subject to such reasonable restrictions as the Board may impose, so that not less than two (2) hours in each such business day be allowed for inspection.

58. Form and Use of Seal

58.1 The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf; and, until otherwise determined by the Directors, the Seal shall be affixed in the presence of a Director or the Secretary or an assistant secretary or some other person

authorised for this purpose by the Directors or the committee of Directors.

58.2 Notwithstanding the foregoing, the Seal may without further authority be affixed by way of authentication to any document required to be filed with the Registrar of Companies in the Cayman Islands, and may be so affixed by any Director, Secretary or assistant secretary of the Company or any other person or institution having authority to file the document as aforesaid.

58.3 The Company may have one or more duplicate Seals, as permitted by the Law; and, if the Directors think fit, a duplicate Seal may bear on its face of the name of the country, territory, district or place where it is to be issued.

TENDER OFFER AND ACCOUNTS

59. Tender Offer

For so long as the shares are traded on the ESM or listed on the TSE, any public announcement in connection with any tender offer of the Company's shares shall be in compliance with the Applicable Public Company Rules, including but not limited to "Regulations Governing Public Tender Offers for Securities of Public Companies."

60. Books of Account

60.1 The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) all assets and liabilities of the Company.

Such books of account shall be kept for at least five (5) years from the date they are prepared.

60.2 Such records of account shall be kept and proper books of account shall not be deemed to be kept with respect to the matters aforesaid if there are not kept, at such place as the Board thinks fit, such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

60.3 The instruments of proxy, documents, forms/statements and information in electronic media prepared in accordance with the Articles and relevant rules and regulations shall be kept for at least one (1) year. However, if a Member institutes a lawsuit with respect to such instruments of proxy, documents, forms/statements and/or information mentioned herein, they shall be kept until the conclusion of the litigation if longer than one (1) year.

61. Financial Year End

Unless the Directors otherwise specify, the financial year of the Company:

- (a) shall end on 31st December in the year of its incorporation and each following year; and
- (b) shall begin when it was incorporated and on 1st January each following year.

AUDIT COMMITTEE

62. Number of Committee Members

For so long as the shares are listed on the TSE, the Board shall set up an Audit Committee. The Audit Committee shall comprise solely of Independent Directors and the number of committee members shall not be less than three (3). One of the Audit Committee members shall be appointed as the convener to convene meetings of the Audit Committee from time to time and at least one of the Audit Committee members shall have accounting or financial expertise. A valid resolution of the Audit Committee requires approval of one-half or more of all its members. Before the shares are listed on the TSE, the Board may resolve to set up the Audit Committee.

63. Powers of Audit Committee

63.1 The Audit Committee (if established) shall have the responsibilities and powers as specified under the Applicable Public Company Rules. Any of the following matters of the Company shall require the consent of one-half or more of all Audit Committee members and be submitted to the Board for resolution:

- (a) adoption of or amendment to an internal control system;
- (b) assessment of the effectiveness of the internal control system;
- (c) adoption of or amendment to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others;
- (d) any matter relating to the personal interest of the Directors;
- (e) a material asset or derivatives transaction;
- (f) a material monetary loan, endorsement, or provision of guarantee;
- (g) the offering, issuance, or Private Placement of any equity-related securities;
- (h) the hiring or dismissal of an attesting certified public accountant, or the compensation given thereto;
- (i) the appointment or discharge of a financial, accounting, or internal auditing officer;
- (j) approval of annual and semi-annual financial reports (if applicable under the Applicable Public Company Rules); and
- (k) any other matter so determined by the Company from time to time or required by any competent authority overseeing the Company.

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

63.2 Subject to the Applicable Law and to the extent permitted under the laws of the Cayman Islands, the Independent Directors of the Audit Committee shall supervise the execution of business operations of the Company, and may at any time or from time to time investigate the business and financial conditions of the Company, examine the accounting books and documents, and request the Board or officers to report on matters referred to above. Subject to the Applicable Law and to the extent permitted under the laws of the Cayman Islands, the Board may authorise any Independent Director of the Audit Committee to appoint on behalf of the Company, a practicing lawyer and independent auditors to conduct the examination.

- 63.3 The Audit Committee shall audit the various financial statements and records prepared by the Board for submission to the general meeting, and shall report their findings and opinions at such meeting.
- 63.4 Subject to compliance with the Law, before the meeting of Directors resolves any matter specified in Article 28.1 or other mergers and acquisitions in accordance with the Applicable Law, the Audit Committee shall review the fairness and reasonableness of the relevant merger and acquisition plan and transaction, and report its review results to the meeting of Directors and the general meeting; provided, however, that such review results need not be submitted to the general meeting if the approval of the Members is not required under the Applicable Law. When the Audit Committee conducts the review, it shall engage an independent expert to issue an opinion on the fairness of the share exchange ratio, cash consideration or other assets to be offered to the Members. The review results of the Audit Committee and the fairness opinion issued by the independent expert shall be distributed to the Members, along with the notice of the general meeting; provided, however, that the Company can only report matters relating to such merger and acquisition at the next following general meeting if the approval of the Members is not required under the Applicable Law. Such review results and fairness opinion shall be deemed to have been distributed to the Members if the same have been uploaded onto the website designated by the FSC and made available to the Members for their inspection and review at the venue of the general meeting.

VOLUNTARY WINDING-UP AND DISSOLUTION

64. Winding-Up

- 64.1 The Company may be voluntarily wound-up in accordance with Article 12.4.
- 64.2 If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

65. Changes to Articles

Subject to the Law and to the conditions contained in its Memorandum, the Company may, by Special Resolution, alter or add to its Articles.

REDUCTION OF SHARE CAPITAL

66. Reduction of Share Capital

The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by the Law and the Applicable Public Company Rules. Any such reduction of share capital shall be effected based on the percentage of shareholding of the Members pro rata, unless otherwise provided for in the Law or the Applicable Public Company Rules.

67. Discontinuance

The Board may exercise all the powers of the Company to transfer by way of continuation the Company to a named country or jurisdiction outside the Cayman Islands pursuant to the Law.

APPOINTMENT OF LITIGIOUS AND NON-LITIGIOUS AGENT

68. Appointment of Litigious and Non-Litigious Agent

For so long as the shares are traded on the ESM or listed on the TSE, the Company shall appoint a Litigious and Non-Litigious Agent pursuant to the Applicable Law to act as the Company's responsible person in the ROC under the Securities and Exchange Law of the ROC to handle matters stipulated in the Securities and Exchange Law of the ROC and the relevant rules and regulations thereto. The Litigious and Non-Litigious Agent shall be an individual who has a residence or domicile in the ROC.

OTHERS

69. Shareholder Protection Mechanism

If the Company proposes to undertake:

- (a) a merger or consolidation which will result in the Company being dissolved;
- (b) a sale, transfer or assignment of all of the Company's assets and businesses to another entity;
- (c) a Share Swap; or
- (d) a Spin off,

which would result in the termination of the Company's listing on the TSE, and where (in the case of (a) above) the surviving entity, (in the case of (b) above) the transferee, (in the case of (c) above) the entity whose shares has been allotted in exchange for the Company's shares and, (in the case of (d) above) the existing or newly incorporated spun-off company's shares are not listed on the TPEx or the TSE, then in addition to any requirements to be satisfied under the Law, such action shall be first approved at a general meeting by a resolution passed by members holding two-thirds or more of the votes of the total number of issued shares of the Company.

70. ROC Securities Laws and Regulations

For so long as the shares are traded on the ESM or listed on the TSE, the qualifications, composition, appointment, removal, exercise of functions and other matters with respect to the Directors, Independent Directors, Compensation Committee and Audit Committee which are required to be followed by the Company shall comply with the applicable ROC securities laws and regulations.

71. Corporate Social Responsibilities

In the course of conducting its business, the Company shall comply with the Applicable Public Company Rules and business ethics and may take corporate actions to promote public interests in order to fulfill its social responsibilities.