



**Hitron Technologies Inc.  
2021 Annual General Shareholder's Meeting**

**MEETING TIME: June 11, 2021**  
**PLACE: No. 1-8, Lihsin 1st Rd., Hsinchu Science Park, Hsinchu 300,  
Taiwan**

# Table of Contents

One. Meeting Procedure-----	1
Two. Meeting Agenda-----	3
Three. Attachments	
I.    Business Report-----	11
II.   Audit Committee’s Review Report -----	14
III.  Comparison table for the “Code of Ethical Conduct for Directors and Managers” before and after amendment-----	15
IV.   Comparison Table for the” Ethical Corporate Management Best Practice Principles” before and after amendment -----	17
V.    Independent Auditor's Report and Financial Statements -----	21
VI.   Comparison table for the Articles of Incorporation before and after amendment-----	39
VII.  Comparison table for the Procedures for Acquisition or Disposal of Assets before and after amendment -----	42
VIII. Comparison table for the Procedures for Lending Funds to Other Parties before and after amendment -----	52
IX.   Comparison table for the Procedures for Endorsements and Guarantees before and after amendment -----	55
Four. Appendices	
I.    Code of Ethical Conduct for Directors and Managers (Before Amendment) -----	61
II.   Ethical Corporate Management Best Practice Principles (Before Amendment) -----	64
III.  Articles of Incorporation (Before Amendment)-----	68
IV.   Procedures for Acquisition or Disposal of Assets (Before Amendment) -----	75
V.    Procedures for Lending Funds to Other Parties (Before Amendment) -----	94
VI.   Procedures for Endorsements and Guarantees (Before Amendment) -----	100
VII.  Rules and Procedures for Shareholders’ Meeting -----	107
VIII. Shareholdings of All Directors -----	110

# One. Meeting Procedure

# Hitron Technologies Inc.

## 2021 Annual General Meeting Procedure

I. Call the Meeting to Order

II. Chairman's Remarks

III. Report Items

IV. Ratification Items

V. Discussions Items

VI. Extraordinary Motions

VII. Meeting Adjourned

## Two. Meeting Agenda

# Hitron Technologies Inc.

## 2021 Annual General Meeting Meeting Agenda

Date and Time: 9:00 a.m., Friday, June 11, 2021

Venue: No. 1-8, Li-Hsin 1st Rd., Hsinchu Science Park, Hsinchu City

I. Call the Meeting to Order (Report the number of shares represented by attending shareholders)

II. Chairperson's Remarks

III. Report Items

1. To report the business of 2020.
2. Audit Committee's Review Report
3. To report the distribution of employees' and directors' remuneration of 2020.
4. To report the amendment to "Code of Ethical Conduct for Directors and Managers" and "Ethical Corporate Management Best Practice Principles", and repeal "Procedures for Ethical Management and Guidelines for Conduct".

IV. Ratification Items

1. To accept 2020 Business Report and Financial Statements.
2. To accept the proposal for the distribution of 2020 earnings.

V. Discussion Items

1. To approve cash distribution form Capital Surplus.
2. To approve the amendment to "Articles of Incorporation".
3. To approve the amendment to "Procedures for Acquisition or Disposal of Assets".
4. To approve the amendment to "Procedures for Lending Funds to Other Parties".
5. To approve the amendment to "Procedures for Endorsements and Guarantees".
6. To lift non-competition restrictions on current directors and their representatives.

VII. Extraordinary Motions

VIII. Meeting Adjourned

# Report Items

## Agenda 1

Agenda: To report the business of 2020.

Explanatory Notes: Please refer to Attachment 1 (P.11~P.13) for the 2020 Business Report.

## Agenda 2

Agenda: Audit Committee's Review Report

Explanatory Notes: Please refer to Attachment 2 (P.14) for the Audit Committee's Review Report.

## Agenda 3

Agenda: To report the distribution of employees' and directors' remuneration of 2020.

Explanatory Notes: Distribution of NT\$34,992,774 and NT\$6,998,555 in cash as remunerations to employees and directors, respectively, have been approved by the meeting of board of directors held on March 16, 2021.

## Agenda 4

Agenda: To report the amendment to "Code of Ethical Conduct for Directors and Managers" and "Ethical Corporate Management Best Practice Principles", and repeal "Procedures for Ethical Management and Guidelines for Conduct".

Explanatory Notes: To cope with parts of the provisions amended by the competent authority and due to numerous repetitive contents between the "Procedures for Ethical Management and Guidelines for Conduct" and "Ethical Corporate Management Best Practice Principles", the "Procedures for Ethical Management and Guidelines for Conduct" is proposed to be abolished. Please refer to the comparison table of the amendments of the provisions in Attachment 3 and Attachment 4 (P.15-P.20).

# Ratification Items

## Agenda 1 (Proposed by the Board of Directors)

Agenda: To accept 2020 Business Report and Financial Statements.

Explanatory Notes: I. The 2020 Financial Statements were audited by the independent auditors, Ke-Yi Liu and Kun-Hsi Hsu of BDO.

II. For the 2020 Independent Auditors' Report, and the 2020 Financial Statements, please refer to Attachment 5 (P.21-P.38).

Resolution:

## Agenda 2 (Proposed by the Board of Directors)

Agenda: To accept the proposal for the distribution of 2020 earnings.

- Explanatory Notes: I. Regarding the 2020 earnings distribution of the Company, the distribution is proposed to be made in accordance with the provisions of the Company Act and the Company's Articles of Incorporation. It is proposed that cash dividend of NT\$0.66 per share is to be distributed to shareholders, for a total NT\$212,925,286.
- II. After the present cash dividend distribution proposal is approved by the general shareholders' meeting, the Chairman is authorized to set the ex-dividend date and to handle the cash dividend distribution matters accordingly.
- III. For the present earnings distribution proposal, in case where there is any change in the number of outstanding shares of the Company such that the dividend ratio is changed and requires an adjustment, the shareholders' meeting is proposed to authorize the Chairman to handle such matter with full discretion.
- IV. 2020 Earnings Distribution Table is proposed as follows:

### Hitron Technologies Inc. 2020 Earnings Distribution Proposal

	Unit: NT\$
Net income of 2020	280,009,710
Less: Actuarial gain/loss of defined benefit plans recognized in retained earnings	0
Less: Provisioned as legal reserve	(28,000,971)
Less: Provisioned as Special Reserve	(39,083,452)
Retained earnings available for distribution in 2020	212,925,287
Add: Unappropriated retained earnings from previous years	-
Retained earnings available for distribution as of December 31, 2020	212,925,287
Distribution item:	
Cash Dividend ( NT\$660 for every 1,000 common shares )	(212,925,286)
Unappropriated retained earnings after earnings distribution	1

Note: The shareholders' cash bonus distributed this time is calculated according to the distribution ratio to the whole dollar amount, and the decimal value less than the dollar amount is truncated. In addition, the total of the odd values less than NT\$1 is counted toward the Other Income of the Company.

Resolution:



# Discussions

Agenda 1 (Proposed by the Board of Directors)

Agenda: Proposal for Cash Distribution from Capital Reserve.

Explanatory Notes: I. It is proposed to issue cash of NT\$0.34 per share from capital reserve through “conversion of corporate bond premium” for a total of NT\$108,391,943, calculated to the dollar amount, and the decimal value is truncated, In addition, the total of the odd values less than NT\$1 is counted toward the Other Income of the Company.

- II. After the present cash issuance proposal is approved by the general shareholders’ meeting, the Chairman is authorized to set the cash issuance base date and to handle the cash issuance related matters accordingly.
- III. For the present cash distribution from capital reserve, in case where there is any change in the number of outstanding shares of the Company such that the cash distribution ratio is changed and requires an adjustment, the shareholders’ meeting is proposed to authorize the Chairman to handle such matter with full discretion.

Resolution:

Agenda 2 (Proposed by the Board of Directors)

Agenda: To approve the amendment to “Articles of Incorporation”.

Explanatory Notes: I. To cope with the actual needs, it is proposed to amend parts of the provisions of the “Articles of Incorporation”.

- II. Please refer to Attachment 6 (P.39~P.41) for the Comparison Table for Amendments of "Articles of Incorporation”.

Resolution:

Agenda 3 (Proposed by the Board of Directors)

Agenda: To approve the amendment to “Procedures for Acquisition or Disposal of Assets”.

Explanatory Notes: I. To cope with the actual needs, it is proposed to amend parts of the provisions of the “Procedures for Acquisition or Disposal of Assets”.

- II. Please refer to Attachment 7 (P.42~P.51) for the Comparison Table for Amendments of “Procedures for Acquisition or Disposal of Assets”.

Resolution:

Agenda 4 (Proposed by the Board of Directors)

Agenda: To approve the amendment to “Procedures for Lending Funds to Other Parties”.

Explanatory Notes: I. To cope with the actual needs, it is proposed to amend parts of the provisions of the “Procedures for Lending Funds to Other Parties”.

- II. Please refer to Attachment 8 (P.52~P.54) for the Comparison Table for Amendments of " Procedures for Lending Funds to Other Parties”.

Resolution:

Agenda 5 (Proposed by the Board of Directors)

Agenda: To approve the amendment to “Procedures for Endorsements and Guarantees”.

Explanatory Notes: I. To cope with the actual needs, it is proposed to amend parts of the provisions of the “Procedures for Endorsements and Guarantees”.

- II. Please refer to Attachment 9 (P.55~P.59) for the Comparison Table for Amendments of " Procedures for Endorsements and Guarantees”.

Resolution:

Agenda 6 (Proposed by the Board of Directors)

Agenda: To lift non-competition restrictions on current directors and their representatives.

Explanatory Notes: I. According to Article 209 of the Company Act, any Director conducting business for himself/herself/itself or on another’s behalf, the scope of which business is within the scope of the Company’s business, shall explain at the Shareholders’ Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.

- II. It is proposed for the 2019 annual shareholders meeting to approve lifting non-competition restrictions on directors as who may invest or operate a business which is similar to the business scope of the Company.
- III. The non-compete restriction items for current directors and their representatives proposed to be removed are as follows:

Name	Non-compete Restriction Item
April Huang	Chairman and Representative of Corporate Shareholder, Alpha Networks Inc. Chairman and Representative of Corporate Shareholder, Enrich Investment Corporation Director and Representative of Corporate Shareholder, Qisda Optonics Corp.

Resolution:

## **Extraordinary Motions**

### **Adjournment**

## Three. Attachments

## **Hitron Technologies Inc. 2020 Business Report**

The sales volume of Hitron Technologies Inc. (referred to as “the Company”) for 2020 slightly increased by 4% as compared to 2019. In 2020, due to measures taken to counter cost increase as a result of the US-China trade war, in addition to adjustment to sales ratio of products, the Company also launched the latest high-priced Wi-Fi 6 cable gateway as its main sales item. Despite that the sales volume was limited, it was able to make significant contribution to the revenue of the Company, thereby reducing the overall impact on the sales revenue as compared to our counterparts in the industry. Furthermore, in terms of the production capacity and cost control, the construction of the plant in Vietnam has been on schedule and continues to accelerate. In the meantime, the Company also actively increases the inventory turnover and engages in price bargaining with suppliers in order to reduce cost. As the pioneer and leading supplier for cable modems in Taiwan, the Company is committed to the business development based on its own brand and aims to become a global business operator. The Company continues to search for a winning strategy to preserve its dominant position in terms of the existing market and products, enlarging its advantages in product differentiation.

### **Financial Performance**

The consolidated operating revenue of the Company in 2020 was NT\$10.27846 billion, a decrease of 0.5% from NT\$10.32550 billion in the last year. The yearly consolidated gross margin was 20.9%, an increase of 0.7% from 20.2% in the last year; the operating expenses increased by 6% from last year, and the consolidated operating profit was NT\$446.83 million, a decrease of 7% from NT\$480.55 million in the last year. The net consolidated profit after tax attributable to the parent company was NT\$280.01 million, an increase of 27% from NT\$19.96 million in the last year. The basic earnings per share (EPS) in 2020 was NT0.87.

### **Technology Development**

In 2020, the market share of DOCSIS 3.1 CPE in the overall cable market continued to increase, and the demand for DOCSIS 3.1 CPE in the Central and South America was higher than expected. Despite that the overall sales mainly concentrated on wireless network products, accounted for more than half of the total sales volume, wireless gateway had become the main products in the market. With the addition of Wi-Fi 6 (original 802.11ax) and Wi-Fi extender supporting mesh function, the entire product planning becomes more complete. In 2020, there were three new models qualified the CableLabs certifications, and three new models qualified the Wi-Fi Alliance certifications. In addition, the newly added easyMesh support was also approved by the Wi-Fi Alliance. It is expected that the next generation of standard product of DOCSIS 4.0 CPE will be postponed by two years from the original predefined schedule. The development of the Company focuses on the home network and user experience.

In terms of software, in addition to the APP support, human-machine interface is also equipped with cloud GUI interface. In comparison to the traditional standalone GUI interface, this is huge step in the development of the human-machine interface. Furthermore, this is also an essential function to head toward the cloud management development as a whole. The Company has invested in the cloud development for numerous years, and this year has been the year that the Company receives the greatest feedback. The function of allowing multiple online users to view instantly at any time also facilitates the business operators to manage and service customers more effectively. The Company is able to receive instant feedbacks from users rather than messages forwarded from the business operators, which not only significantly differentiates the Company from other OEM competitors but also establishes a solid foundation for value added services of the Company in the future.

Optical fiber products have become more mature. Despite that the planning of MSO has been affected by the COVID-19 pandemic such that its development is slowed down significantly, the Company still believes that it is the correct direction for medium and long term development. For MSO, two box solution is typically selected. For LAN end, the Company also continuously includes the ports of 10G and 2.5G. In terms of WLAN end, the development of Wi-Fi 6/6E Access Point has also be started. Through comprehensive products, the Company expects to increase the purchase volume made by customers and to improve the competitive advantages of the Company. In particular, for the development of mesh wireless, the Company has made a careful determination and decides to cooperate with Plume. For the architecture of OpenSync of Plume, regardless of whether the reception end uses a network gateway from the Company, it is able to achieve cloud management and remote service. Under such architecture, all equipment and devices are to achieve channel setting, transmission power adjustment, verification password synchronization and encrypted remote control. Such architecture is able to assist business operators to allow users to manage wireless equipment, and to provide the functions of cloud backup and remote troubleshooting while increasing the coverage at the same time,

thereby reducing the operating costs and improving customer satisfaction.

In 2020, the Automotive Electronics Business Unit of the Company made some adjustments, and it was relocated from Taiyuan Hi-Tech Industrial Park to Alpha Networks. The main products are maintained unchanged, and the image recognition technology in the advanced driver assistance system is provided along with the use of image recognition technology in order to achieve 360-degree detection for any blind spot around the vehicle. When detecting other vehicles at the blind spot, the driver will be alerted. When other vehicles are approaching, it can also provide touch and audio warnings to alert the driver, and thus minimizing the occurrence of an accident. It also provides automatic parking assistance. The key focus of the next development stage will be on the integration with Alpha Networks and Qisda Master Fleet in order to achieve greater development through group collaboration and effort.

## **Future Outlook**

Regardless whether it is during the period of COVID-19 pandemic or the post-pandemic era, broadband network connection has become the basic needs of living for people, and the connection speed for remote teaching, video conference and other applications demanded by consumers and all sectors are certainly increasing. The cable modem business of the Company will focus more on the functions of easyInstall & easyConnect for customers' individual operations, thereby ensuring continuous growth of the business without being affected by the pandemic. Furthermore, the application of 5G technology is also increasing at the same time. Nevertheless, a greater number of 5G base stations will still not be sufficient to overcome the problem of penetrating through brick walls with millimeter wave in practice, and DOCSIS developed by the technical groups of CableLabs, etc., will become the key options for 5G backhaul, which means that the cable modem business of the Company is expected to have a promising outlook with the increasing popularity of 5G technology. In addition, regarding the wireless reception technology, through years of effort and development, the Company also aims to actively develop an effective method to bring 5G millimeter wave to the indoor environment.

As internet speed continues to increase, the performance of the chip used will also become more powerful. Under the work allocation of edge computer and cloud computing, network communication equipment is provided with greater development opportunities, and its function and role also become more important. In the future, the Company will continue to develop the gateway application functions in the technical direction, and will also integrate cloud application with the Company's network communication equipment, thereby creating greater added value and profound customer user experience. As the wireless roaming standard of EasyMesh has been upgraded to version 2.0, integrated Wi-Fi extender continuing from the wireless network communication of Cable Gateway has become an essential part of the entire home network.

In the future, the Company will continue to provide higher-speed quality transmission to existing customers. For R&D, the core technology will rely on the integration of terminal end and cloud machine learning, as well as the accumulation of Big Data to achieve optimization and to provide automatic management, thereby reducing the operating cost and improving the customer satisfaction. In terms of the horizontal development, it will be expanded to the home internet entertainment and lifestyle application, cybersecurity, and confidential data security. The Company seeks to develop network technologies of faster speed and greater diversity as well as to provide broadband service of greater convenience. In terms of the vertical development, the Company will focus on the development of comprehensive solution, software design with smart management and cloud network management. In addition, the Company will also actively expand its business in the new emerging market to increase the business opportunities, thereby increasing the Company's value and achieving the best interests and great profit for all shareholders.

The shipping volume of the own brand products of the Company in 2020 was maintained at top three manufacturers in the market worldwide. The new production site in Vietnam will play an important role in the future. In comparison to the other top two competitors in the market, where one competitor is heading toward the direction of high gross margin and the other competitor has just undergone financial restructuring, what the Company aims for is to achieve proper management in logistics and risk control in order to maintain the Company's competitive advantages in the market. Despite that the shipping volume of high-end products of DOCSIS 3.1 CPE in the North American market has exceeded more than half of the total shipping volume of the Company, the Company still values the new emerging market significantly, and the launch of new models in the Central and South America as well as the obtaining of certifications in such region are imperative to the business development of the Company.

For the past two years, the research and development focus of the Company has gradually shifted from the traditional hardware solution to comprehensive solution platform service with emphasis on the software development. The key aspects valued by the Company rely on not only providing the best Wi-Fi experience to home users but also utilizing AI and cloud technologies to help customers to save large amount of capital

expenditure. Presently, there are more than 7 MSOs in the North America that use Hitron Cloud service from the Company, and such development is expected to assist the Company in the development and expansion of product lines of customers outside the field of Cable MSO. In addition, presently, there are more than 150 thousand users using the solution of Hitron Cloud, such that the home wireless network broadband living can also be improved.

Chairman: April Huang

President: Patrick Chiu

Chief Accounting: Allen Hsu

[Attachment 2]

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

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and Earnings Distribution Proposal. The Financial Statements has been duly audited completely by the two CPAs, CPA Ke-Yi Liu and CPA Kun-Hsi Hsu, of BDO Taiwan retained by the Board of Directors of the Company, and this Audit Report is duly issued. The aforementioned Business Report, Financial Statements and Earnings Distribution Proposal have been examined and determined to be correct and accurate by the Audit Committee. This Report is hereby duly submitted in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Submitted to:

To:

2021 Annual General Meeting, Hitron Technologies Inc.

Chairman of the Audit Committee: Lo-Min, Chen

March 16, 2021



[Attachment 3]

Comparison table for the “Code of Ethical Conduct for Directors and Managers” before and after amendment

Article No.	After Amendment	Before Amendment	Reason of Amendment
Article 1	<b>Purpose and Basis</b> This Code of Conduct is adopted for the purpose of encouraging directors and managerial officers of (including general managers <u>and their equivalents</u> , assistant general managers <u>and their equivalents</u> , deputy assistant general managers <u>and their equivalents</u> , chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.	<b>Purpose and Basis</b> This Code of Conduct is adopted for the purpose of encouraging directors and managerial officers of (including general managers, assistant general managers, deputy assistant general managers, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.	Amendment made in accordance with the laws
Article 3	<b>Prevention of conflicts of interest</b> Directors and managerial officers shall handle official business based on objective and effective methods, shall perform duties based on the best interest of the Company, and shall also prevent the gaining of any illegal benefits by themselves, spouses or relatives within second degree of kinship through their job positions in the Company.  To prevent conflict of interest, the Company prohibits individual directors, managerial officers and their spouses or relatives within second degree of kinship to provide fund loans or to make guarantees. (Omitted)	<b>Prevention of conflicts of interest</b> Directors and managerial officers shall handle official business based on objective and effective methods, shall perform duties based on the best interest of the Company, and shall also prevent the gaining of any illegal benefits by themselves, spouse, <del>parents, children</del> or relatives within second degree of kinship through their job positions in the Company. To prevent conflict of interest, the Company prohibits individual directors, managerial officers and their spouses, <del>parents, children</del> or relatives within second degree of kinship to provide fund loans or to make guarantees. (Omitted)	Amendment made in accordance with the laws
Article 5	<b>Non-disclosure obligation</b> Directors and managerial officers shall bear the non-disclosure obligation for business information learned due to job duties or cooperation relationship unless authorization is obtained or such information is required to be disclosed publicly according to the laws and regulations. <u>Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or customers.</u>	<b>Non-disclosure obligation</b> Directors and managerial officers shall bear the non-disclosure obligation for business information learned due to job duties or cooperation relationship unless authorization is obtained or such information is required to be disclosed publicly according to the laws and regulations. (Newly added)	Amendment made in accordance with the laws
Article	<b>Encouraging reporting on illegal or</b>	<b>Encouraging reporting on illegal or</b>	Amendment

9	<b>unethical activities</b> The company shall raise awareness of ethics internally and encourage employees to report to an appropriate person (such as: director, managerial officer, chief internal auditor, or other appropriate individual) upon suspicion or discovery of any activity in violation of a law or regulation or the codes of ethical conduct, <u>and anonymous reporting shall be acceptable.</u> (Omitted)	<b>unethical activities</b> The company shall raise awareness of ethics internally and encourage employees to report to an appropriate person (such as: director, managerial officer, chief internal auditor, or other appropriate individual) upon suspicion or discovery of any activity in violation of a law or regulation or the codes of ethical conduct. (Omitted)	made in accordance with the laws
Article 13	<b>Enforcement</b> This Code shall be implemented after the approval of the Board of Directors. The same requirements shall be applied to amendments thereof.	<b>Enforcement</b> This Code shall be implemented after the approval of <u>the Audit Committee and</u> the Board of Directors <del>through resolution and shall also be reported to the shareholders' meeting.</del> The same requirements shall be applied to amendments thereof.	Amendment made according to the actual needs
Article 14	<u>This Code is enacted on March 22, 2019.</u> <u>The first amendment was made on March 16, 2021.</u>	(Newly added)	Addition of the establishment (amendment) dates

[Attachment 4]

**Comparison Table for the” Ethical Corporate Management Best Practice Principles” before and after amendment**

Article No.	After Amendment	Before Amendment	Reason of Amendment
Article 5	The Companies shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith, <u>after approval of the Board of Directors</u> , and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.	The Companies shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.	Amendment made in accordance with the laws
Article 7	<u>The Company shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.</u> The Company shall <u>refer to prevailing domestic and foreign standards or guidelines</u> in establishing the <u>programs to forestall unethical conduct</u> prevention programs, which shall at least include preventive measures against the following: (Omitted)	(Newly added)  The prevention programs <del>adopted</del> by the Company shall at least include preventive measures against the following:  (Omitted)	Amendment made in accordance with the laws
Article 8	<u>The shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u> The Company shall clearly specify, on the company website and in the annual report, the ethical corporate management policies and the commitment by the Board of Directors and <u>senior</u> management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities. <u>The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and</u>	(Newly added)  The Company shall clearly specify, on the company website and in the annual report, the ethical corporate management policies and the commitment by the Board of Directors and management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities. (Newly added)	Amendment made in accordance with the laws

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<u>second paragraphs and retain said information properly.</u>		
Article 17	<p>(Omitted)</p> <p>To achieve sound ethical corporate management, the Company appoints the Human Resource Department to be dedicated unit responsible for managing and promoting the following ethical corporate management matters, and shall report to the Board of Directors on a regular basis <u>(at least once a year)</u>:</p> <p>I. (Omitted)</p> <p>II. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope,</u> adopting accordingly programs and procedures to prevent unethical conduct.</p> <p>(Omitted)</p>	<p>(Omitted)</p> <p>To achieve sound ethical corporate management, the Company appoints the Human Resource Department to be dedicated unit responsible for managing and promoting the following ethical corporate management matters, and shall report to the Board of Directors on a regular basis:</p> <p>I. (Omitted)</p> <p>II. Adopting programs and procedures to prevent unethical conduct.</p> <p>(Omitted)</p>	Amendment made in accordance with the laws
Article 20	<p>(Omitted)</p> <p>The internal audit unit of the Company shall, <u>based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans wit the content including auditees, audit scope, audit items, audit frequency, etc.,</u> and periodically examine the compliance with the prevention programs described in the preceding paragraph, <u>and the audit result shall be reported to the senior management level and the ethical corporate management dedicated unit,</u> and audit report shall be prepared for reporting to the Board of Directors. The internal audit unit may also engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p>	<p>(Omitted)</p> <p>The internal audit unit of the Company <del>shall</del> periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the Board of Directors. The internal auditors may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p>	Amendment made in accordance with the laws
Article 23	<p>The Company sets up a whistle-blowing mailbox to allow internal and external personnel of the Company to submit reports. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form. <u>The identity of</u></p>	<p>The Company sets up a whistle-blowing mailbox to allow internal and external personnel of the Company to submit reports. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written</p>	Amendment made in accordance with the laws

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p><u>whistle-blowers and the content of reported cases shall be kept confidential, and anonymous reports shall be acceptable.</u></p> <p>In case where any director, managerial officer, employee and substantial controller of the Company is subject to violation of the ethical corporate management regulations, the Company may impose discipline action depending upon the severity of the violation , and when it is considered necessary, it shall be reported to the competent authority or transported to judicial agency for prosecution and handling.</p>	<p>form.</p> <p>In case where any director, managerial officer, employee and substantial controller of the Company is subject to violation of the ethical corporate management regulations, the Company may impose discipline action depending upon the severity of the violation.</p>	
Article 24	<p><u>The Company shall adopt a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.</u></p>	<p><del>The Company shall disclose the measures taken for implementing ethical corporate management on the Company's website, annual reports, and prospectuses.</del></p>	Newly added in accordance with the laws. Original Article 24 is revised to Article 25
Article 25	<p><u>The Company shall disclose the measures taken for implementing ethical corporate management on the Company's website, annual reports, and prospectuses.</u></p>	<p><del>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage the directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.</del></p>	Original provision is revised in accordance with the article number revision. Original Article 25 is revised to Article 26
Article 26	<p><u>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage the directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.</u></p>	<p><del>These Principles shall be implemented after the Board of Directors grants the approval through resolution, and shall be reported at a shareholders' meeting. The same procedure shall be followed when these Principles are amended.</del></p> <p><del>The Company has established independent directors, and during the submission of the Ethical Corporate Management Best Practice Principles to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration</del></p>	Original provision is revised in accordance with the article number revision. Original Article 26 is revised to Article 27

Article No.	After Amendment	Before Amendment	Reason of Amendment
		<del>each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors' meeting.</del>	
Article 27	<p><u>These Principles shall be implemented after the Board of Directors grants the approval through resolution. The same procedure shall be followed when these Principles are amended.</u></p> <p><u>The Company has established independent directors, and during the submission of the Ethical Corporate Management Best Practice Principles to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors' meeting.</u></p>	None	Original provision is revised in accordance with the article number revision. Original Article 26 is revised to Article 27, and adjustments are made in accordance with the needs for practice.
Article 28	<p><u>These Principles are enacted on March 22, 2019.</u></p> <p><u>The first amendment was made on March 16, 2021.</u></p>	(Newly added)	Addition of the establishment (amendment) dates

## [Attachment 5]



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No.72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Hitron Technologies Inc.

#### *Opinion*

We have audited the accompanying parent company only balance sheets of Hitron Technologies Inc. as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Hitron Technologies Inc. as of December 31, 2020 and 2019, and financial performance and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

#### *Basis for Opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Financial Statements of our report. We are independent of Hitron Technologies Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Base on our audits and the reports of other auditors, We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No.72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

### **Revenue recognition**

Please refer to Note 4(21) to the financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. There remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to customers. Therefore, we consider this a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Evaluate and test the design and operating effectiveness of internal controls around revenue recognition.
3. Check customer sales contracts, order status, shipping and collection of the selected transactions, to verify the occurrence of transactions and reasonableness of the timing of revenue recognition.
4. Perform cut-off test and vouching them to supporting evidences.

### **Valuation for Inventories**

Please refer to Note 4(11) to the financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(5) for the details of the information about allowance for inventory valuation losses.

Due to the rapid change in consumer needs and the technology development of mobile internet, cloud services and integration, price of goods or services influenced by market competition and functional requirements, resulted in a rapid change in inventory value. The assessment of the inventory valuation require significant management judgement. Therefore we consider this a key audit matter.

Our procedures performed in respect of the inventory valuation included:

1. Understand and assess the internal control procedures and accounting estimates for inventory by management.
2. Sampling market information and assess the reasonableness of inventory net realized value.
3. Observing physical inventory counts and check any obsolete and slow-moving.

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.





Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No.72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

#### **Other Matter**

We did not audit the financial statements of certain investments accounted for under the equity method and information on investees disclosed in Note 6. Therefore, our opinion expressed herein, insofar as it related to the amounts included in respect of these associates, is based solely on the reports of the other auditors. These credit balance of investments accounted for under the equity method amounted to NT\$8,686 thousand and NT\$82,551 thousand, constituting 0.1% and 1.16% of total assets as at December 31, 2020 and 2019, respectively, and the share of profit of subsidiaries and joint ventures accounted for under the equity method was NT\$70,410 thousand and NT\$(1,144) thousand, constituting 29.22% and 0.60% of the total comprehensive income for the years then ended, respectively.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc..

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

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

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No.72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

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

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

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

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**

立本台灣聯合會計師事務所

10F., No. 72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ke-Yi Liu and Kun-His Hsu.

*BDO Taiwan*

BDO TAIWAN

March 16, 2021

**Notice to Readers**

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

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

7

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**HITRON TECHNOLOGIES INC.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
December 31, 2020 and 2019

UNIT : NTD (In Thousands)											
Assets	Notes	December 31, 2020	%	December 31, 2019	%	Liabilities & Stockholders' Equity	Notes	December 31, 2020	%	December 31, 2019	%
Current assets											
Cash and cash equivalents	6.1	\$2,417,651	27.66	\$2,684,063	37.68	Current liabilities					
Financial assets at fair value through profit or loss - current	6.2	45,366	0.52	61,001	0.86	Short-term borrowings	6.10	\$1,686,825	19.30	\$615,000	8.63
Notes receivable, net	6.4	-	-	1,470	0.02	Financial liabilities at fair value through profit or loss - current	6.2	3,318	0.04	-	-
Accounts receivable, net	6.4	379,286	4.34	269,601	3.78	Contract liabilities - current	6.20	22,918	0.26	23,345	0.33
Accounts receivable - related parties	7	2,135,663	24.44	1,205,867	16.93	Accounts payable		282,344	3.23	165,237	2.32
Other receivables		68,254	0.78	57,477	0.81	Accounts payable - related parties	7	1,540,447	17.63	842,310	11.82
Other receivables - related parties	7	1,296,304	14.83	526,582	7.39	Other payables	6.11	180,703	2.07	139,028	1.95
Inventories	6.5	188,514	2.16	357,289	5.02	Other payables - related parties	7	8,025	0.09	6,143	0.09
Prepayments		25,751	0.29	31,421	0.44	Current income tax liabilities		24,677	0.28	7,907	0.11
Other current assets		2,141	0.03	1,708	0.02	Provisions - current	6.12	11,525	0.13	10,707	0.15
Sub-total		6,558,930	75.05	5,196,479	72.95	Lease liabilities - current	6.8	2,162	0.02	2,375	0.03
						Other current liabilities	6.13	2,999	0.04	122,921	1.73
						Sub-total		3,765,943	43.09	1,934,973	27.16
Non-current liabilities											
Financial assets at fair value through other comprehensive income- non-current	6.3	19,335	0.22	21,245	0.30	Long-term borrowings	6.15	-	-	150,000	2.11
Investments accounted for under equity method	6.6	1,822,186	20.85	1,551,284	21.78	Deferred tax liabilities	6.24	11,402	0.13	6,944	0.10
						Lease liabilities - non-current	6.8	384	0.01	1,484	0.02
						Other non-current liabilities		16,849	0.20	82,800	1.17
						Sub-total		28,635	0.34	241,228	3.40
						Total Liabilities		3,794,578	43.43	2,176,201	30.56
Equity											
Property, plant and equipment	6.7	225,461	2.58	236,925	3.33	Share Capital	6.17				
Right-of-use assets	6.8	2,500	0.03	3,809	0.05	Common stock		3,289,862	37.64	3,289,862	46.18
Intangible assets		29,896	0.34	44,418	0.62	Capital surplus	6.18	1,326,737	15.18	1,401,968	19.68
Deferred tax assets	6.24	37,763	0.43	33,223	0.47	Retained earnings	6.19				
Other non-current assets	6.9	43,656	0.50	35,989	0.50	Legal reserve		248,065	2.84	226,069	3.17
Sub-total		2,180,797	24.95	1,926,893	27.05	Special reserve		89,973	1.03	56,615	0.79
						Unappropriated earnings		280,010	3.20	223,073	3.13
						(Accumulated deficit)					
						Other equity		(129,056)	(1.48)	(89,974)	(1.26)
						Treasury stock		(160,442)	(1.84)	(160,442)	(2.25)
						Total Equity		4,945,149	56.57	4,947,171	69.44
Total assets		\$8,739,727	100.00	\$7,123,372	100.00	Total Liabilities and Equity		\$8,739,727	100.00	\$7,123,372	100.00

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

Item	Notes	2020	%	2019	%
Operating revenue	6.20	\$8,526,047	100.00	\$7,504,329	100.00
Operating costs	6.5	(7,743,817)	(90.83)	(6,826,724)	(90.97)
Gross profit (loss)		782,230	9.17	677,605	9.03
Unrealized (profit) loss from sales		(110,852)	(1.30)	(63,958)	(0.85)
Realized profit (loss) from sales		63,957	0.75	78,422	1.04
Net gross profit (loss)		735,335	8.62	692,069	9.22
Operating expenses					
Selling expenses		(161,099)	(1.89)	(148,616)	(1.98)
General and administrative expenses		(172,451)	(2.02)	(164,063)	(2.19)
Research and development expenses		(285,320)	(3.35)	(290,610)	(3.87)
Expected credit impairment gain (loss)		(519)	-	1,203	0.02
Total operating expenses		(619,389)	(7.26)	(602,086)	(8.02)
Operating profit (loss)		115,946	1.36	89,983	1.20
Non-operating income and expenses					
Interest income		15,131	0.18	2,282	0.03
Other income		21,730	0.25	9,386	0.13
Other gains and losses	6.21	13,261	0.16	18,220	0.24
Financial costs		(15,711)	(0.18)	(27,782)	(0.37)
Share of the profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method	6.6	157,579	1.84	121,002	1.61
Sub-total		191,990	2.25	123,108	1.64
Profit (loss) before income tax		307,936	3.61	213,091	2.84
Income tax (expenses) benefit	6.24	(27,926)	(0.33)	6,868	0.09
Net profit (loss) from continuing operations		280,010	3.28	219,959	2.93
Net profit (loss)		280,010	3.28	219,959	2.93
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain (loss) on remeasurements of defined benefit plans		-	-	258	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(1,911)	(0.02)	4,737	0.06
Income tax relating to components		-	-	3,353	0.04
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		(37,172)	(0.44)	(38,592)	(0.50)
Other comprehensive income (loss), net of income tax		(39,083)	(0.46)	(30,244)	(0.40)
Total comprehensive income (loss)		240,927	2.82	189,715	2.53
Earnings per share	6.25				
Basic earnings (loss) per share (in dollars)		\$0.87		\$0.98	
Diluted earnings per share (in dollars)		\$0.87		\$0.97	

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

Summary	Share Capital		Retained Earnings			Other Equity Interests			Treasury Stock	Total
	Common Stock	Share capital collected in advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income		
Balance on January 1, 2019	\$2,242,940	\$165	\$729,418	\$206,873	\$42,626	\$192,739	\$(56,778)	\$163	\$0	\$3,358,146
Appropriation of earnings 2018	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	19,196	-	(19,196)	-	-	-	-
Special reserve	-	-	-	-	13,989	(13,989)	-	-	-	-
Cash dividends	-	-	-	-	-	(159,554)	-	-	-	(159,554)
Changes in capital surplus of investees	-	-	10,814	-	-	-	-	-	-	10,814
Cash dividends distributed from capital surplus	-	-	(20,494)	-	-	-	-	-	-	(20,494)
Net profit (loss)	-	-	-	-	-	219,959	-	-	-	219,959
Other comprehensive income (loss)	-	-	-	-	-	3,611	(38,592)	4,737	-	(30,244)
Issuance of common stock for cash	1,000,000	-	611,000	-	-	-	-	-	-	1,611,000
Conversion of convertible bonds	46,922	(165)	38,210	-	-	-	-	-	-	84,967
Purchase of treasury stock	-	-	-	-	-	-	-	-	(160,442)	(160,442)
Differences of acquisition or disposal price and book value of subsidiaries	-	-	33,020	-	-	-	-	-	-	33,020
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(497)	-	497	-	-
Rounding	-	-	-	-	-	-	(1)	-	-	(1)
Balance on January 1, 2020	\$3,289,862	\$0	\$1,401,968	\$226,069	\$56,615	\$223,073	\$(95,371)	\$5,397	\$(160,442)	\$4,947,171
Appropriation of earnings 2019	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	21,996	-	(21,996)	-	-	-	-
Special reserve	-	-	-	-	33,358	(33,358)	-	-	-	-
Cash dividends	-	-	-	-	-	(167,719)	-	-	-	(167,719)
Effects of changes in ownership interest from investee	-	-	(6,492)	-	-	-	-	-	-	(6,492)
Changes in capital surplus of investees	-	-	20,596	-	-	-	-	-	-	20,596
Cash dividends distributed from capital surplus	-	-	(89,335)	-	-	-	-	-	-	(89,335)
Net profit (loss)	-	-	-	-	-	280,010	-	-	-	280,010
Other comprehensive income (loss)	-	-	-	-	-	-	(37,172)	(1,911)	-	(39,083)
Rounding	-	-	-	-	-	-	-	1	-	1
Balance on December 31, 2020	\$3,289,862	\$0	\$1,326,737	\$248,065	\$89,973	\$280,010	\$(132,543)	\$3,487	\$(160,442)	\$4,945,149

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

Items	2020	2019
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	\$307,936	\$213,091
Profit (loss) before tax	307,936	213,091
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	48,370	48,726
Amortization	28,098	30,274
Expected credit impairment loss (gain)	519	(1,202)
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	(6,495)	(7,815)
Interest expense	15,711	27,782
Interest income	(15,131)	(2,282)
Dividend income	(2,680)	(2,891)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method	(57,365)	(40,350)
Loss (gain) on disposal and scrap of property, plant and equipment	59	-
Loss (gain) on disposal of investments	13,664	2,920
Unrealized (profit) loss from sales	110,852	63,958
Realized profit (loss) from sales	(63,958)	(78,421)
Loss(gain) on liquidation	-	(16)
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in notes receivable	1,470	(1,470)
(Increase) decrease in accounts receivable	(110,204)	86,004
(Increase) decrease in accounts receivable - related parties	(929,796)	1,034,835
(Increase) decrease in other receivables	(9,776)	279,161
(Increase) decrease in other receivables - related parties	(769,722)	(13,794)
(Increase) decrease in inventories	168,775	407,836
(Increase) decrease in prepaid expenses	(5,317)	(4,393)
(Increase) decrease in prepayments	10,987	12,109
(Increase) decrease in other current assets	(432)	(647)
Increase (decrease) in contract liabilities	(426)	11,644
Increase (decrease) in accounts payable	117,106	(50,418)
Increase (decrease) in accounts payable - related parties	698,137	(1,862,865)
Increase (decrease) in other payables	42,642	2,054
Increase (decrease) in other payables - related parties	1,882	(8,186)
Increase (decrease) in provisions	817	(5,323)
Increase (decrease) in other current liabilities	78	291
Increase (decrease) in net defined benefit liabilities	-	258
Interest received	14,130	2,249
Dividends received	2,680	2,891
Interest paid	(16,586)	(28,495)
Income taxes refund (paid)	(11,237)	(1,055)
Net cash flows generated from (used in) operating activities	(415,212)	116,460
Cash flows from investing activities		
Proceeds from return of capital reduction on financial assets at fair value through other comprehensive income	-	158
Acquisition of financial assets at fair value through profit or loss	(4,072)	(2,880)
Proceeds from disposal of financial assets at fair value through profit or loss	15,854	11,363
Acquisition of investments accounted for under equity method	(349,450)	(250,905)
Proceeds from disposal of investments accounted for under equity method	-	60,300
Acquisition of property, plant and equipment	(37,515)	(44,421)
Proceeds from disposal of property, plant and equipment	4,000	12
Increase in guarantee deposits	(110)	-
Decrease in guarantee deposits	-	1,201
Acquisition of intangible assets	(14,482)	(13,080)
Proceed from disposal of intangible assets	906	-
Increase in other financial assets	-	(1,000)
Decrease in other non-current assets	107	37
Increase in prepayments for equipment	(7,664)	(3,491)
Proceeds from return of liquidation on investments accounted for under equity method	-	15
Net cash flows generated from (used in) investing activities	(392,426)	(242,691)
Cash flows from financing activities		
Increase in short-term borrowings	1,071,825	123,800
Repayment of bonds	-	(1,700)
Proceeds from long-term borrowings	-	55,100
Repayments of long-term borrowings	(270,000)	-
Decrease in guarantee deposits received	-	(147)
Repayment of lease principle	(3,545)	(3,886)
Cash dividends paid	(257,054)	(180,048)
Issuance of common stock for cash	-	1,611,000
The purchase of treasury stock	-	(160,442)
Net cash generated from (used in) financing activities	541,226	1,443,677
Net increase (decrease) in cash and cash equivalents	(266,412)	1,317,446
Cash and cash equivalents at beginning of period	2,684,063	1,366,617
Cash and cash equivalents at end of period	\$2,417,651	\$2,684,063

The accompanying notes are an integral part of financial statements



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No.72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Hitron Technologies Inc.

### *Opinion*

We have audited the accompanying consolidated balance sheets of Hitron Technologies Inc. and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Hitron Technologies Inc. and its subsidiaries as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

### *Basis for Opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of Hitron Technologies Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.





Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No.72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

### **Revenue recognition**

Please refer to Note 4(23) to the consolidated financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. and its subsidiaries mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. There remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to customers. Therefore, we consider this a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Evaluate and test the design and operating effectiveness of internal controls around revenue recognition.
3. Check customer sales contracts, order status, shipping and collection of the selected transactions, to verify the occurrence of transactions and reasonableness of the timing of revenue recognition.
4. Perform cut-off test and vouching them to supporting evidences.

### **Valuation for Inventories**

Please refer to Note 4(13) to the consolidated financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(6) for the details of the information about allowance for inventory valuation losses.

Due to the rapid change in consumer needs and the technology development of mobile internet, cloud services and integration, price of goods or services influenced by market competition and functional requirements, resulted in a rapid change in inventory value. The assessment of the inventory valuation require significant management judgement. Therefore we consider this a key audit matter.

Our procedures performed in respect of the inventory valuation included:

1. Understand and assess the internal control procedures and accounting estimates for inventory by management.
2. Sampling market information and assess the reasonableness of inventory net realized value.
3. Observing physical inventory counts and check any obsolete and slow-moving.

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No. 72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

### Provisions

Please refer to Note 4(19) to the consolidated financial statements about accounting policy of provisions, Note 5(3) about key sources of estimation and assumptions of uncertainty for provisions.

Hitron Technologies Inc. and its subsidiaries estimates the possible maintenance costs and accrues provisions of the product warranty based on past technical experience and contractual conditions. Considering the uncertainty in estimation, the accrual of warranty provisions has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Understood the evaluation process of provision performed by the management.
2. Evaluate the appropriateness of procedures used and the rationality of estimates in assessing provisions.
3. Sampled warranties not expired and evaluated if there were significant unexpected liabilities.
4. Reviewed the settlements of expired warranties and the relevant authorization and supporting documents.

### ***Other Matter***

We did not audit the financial statements of the Hitron Technologies Europe Holding B.V. Thus, the amounts and information of the subsidiary shown within are based solely on the reports of other auditors. Total assets of the subsidiary were NT\$362,527 thousand and NT\$112,828 thousand, constituting 2.89% and 1.14% of the consolidated total assets as of December 31, 2020 and 2019 respectively. Total operating revenues of the subsidiary were NT\$582,353 thousand and NT\$204,598 thousand, constituting 5.67% and 1.98% of the consolidated operating revenues for December 31, 2020 and 2019 respectively.

We have audited and expressed an unqualified opinion on the parent company only financial statements of Hitron Technologies Inc. as of and for the years ended December 31, 2020 and 2019.

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

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

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

**BDO Taiwan**  
立本台灣聯合會計師事務所  
10F., No.72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc. and its subsidiaries.

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

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

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

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

BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Tel: +886 2 2564 3000  
Fax: +886 2 2561 6123  
www.bdo.com.tw

BDO Taiwan  
立本台灣聯合會計師事務所  
10F., No. 72, Sec. 2, Nanjing E. Rd.,  
Taipei City 104, Taiwan (R.O.C.)  
台北市南京東路二段 72 號 10 樓

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ke-Yi Liu and Kun-His Hsu.

*BDO Taiwan*

BDO TAIWAN

March 16, 2021

**Notice to Readers**

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2020 and 2019

UNIT : NTD (In Thousands)													
Assets		Notes	December 31, 2020	%	December 31, 2019	%	Liabilities & Stockholders' Equity		Notes	December 31, 2020	%	December 31, 2019	%
Current assets													
Cash and cash equivalents	6.1	\$3,935,224	31.34		\$4,607,008	46.46	Current liabilities						
Financial assets at fair value through profit or loss - current	6.2	70,488	0.56		92,866	0.94	Short-term borrowings		6.11	\$2,417,512	19.25	\$952,701	9.61
Financial assets at amortized cost - current	6.3	-	-		30,000	0.30	Financial liabilities at fair value through profit or loss - current		6.2	3,449	0.03	-	-
Notes receivable, net	6.5	154,954	1.23		46,055	0.46	Contract liabilities - current		6.21	668,057	5.32	463,355	4.67
Accounts receivable, net	6.5	2,042,026	16.26		1,284,572	12.96	Notes payable			86	-	237	-
Accounts receivable - related parties	7	22	-		-	-	Accounts payable		7	2,178,647	17.35	1,269,489	12.80
Other receivables		71,378	0.57		58,181	0.59	Accounts payable - related parties			39,951	0.32	-	-
Current income tax assets		45,114	0.36		5,648	0.06	Other payables		6.13	739,814	5.89	458,922	4.63
Inventories	6.6	3,292,548	26.22		1,767,865	17.83	Current income tax liabilities			121,594	0.97	62,654	0.63
Prepayments	6.7	492,353	3.92		357,500	3.61	Provisions - current		6.12	165,676	1.32	189,104	1.91
Other current assets		4,944	0.05		5,919	0.05	Lease liabilities - current		6.9	27,681	0.22	42,474	0.43
Sub-total		10,109,051	80.51		8,255,614	83.26	Other current liabilities		6.14	542,698	4.33	134,758	1.36
							Sub-total			6,905,165	55.00	3,573,694	36.04
Non-current liabilities													
Financial assets at fair value through profit or loss - non-current							Financial liabilities at fair value through profit or loss - non-current			-	-	1,560	0.02
Bonds payable							Bonds payable		6.15	-	-	571,047	5.76
Long-term borrowings							Long-term borrowings		6.16	-	-	150,000	1.51
Provisions - non-current							Provisions - non-current		6.12	45,699	0.36	41,703	0.42
Deferred tax liabilities							Deferred tax liabilities		6.25	11,782	0.09	7,070	0.07
Lease liabilities - non-current							Lease liabilities - non-current		6.9	10,138	0.08	26,152	0.27
Other non-current liabilities							Other non-current liabilities			284	-	418	0.01
Sub-total		19,335	0.15		21,245	0.21	Sub-total			67,903	0.53	797,950	8.06
Non-current assets							Total Liabilities			6,973,068	55.53	4,371,644	44.10
Financial assets at fair value through other comprehensive income - non-current	6.4						Equity						
Property, plant and equipment	6.8	1,876,017	14.94		1,108,216	11.18	Equity attributable to owners of the parent						
Right-of-use assets	6.9	178,015	1.42		219,340	2.21	Share Capital		6.18				
Intangible assets		48,136	0.38		50,916	0.51	Common stock			3,289,862	26.20	3,289,862	33.18
Deferred tax assets	6.25	141,431	1.13		78,917	0.80	Capital surplus		6.19	1,326,737	10.57	1,401,968	14.14
Other non-current assets	6.10	183,970	1.47		180,948	1.83	Retained earnings		6.20				
Sub-total		2,446,904	19.49		1,659,582	16.74	Legal reserve			248,065	1.98	226,069	2.28
							Special reserve			89,973	0.72	56,615	0.57
							Unappropriated earnings			280,010	2.23	223,073	2.25
							(Accumulated deficit)						
							Other equity			(129,056)	(1.03)	(89,974)	(0.91)
							Treasury stock			(160,442)	(1.28)	(160,442)	(1.62)
							Total equity attributable to owners of the parent			4,945,149	39.39	4,947,171	49.89
							Non-controlling interests			637,738	5.08	596,381	6.01
							Total Equity			5,582,887	44.47	5,543,552	55.90
Total assets		\$12,555,955	100.00		\$9,915,196	100.00	Total Liabilities and Equity			\$12,555,955	100.00	\$9,915,196	100.00

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)					
Item	Notes	2020	%	2019	%
Operating revenue	6.21	\$10,278,461	100.00	\$10,325,500	100.00
Operating costs	6.6	(8,125,961)	(79.06)	(8,240,735)	(79.81)
Gross profit (loss)		2,152,500	20.94	2,084,765	20.19
Net gross profit (loss)		2,152,500	20.94	2,084,765	20.19
Operating expenses					
Selling expenses		(634,036)	(6.17)	(620,259)	(6.01)
General and administrative expenses		(686,654)	(6.68)	(589,416)	(5.71)
Research and development expenses		(384,247)	(3.74)	(396,516)	(3.84)
Expected credit impairment gain (loss)		(731)	-	1,978	0.02
Total operating expenses		(1,705,668)	(16.59)	(1,604,213)	(15.54)
Operating profit (loss)		446,832	4.35	480,552	4.65
Non-operating income and expenses					
Interest income		10,680	0.10	6,217	0.06
Other income		56,272	0.55	18,590	0.18
Other gains and losses	6.22	(10,987)	(0.11)	(24,996)	(0.24)
Financial costs		(34,412)	(0.33)	(74,125)	(0.72)
Sub-total		21,553	0.21	(74,314)	(0.72)
Profit (loss) before income tax		468,385	4.56	406,238	3.93
Income tax (expenses) benefit	6.25	(65,726)	(0.64)	(55,895)	(0.54)
Net profit (loss) from continuing operations		402,659	3.92	350,343	3.39
Net profit (loss)		402,659	3.92	350,343	3.39
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain (loss) on remeasurements of defined benefit plans		-	-	258	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(1,911)	(0.02)	4,737	0.05
Income tax relating to components		-	-	3,353	0.03
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		(37,163)	(0.36)	(38,868)	(0.38)
Other comprehensive income (loss), net of income tax		(39,074)	(0.38)	(30,520)	(0.30)
Total comprehensive income (loss)		363,585	3.54	319,823	3.09
Profit (loss) attributable to:					
Shareholders of the parent		280,010	2.72	219,959	2.13
Non-controlling interests		122,649	1.20	130,384	1.26
Total		402,659	3.92	350,343	3.39
Comprehensive income (loss) attributable to:					
Shareholders of the parent		240,926	2.34	189,715	1.84
Non-controlling interests		122,659	1.20	130,108	1.25
Total		\$363,585	3.54	\$319,823	3.09
Earnings per share	6.26				
Basic earnings (loss) per share (in dollars)		\$0.87		\$0.98	
Diluted earnings per share (in dollars)		\$0.87		\$0.97	

The accompanying notes are an integral part of financial statements

## UNIT : NTD (In Thousands)

**The accompanying notes are an integral part of financial statements**

**HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2020 and 2019

UNIT : NTD (In Thousands)

Items	2020	2019
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	\$468,385	\$406,238
Consolidated profit (loss) before tax	468,385	406,238
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	247,539	223,278
Amortization	32,237	33,366
Expected credit impairment loss (gain)	731	(1,978)
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	(4,933)	(12,322)
Interest expense	34,411	74,125
Interest income	(10,680)	(6,217)
Dividend income	(4,259)	(5,126)
Loss (gain) on disposal and scrap of property, plant and equipment	949	196
Loss (gain) on disposal of investments	10,021	(2,038)
Loss (gain) on liquidation	-	(16)
Loss (gain) on a lease modification	(68)	-
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in notes receivable	(108,899)	6,255
(Increase) decrease in accounts receivable	(758,185)	690,901
(Increase) decrease in accounts receivable - related parties	(22)	-
(Increase) decrease in other receivables	(12,370)	279,908
(Increase) decrease in inventories	(1,524,827)	1,542,214
(Increase) decrease in prepaid expenses	(19,855)	(1,451)
(Increase) decrease in prepayments	(108,208)	228,262
(Increase) decrease in other current assets	975	(603)
Increase (decrease) in contract liabilities	204,701	48,678
Increase (decrease) in notes payable	(151)	(1,576)
Increase (decrease) in accounts payable	909,157	(1,658,966)
Increase (decrease) in accounts payable - related parties	39,951	-
Increase (decrease) in other payables	281,231	(24,902)
Increase (decrease) in provisions	(19,431)	(15,436)
Increase (decrease) in other current liabilities	1,476	2,680
Increase (decrease) in net defined benefit liabilities	-	258
Interest received	9,852	5,987
Dividends received	4,259	5,126
Interest paid	(23,169)	(77,669)
Income taxes refund (paid)	(104,050)	(39,217)
Net cash flows generated from (used in) operating activities	<u>(453,232)</u>	<u>1,699,955</u>
Cash flows from investing activities		
Proceeds from return of capital reduction on financial assets at fair value through other comprehensive income	-	158
Repayments of financial assets at amortized cost	30,000	-
Acquisition of financial assets at fair value through profit or loss	(26,382)	(8,865)
Proceeds from disposal of financial assets at fair value through profit or loss	45,581	37,829
Proceeds from disposal of subsidiaries	-	60,300
Proceeds from return of liquidation on subsidiaries	-	16
Acquisition of property, plant and equipment	(1,059,318)	(322,316)
Proceeds from disposal of property, plant and equipment	66,076	132
Decrease in guarantee deposits	11,991	13,634
Acquisition of intangible assets	(29,454)	(18,856)
Acquisition of right-of-use assets	-	(130,255)
Increase in other financial assets	-	(1,000)
Increase in other non-current assets	-	(2,810)
Decrease in other non-current assets	1,176	-
Increase in prepayments for equipment	(16,190)	(18,934)
Net cash flows generated from (used in) investing activities	<u>(976,520)</u>	<u>(390,967)</u>
Cash flows from financing activities		
Increase in short-term borrowings	1,464,811	-
Decrease in short-term borrowings	-	(691,949)
Issuance of bonds payable	-	596,200
Repayment of bonds	-	(1,700)
Proceeds from long-term borrowings	-	55,100
Repayments of long-term borrowings	(270,000)	-
Decrease in guarantee deposits received	(177)	(148)
Repayment of lease principle	(50,567)	(51,227)
Decrease in other non-current liabilities	-	(688)
Cash dividends paid	(257,054)	(180,048)
Issuance of common stock for cash	-	1,611,000
The purchase of treasury stock	-	(160,442)
Increase (decrease) in minority interest	(121,449)	(97,212)
Net cash generated from (used in) financing activities	<u>765,564</u>	<u>1,078,886</u>
Effects of changes in exchange rate on cash and cash equivalents	(7,596)	(22,043)
Net increase (decrease) in cash and cash equivalents	(671,784)	2,365,831
Cash and cash equivalents at beginning of period	4,607,008	2,241,177
Cash and cash equivalents at end of period	<u>\$3,935,224</u>	<u>\$4,607,008</u>

The accompanying notes are an integral part of financial statements



## [Attachment 6]

Comparison table for the Articles of Incorporation before and after amendment

Article No.	After Amendment	Before Amendment	Reason of Amendment
Article 4	The Company shall have its head office in Hsinchu Science Park, R.O.C. (Taiwan) and depending upon the business needs, after the resolution of the Board of Directors, branch offices or factories may be established domestically or overseas.	The Company shall have its head office in Hsinchu Science Park <del>R.O.C. (Taiwan)</del> , and depending upon the business needs, after the resolution of the Board of Directors, branch offices or factories may be established domestically or overseas.	Amendment made in accordance with the laws
Article 19	<u>The Board of Directors shall be formed by directors. A Chairman shall be elected from among the Directors during a Board meeting attended by more than two-thirds of the directors and with the consents of more than half of all attending directors. In addition, a Deputy Chairman may also be elected from among the directors depending upon the business needs.</u> The Chairman shall internally preside the shareholders' meeting and the meeting of the Board of Directors, and shall externally represent the Company. In case where the Chairman is on leave or absent or cannot exercise his power and authority for any cause, <u>the proxy thereof shall be handled in accordance with the provision of Article 208 of the Company Act. In case where a director cannot attend a Board of Directors' meeting due to reasons, he or she may appoint another director to act as his/her proxy for attending the meeting on his or her behalf, provided that the proxy shall only accept the appointment of one director only.</u> (Omitted)	(Newly added)  The Chairman shall internally preside the shareholders' meeting and the meeting of the Board of Directors, and shall externally represent the company. In case the Chairman can not exercise his power and authority for any cause, <del>the Deputy Chairman shall act on his behalf. In case where the Deputy Chairman is also unable to exercise his power and authority for any cause, the Chairman or Deputy Chairman shall designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect from among themselves an acting Chairman.</del> (Omitted)	Amendment made according to the actual needs
Article 29	When the Company has a profit at the end of each fiscal year, an amount between <u>5%</u> and <u>20%</u> of the profit shall be appropriated as the remuneration of employees, which is to be distributed and issued in the form of shares or cash according to the resolution of the Board of Director, and the recipients thereof may include employees of affiliates satisfying a certain	When the Company has a profit at the end of each fiscal year, an amount between <del>3%</del> and <del>10%</del> of the profit shall be appropriated as the remuneration of employees, which is to be distributed and issued in the form of shares or cash according to the resolution of the Board of Director, and the recipients thereof may include employees of affiliates satisfying a	Amendment made according to the actual needs

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p>criteria, and such criteria is to be specified by the Chairman.</p> <p>The Company may appropriate the aforementioned profit as the remuneration of directors, in which the appropriation ratio shall not exceed <u>1%</u> of the profit of the current year.</p> <p>(Omitted)</p> <p>(Deleted)</p>	<p>certain criteria, and such criteria is to be specified by the Chairman.</p> <p>The Company may appropriate the aforementioned profit as the remuneration of directors, in which the appropriation ratio shall not exceed <del>2%</del> of the profit of the current year.</p> <p>(Omitted)</p> <p><del>Prior to the establishment of the Audit Committee, the remuneration of supervisors together with the remuneration of directors shall be distributed at an amount not more than 2% of the profit of the current year, and the provisions of this article shall be applied mutatis mutandis.</del></p>	
Article 29-1	<p>Where the Company has surplus earnings in the annual settlement of a fiscal year, after tax is paid according to the laws, the accumulated loss of the previous year shall be compensated first, followed by appropriating 10% of such earnings as the legal reserve; however, in the event that the legal reserve has reached the capital of the Company, it may be exempted from such appropriation. For the remaining amount, special reserve shall be set aside or reversed according to the regulations of the competent authority. Subsequently, if there is still remaining surplus earning, such remaining amount along with the accumulated undistributed surplus earnings from the previous years are then submitted to the Board of Directors for the establishment of an earnings distribution <u>proposal</u>, followed by submitting to the shareholders' meeting for resolution on the distribution of earnings.</p> <p><u>When the earnings distribution proposal described in the preceding paragraph is made in the form of cash dividends, the Board of Directors is authorized to reach resolution and to report to the shareholders' meeting.</u></p>	<p>Where the Company has surplus earnings in the annual settlement of a fiscal year, after tax is paid according to the laws, the accumulated loss of the previous year shall be compensated first, followed by appropriating 10% of such earnings as the legal reserve; however, in the event that the legal reserve has reached the capital of the Company, it may be exempted from such appropriation. For the remaining amount, special reserve shall be set aside or reversed according to the regulations of the competent authority. Subsequently, if there is still remaining surplus earning, such remaining amount along with the accumulated undistributed surplus earnings from the previous years are then submitted to the Board of Directors for the establishment of an earnings <del>distribution</del> <u>proposal</u>; followed by submitting to the shareholders' meeting for resolution on the distribution of <del>shareholders' bonus or retaining such earnings.</del></p> <p>(Newly added)</p>	Amendment made in accordance with the laws
Article 29-2	<u>The Company may issue new shares or cash with the statutory legal reserve or capital reserve</u>	(Newly added)	Amendment made in

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p><u>in accordance with the provisions of Article 241 of the Company Act.</u></p> <p><u>If the issuance described in the preceding paragraph is made in the form of cash, the Board of Directors is authorized to reach resolution and to report to the shareholders' meeting.</u></p>		accordance with the laws
Article 31	<p>The industrial environment of the Company is ever-changing and the Company is presently in a stable growth stage. The dividend policy shall take into the account of the Company's future capital need and long-term financial planning in order to pursue sustainable operation. The Company adopts an excessive dividend policy and its issuance terms, timing and amount are handled according to Article 29-1 of the Articles of Incorporation. The Company establishes plans according to the future capital demands. <u>When there is a surplus earning at the final account of a fiscal year and when the distributable earnings of the current year reaches 2% of the capital, the dividend distribution shall not be less than 10% of the distributable earnings of the current year,</u> and the cash dividend shall not be less than 10% of the total amount of the cash and share dividends issued in the current year.</p>	<p>The industrial environment of the Company is ever-changing and the Company is presently in a stable growth stage. The dividend policy shall take into the account of the Company's future capital need and long-term financial planning in order to pursue sustainable operation. The Company adopts an excessive dividend policy and its issuance terms, timing and amount are handled according to Article 29-1 of the Articles of Incorporation. The Company establishes plans according to the future capital demands. The cash dividend issued each year shall not be less than 10% of the total amount of the cash and share dividends issued in the current year.</p>	Amendment made according to the actual needs
Article 36	<p>These Articles of Incorporation Directors were duly enacted on March 10, 1986. (Omitted)</p> <p>The twenty-ninth amendment was made on June 13, 2017.</p> <p><u>The thirtieth amendment was made on June 11, 2021.</u></p>	<p>These Articles of Incorporation Directors were duly enacted on March 10, 1986. (Omitted)</p> <p>The twenty-ninth amendment was made on June 13, 2017.</p>	Newly added the date of amendment

# [Attachment 7]

Comparison table for the Procedures for Acquisition or Disposal of Assets before and after amendment

Article No.	After Amendment	Before Amendment	Reason of Amendment																														
Article 7	<p>(Omitted)</p> <p>III. Operating procedures:</p> <p>(I)Authorization amount, level of authority and investment limit:</p> <p>1. Non-operating real properties <u>and</u> right-of-use assets thereof <u>or</u> securities:</p> <table><tr><th>Asset item</th><th>The company</th><th>Company's Subsidiary</th><th>Total Amount of investment</th><th>Limits for Individual investment</th></tr><tr><td>Real estate and right-of-use assets for non-operating purpose</td><td>Approval Personnel: Board of Directors Approval and Decision: Above NT\$50,000,000 Chairman's decision Board of Directors: Under NT\$50,000,000 (incl.)</td><td>Approval Personnel: Board of Directors Approval and Decision: Above NT\$25,000,000 Chairman's decision Board of Directors: Under NT\$25,000,000 (incl.)</td><td>30% of net equity</td><td>15% of net equity</td></tr><tr><td>Equity investment</td><td>Approval Personnel: Board of Directors Approval and Decision: Above NT\$50,000,000 (incl.) Chairman's decision Board of Directors: Under NT\$50,000,000 (incl.)</td><td>Approval Personnel: Board of Directors Approval and Decision: Above NT\$25,000,000 Chairman's decision Board of Directors: Under NT\$25,000,000 (incl.)</td><td>200% of net equity</td><td>50% of net equity</td></tr><tr><td>Long-term Guaranteed or Collateralized Bonds</td><td>Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)</td><td>Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 President: Under NT\$10,000,000 (incl.)</td><td>30% of net equity</td><td>15% of net equity</td></tr><tr><td>Short-term bonds and money market fund</td><td>Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)</td><td>Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 President: Under NT\$10,000,000 (incl.)</td><td>30% of net equity</td><td>15% of net equity</td></tr><tr><td>Other securities</td><td>Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)</td><td>Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 (incl.) President: Under NT\$10,000,000 (incl.)</td><td>30% of net equity</td><td>5% of net equity</td></tr></table> <p>※ Short-term bonds shall not be operated through the principle of leverage via the multiplication of any loan, deposit or similar method, causing the effect of expanding the profit or loss.</p> <p>※ The term of “net worth” refers to the owner’s equity of the parent company listed in the balance sheet of each company.</p> <p>※ Investment and registration of shares of subsidiaries 100% directly or indirectly held by the Company are not restricted by the investment total amount of long-term equity.</p> <p>※ Professional investment companies or overseas reinvestment companies are not restricted by the equity investment limit.</p> <p>2. Memberships and intangible assess: Shall be handled in accordance with relevant provisions of Article 11 of these Procedures.</p> <p>3. Related party transactions: Shall be handled in accordance with relevant provisions specified in Section 3 of Chapter 2 of these Procedures.</p> <p>4. Derivative trading: Shall be handled in accordance with relevant provisions specified</p>	Asset item	The company	Company's Subsidiary	Total Amount of investment	Limits for Individual investment	Real estate and right-of-use assets for non-operating purpose	Approval Personnel: Board of Directors Approval and Decision: Above NT\$50,000,000 Chairman's decision Board of Directors: Under NT\$50,000,000 (incl.)	Approval Personnel: Board of Directors Approval and Decision: Above NT\$25,000,000 Chairman's decision Board of Directors: Under NT\$25,000,000 (incl.)	30% of net equity	15% of net equity	Equity investment	Approval Personnel: Board of Directors Approval and Decision: Above NT\$50,000,000 (incl.) Chairman's decision Board of Directors: Under NT\$50,000,000 (incl.)	Approval Personnel: Board of Directors Approval and Decision: Above NT\$25,000,000 Chairman's decision Board of Directors: Under NT\$25,000,000 (incl.)	200% of net equity	50% of net equity	Long-term Guaranteed or Collateralized Bonds	Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)	Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 President: Under NT\$10,000,000 (incl.)	30% of net equity	15% of net equity	Short-term bonds and money market fund	Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)	Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 President: Under NT\$10,000,000 (incl.)	30% of net equity	15% of net equity	Other securities	Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)	Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 (incl.) President: Under NT\$10,000,000 (incl.)	30% of net equity	5% of net equity	<p>(Omitted)</p> <p>III. Operating procedures:</p> <p>(I)Authorization limit and level:</p> <p>1.Non-operating real property, <del>equipment</del> or right-of-use assets thereof: Shall be handled in accordance with relevant provisions of Article 9 of these Procedures.</p> <p><del>2.Short term investment of securities—excluding stocks</del></p> <p><del>(1)When the investment amount is less than NT\$60 million, the financial supervisor may determine the feasibility of the transaction, followed by reporting to the Chairman for approval after the transaction is made.</del></p> <p><del>(2)When the investment amount exceeds NT\$ 60 million but less than NT\$ 200 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval in order to execute the transaction.</del></p> <p><del>(3)When the investment amount exceeds NT\$ 200 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval and further submitting to the Board of Directors for approval through resolution in order to execute the transaction.</del></p> <p><del>3.Short term investment of securities—</del></p>	<p>1.The authorization amount, level of authority and investment limit shall be presented in a table form.</p> <p>2.Excluding the investment amount of 100% subsidiaries.</p> <p>3.Subsidiaries may handle matters in accordance with the regulations of the parent company or their self-established regulations.</p>
Asset item	The company	Company's Subsidiary	Total Amount of investment	Limits for Individual investment																													
Real estate and right-of-use assets for non-operating purpose	Approval Personnel: Board of Directors Approval and Decision: Above NT\$50,000,000 Chairman's decision Board of Directors: Under NT\$50,000,000 (incl.)	Approval Personnel: Board of Directors Approval and Decision: Above NT\$25,000,000 Chairman's decision Board of Directors: Under NT\$25,000,000 (incl.)	30% of net equity	15% of net equity																													
Equity investment	Approval Personnel: Board of Directors Approval and Decision: Above NT\$50,000,000 (incl.) Chairman's decision Board of Directors: Under NT\$50,000,000 (incl.)	Approval Personnel: Board of Directors Approval and Decision: Above NT\$25,000,000 Chairman's decision Board of Directors: Under NT\$25,000,000 (incl.)	200% of net equity	50% of net equity																													
Long-term Guaranteed or Collateralized Bonds	Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)	Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 President: Under NT\$10,000,000 (incl.)	30% of net equity	15% of net equity																													
Short-term bonds and money market fund	Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)	Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 President: Under NT\$10,000,000 (incl.)	30% of net equity	15% of net equity																													
Other securities	Approval Personnel: Chairman Approval and Decision: Above NT\$20,000,000 (incl.) President: Under NT\$20,000,000 (incl.)	Approval Personnel: Chairman Approval and Decision: Above NT\$10,000,000 (incl.) President: Under NT\$10,000,000 (incl.)	30% of net equity	5% of net equity																													

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p>in Section 4 of Chapter 2 of these Procedures.</p> <p>5.Assets acquired or disposed of in connection with mergers, demergers, acquisitions and transfer of shares: Shall be handled in accordance with relevant provisions specified in Section 5 of Chapter 2 of these Procedures.</p> <p>(Omitted)</p> <p>(Revised to present in a table form)</p>	<p><del>stocks</del></p> <p><del>(1)When the investment amount is less than NT\$ 100 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval, and it shall also be reported to the most recent Board of Directors' meeting for recordation.</del></p> <p><del>(2)When the investment amount exceeds NT\$ 100 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval and further submitting to the Board of Directors for approval through resolution in order to execute the transaction.</del></p> <p><del>4.Investment in long term equity and securities</del></p> <p><del>For the Company's investment in long term equity and securities, the responsible unit shall perform evaluation and report to the Board of Directors for approval in order to execute the investment.</del></p> <p>5.Memberships and intangible assess: Shall be handled in accordance with relevant provisions of Article 11 of these Procedures.</p> <p>6.Related party transactions: Shall be handled in accordance with relevant provisions specified in Section 3 of Chapter 2 of these Procedures.</p> <p>7.Derivative trading: Shall be handled in accordance with relevant provisions specified in Section 4</p>	

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p>V. The Company shall supervise the asset acquisition and disposition status of the subsidiaries and the supervision and management shall be handled <u>in accordance with</u> relevant regulations of the Company and “Procedures for Acquisition and Disposal of Asset” of each subsidiary.</p> <p>VI. Where any relevant personnel violates the provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” or these Procedures, such violation shall be handled in accordance with the internal</p>	<p>of Chapter 2 of these Procedures.</p> <p>8.Assets acquired or disposed of in connection with mergers, demergers, acquisitions and transfer of shares: Shall be handled in accordance with relevant provisions specified in Section 5 of Chapter 2 of these Procedures.</p> <p>(Omitted)</p> <p><del>V. Investment limits of the Company and subsidiaries:</del></p> <p><del>(I)The total investment amount in securities of each company shall not exceed 100% of its net worth. However, professional investment companies or overseas reinvestment companies are not restricted by such limit.</del></p> <p><del>(II)The investment amount in an individual security of each company shall not exceed 30% of its net worth. However, professional investment companies or overseas reinvestment companies are not restricted by such limit.</del></p> <p><del>(III)When each company purchases non operating real property, equipment or right of use assets thereof, the total amount shall not exceed 30% of its net worth.</del></p> <p><del>(IV)The total investment amount in memberships and intangible assets of each company shall not exceed 20% of its net worth.</del></p> <p>VI. The Company shall supervise the asset acquisition and disposition status of the subsidiaries and the supervision and management shall be handled <del>according to</del> relevant regulations of the Company and “Procedures for</p>	

Article No.	After Amendment	Before Amendment	Reason of Amendment
	operational regulations of the Company <u>VII. Subsidiaries of the Company shall handle matters in accordance with these Procedures; whoever where the subsidiaries have followed the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” established by the Financial Supervisory Commission and have considered the opinions of the Company to establish the “Procedures for Acquisition and Disposal of Assets”, the subsidiaries may then handle matters in accordance with the Procedures for Acquisition and Disposal of Assets.</u>	Acquisition and Disposal of Asset” of each subsidiary. <u>VII. Where any relevant personnel violates the provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” or these Procedures, such violation shall be handled in accordance with the internal operational regulations of the Company</u> <u>VIII. Subsidiaries of the Company shall establish and execute the Procedures for Acquisition and Disposal of Assets in accordance with these Procedures.</u>	
Article 9	Real property, equipment or right-of-use assets thereof (Deleted)  (Omitted)	Real property, equipment or right-of-use assets thereof <del>I. Evaluation</del> <del>The acquisition or disposal of real properties and equipment or right of use assets thereof shall be handled according to the procedures specified in the internal control system fixed asset cycle operation of the Company.</del> <del>II. Transaction price determination method</del> <del>For the acquisition or disposal of real properties or other right of use assets, the executing unit shall refer to the announced current value, evaluated price, neighboring real property actual transaction price or appraisal report issued by expert and appraisal institution. After the processes of price inquiry, price comparison and price negotiation, analysis report shall be prepared and reported to the Board of Directors for approval in order to execute the transaction.</del> <del>III. Expert’s appraisal report</del> (Omitted)	Evaluation and transaction price determination method are deleted

Article No.	After Amendment	Before Amendment	Reason of Amendment
Article 10	<p>Securities (Deleted)</p> <p>For the acquisition or disposal of securities of the Company, it is necessary to obtain the financial statements of the most recent period of the subject company certified or audited by CPA before the transaction occurrence date as the reference for evaluating the transaction price.</p> <p>(Deleted) (Omitted)</p>	<p>Securities</p> <p><del>I. Evaluation</del></p> <p><del>The acquisition or disposal of securities of the Company shall be handled in accordance with the internal control system investment cycle operation of the Company.</del></p> <p><del>II. Transaction price determination method</del></p> <p><del>(I) Where the securities acquired or disposed are of publicly quoted prices of e an active market, or where the Financial Supervisory Commission, Executive Yuan, specifies otherwise, the financial unit shall perform determination based on the market price and condition.</del></p> <p><del>(II) For the acquisition or disposal of securities of the Company, it is necessary to obtain the financial statements of the most recent period of the subject company certified or audited by CPA before the transaction occurrence date as the reference for evaluating the transaction price.</del></p> <p><del>III. Expert assessment opinion report</del></p> <p>(Omitted)</p>	<p>Evaluation and transaction price determination method are deleted</p>
Article 11	<p>Memberships or intangible assets (Deleted)</p> <p>(Omitted)</p>	<p>Memberships or intangible assets</p> <p><del>I. Evaluation</del></p> <p><del>The acquisition or disposal of intangible assets or right of use assets thereof or memberships shall be handled according to the internal control system fixed asset cycle operation of the Company.</del></p> <p><del>II. Transaction price determination method</del></p> <p><del>The executing unit shall consider the fair market price at the time of transaction, and shall also consider the net recoverable net income from the asset in in the future and an analysis report shall be prepared and submitted</del></p>	<p>Evaluation and transaction price determination method are deleted</p>



Article No.	After Amendment	Before Amendment	Reason of Amendment
		to the Board of Directors for resolution. III. Expert assessment opinion report (Omitted)	
Article 15	<p>(Omitted)</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent company, subsidiaries or between subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, the Board of Directors may authorize the Chairman to decide such matters when the transaction is within the amount of NT\$300 million and have the decisions subsequently submitted to and ratified by the most recent Board of Directors' meeting after the execution.</p> <p>I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>II. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p><u>With respect to the types of transactions listed below, when to be conducted between the Company and its parent company, subsidiaries or between subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, the Chairman may decide such matters when the transaction described in the preceding paragraph is within the amount of NT\$500 million and have the decisions subsequently submitted to and ratified by the most recent Board of Directors' meeting after the execution.</u></p> <p>(Omitted)</p>	<p>(Omitted)</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent company, subsidiaries or between subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, <del>the Board of Directors may authorize the Chairman, according to Paragraph 3 of Article 7,</del> to decide such matters when the transaction is within <del>a</del> <u>certain</u> amount and have the decisions subsequently submitted to and ratified by the most recent Board of Directors' meeting:</p> <p>I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>II. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>(Omitted)</p>	Revised to specify the limit amount permitted for Chairman's own decision for execution
Article 19	<p>(Omitted)</p> <p>The Company engaging in derivatives trading shall be aware of the following risk management and audit control, and shall also incorporate such matters into the handling procedure:</p> <p>I. Transaction principles and directives (Omitted)</p> <p>(II) Operating or hedging strategy</p> <p>The term of "derivatives trading" described in</p>	<p>(Omitted)</p> <p>The Company engaging in derivatives trading shall be aware of the following risk management and audit control, and shall also incorporate such matters into the handling procedure:</p> <p>I. Transaction principles and directives (Omitted)</p>	<p>1. Adjusted the hedge instrument transaction total limit and the transaction loss limit.</p> <p>2. Newly added the approval</p>

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p>these Procedures is divided into hedge instruments for the purpose of hedging (non-trading) and trading instruments for the purpose of trading in accordance with the purpose of holding or issuance of the instruments.</p> <p>When the Company engages in derivatives trading, it shall be limited to the purpose of risk hedging. The transaction counterparty shall be <u>domestic and foreign</u> financial institutions in order to prevent the occurrence of credit risk.</p> <p>(V)Trading contract total amount <u>and authority</u>:</p> <p>1.Hedge instrument transaction total limit:</p> <p>1.1<u>The amount for risk hedging shall be based on the position arising from the business of the Company.</u></p> <p>1.2<u>The contract total amount shall not exceed the foreign currency net assets (or liabilities plus the net position arising from the expected revenue (or purchase) in the next 12 months; however, the swap transaction of the nature fund movement shall be excluded.</u></p> <p>1.3<u>If the aforementioned net position estimated according to the above plus the future expected revenue (or purchase) exceeds 2 months, then it is necessary to obtain the approval of the President before execution accordingly.</u></p> <p>2.Interest rate transaction: It shall be limited to the Company's long-term loan balance and repayment period only.</p> <p>3.Other hedge trades, such as hedge of assets, liabilities, issuance of overseas equity (such as ADR) or bonds (such as ECB) or exchange rate or interest rate of other financial instrument issuance, firm commitment, risks of expected transactions highly probable to occur, then the transaction may be limited to the total amount of the balance, and evaluation report shall be prepared for submission to the President for approval in order to execute accordingly.</p> <p>4.<u>Exchange rate, interest rate transaction approval</u></p>	<p>(II)Operating or hedging strategy</p> <p>The term of "derivatives trading" described in these Procedures is divided into hedge instruments for the purpose of hedging (non-trading) and trading instruments for the purpose of trading in accordance with the purpose of holding or issuance of the instruments.</p> <p>When the Company engages in derivatives trading, it shall be limited to the purpose of risk hedging. The transaction counterparty shall be financial institutions <del>having business dealings with the Company</del> in order to prevent the occurrence of credit risk.</p> <p>(V)Trading contract total amount:</p> <p>1.Hedge instrument transaction total limit:</p> <p><del>Position shall not exceed the total liabilities or overseas funding accumulated position of the Company in principle. In case of any change, it shall be reported to the Board of Directors for approval.</del></p> <p><del>2.Trading instrument transaction total limit:</del></p> <p><del>Unless the approval of the Board of Directors is obtained, it is prohibited to engage in transactions involving trading instruments.</del></p> <p>(Newly added)</p>	<p>authority. 3. Specify the title of the senior supervisor for supervision and control.</p>

Article No.	After Amendment	Before Amendment	Reason of Amendment																														
	<p><u>authority table:</u></p> <table><tr><th rowspan="2"></th><th colspan="2">The company</th><th colspan="2">Company's Subsidiary</th></tr><tr><th>Each</th><th>Daily</th><th>Each</th><th>Daily</th></tr><tr><td>Chairman</td><td>Above US\$ 10 million</td><td>Above US\$ 30 million</td><td>Above US\$ 5 million</td><td>Above US\$ US\$ 15 million</td></tr><tr><td>President</td><td>US\$ 10 million</td><td>US\$ 30 million</td><td>US\$ 5 million</td><td>US\$ 15 million</td></tr><tr><td>Financial Department Incentives Supervisor Decision-maker</td><td>US\$ 5 million</td><td>US\$ 15 million</td><td>US\$ 2.5 million</td><td>US\$ 7.5 million</td></tr></table> <p>(VI)All and individual contract loss upper limit amount:</p> <p>1.Hedge trade loss upper limit amount:</p> <table><tr><td></td><td><u>All contracts</u></td><td><u>Individual contract</u></td></tr><tr><td><u>Hedge trade loss upper limit</u></td><td><u>15%</u></td><td><u>20%</u></td></tr></table> <p>(Omitted)</p> <p>3.If all contract loss amount and individual loss amount exceeds the aforementioned limit, <u>the President shall adopt necessary responsive measures, and shall report to the Board of Directors immediately. If independent directors have been established, the board of director shall be attended by the independent directors and opinions thereof shall be expressed.</u></p> <p>(Omitted)</p>		The company		Company's Subsidiary		Each	Daily	Each	Daily	Chairman	Above US\$ 10 million	Above US\$ 30 million	Above US\$ 5 million	Above US\$ US\$ 15 million	President	US\$ 10 million	US\$ 30 million	US\$ 5 million	US\$ 15 million	Financial Department Incentives Supervisor Decision-maker	US\$ 5 million	US\$ 15 million	US\$ 2.5 million	US\$ 7.5 million		<u>All contracts</u>	<u>Individual contract</u>	<u>Hedge trade loss upper limit</u>	<u>15%</u>	<u>20%</u>	<p>(VI)All and individual contract loss upper limit amount:</p> <p>1.<del>Regarding hedge trades, the contract loss upper limit shall not exceed 20% of the contract amount, and this is applicable to both individual contract and all contracts.</del></p> <p>(Omitted)</p> <p>3.In case where all contract loss amount and individual contract loss amount exceed the aforementioned limit, <del>it is necessary to report to the senior supervisor designated by the Board of Directors for the supervision and control of derivatives trading and the Chairman immediately, and shall report to the Board of Directors, in order to negotiate necessary responsive measures.</del></p> <p>(Omitted)</p>	
	The company		Company's Subsidiary																														
	Each	Daily	Each	Daily																													
Chairman	Above US\$ 10 million	Above US\$ 30 million	Above US\$ 5 million	Above US\$ US\$ 15 million																													
President	US\$ 10 million	US\$ 30 million	US\$ 5 million	US\$ 15 million																													
Financial Department Incentives Supervisor Decision-maker	US\$ 5 million	US\$ 15 million	US\$ 2.5 million	US\$ 7.5 million																													
	<u>All contracts</u>	<u>Individual contract</u>																															
<u>Hedge trade loss upper limit</u>	<u>15%</u>	<u>20%</u>																															
Article 20	<p>When the Company engages in derivatives trading, the Company shall adopt the following risk management measures:</p> <p>I. Risk management scope</p> <p>(I)Consideration of credit risk:</p> <p>The transaction counterparty of the Company shall be <u>domestic and foreign</u> financial institutions in principle.</p> <p>(Omitted)</p> <p>III、The risk measurement, supervision and control personnel shall be from a department</p>	<p>When the Company engages in derivatives trading, the Company shall adopt the following risk management measures:</p> <p>I. Risk management scope</p> <p>(I)Consideration of credit risk:</p> <p>The transaction counterparty of the Company shall be <del>banks having business dealings or internationally well known</del> financial institutions <del>and shall be able to provide professional information</del> in principle.</p>	<p>Revision is made to specify the title of the supervisor for exceptional approval of transaction counterparties and the title of the supervisor for the</p>																														

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p>different from the personnel described in the preceding paragraph, and shall be reported to the Board of Directors.</p> <p>IV、The positions held for trading purpose shall be evaluated at least once weekly. If there is a need to perform hedge trade due to business needs, it shall be evaluated at least twice monthly. The evaluation report shall be submitted to the <u>President. In case of any abnormality in the evaluation report, the President shall report to the Board of Directors and adopt necessary responsive measures. If independent directors have been established, the Board of Directors' meeting shall be attended by the independent directors and opinions thereof shall be expressed.</u></p>	<p>(Omitted)</p> <p>III、The risk measurement, supervision and control personnel shall be from a department different from the personnel described in the preceding paragraph, and shall be reported to the Board of Directors <del>or senior supervisor without bearing the decision responsibility for the transaction or position.</del></p> <p>IV、The positions held for trading purpose shall be evaluated at least once weekly. If there is a need to perform hedge trade due to business needs, it shall be evaluated at least twice monthly. The evaluation report shall be submitted to the <del>senior supervisor authorized by the Board of Directors, and shall be reported to the board of directors for approval quarterly.</del></p>	<p>submission of the evaluation report.</p>
Article 21	<p>When the Company engages in derivatives trading, the Board of Directors shall execute the supervision management according to the following principles:</p> <p>I. The <u>President</u> shall be aware of the supervision and control of derivatives trading risk.</p> <p>(Omitted)</p> <p><u>President</u> shall handle the derivatives trading according to the following principles:</p> <p>(Omitted)</p> <p>When the Company engaging in derivatives trading performs such trading in accordance with the Procedures for Derivatives Trading, it shall be reported to the Board of Directors' meeting after the execution of the trading.</p>	<p>When the Company engages in derivatives trading, the Board of Directors shall execute the supervision management according to the following principles:</p> <p>I. <del>Designated senior supervisor</del> shall be aware of the supervision and control of derivatives trading risk.</p> <p>(Omitted)</p> <p><del>Senior supervisor authorized by the Board of Directors</del> shall handle the derivatives trading according to the following principles:</p> <p>(Omitted)</p> <p>When the Company engaging in derivatives trading <del>authorizes relevant personnel to perform</del> such trading in accordance with the Procedures for Derivatives Trading, it shall be</p>	<p>Specify the title of the senior supervisor for supervision and control.</p>

Article No.	After Amendment	Before Amendment	Reason of Amendment
		reported to the <del>most recent</del> Board of Directors' meeting after the execution of the trading.	

## [Attachment 8]

Comparison table for the Procedures for Lending Funds to Other Parties before and after amendment

Article No.	After Amendment	Before Amendment	Reason of Amendment
Article 2	<p>Borrower</p> <p>Pursuant to Article 15 of the Company Act, unless otherwise under any of the following circumstances, the capital of the Company shall not be lend to any shareholder or any other person:</p> <p>I.Companies or firms with business dealings with the Company.</p> <p>II.<u>Subsidiaries</u> having the short-term financing needs with the Company.</p> <p>(Omitted)</p>	<p>Borrower</p> <p>Pursuant to Article 15 of the Company Act, unless otherwise under any of the following circumstances, the capital of the Company shall not be lend to any shareholder or any other person:</p> <p>I.Companies or firms with business dealings with the Company.</p> <p>II.Companies <del>or—firms</del> having the short-term financing needs with the Company.</p> <p>(Omitted)</p>	Amendment made according to the actual needs
Article 5	<p>Aggregate amount of loans and maximum amount permitted to a single borrower:</p> <p>I. The aggregate amount of loans to others provided by the Company shall not exceed 40% of the net worth indicated in the most recent financial statements of the Company audited and certified by CPA. The individual limit of each borrower and the reason of loaning are respectively specified in the following, and the individual limit shall not exceed the total amount:</p> <p>(I) For a borrower having business dealings with the Company, the maximum individual loan amount shall not exceed the <u>estimated business dealing amount between the two parties within the most recent year or future one year, and shall not exceed 20% of the net worth of the Company indicated in the most recent financial statements of the Company.</u> The “total amount of trading” refers to the material purchase or sales amount between the two companies, whichever is higher.</p> <p>(II) Where the borrower has short-term financing needs, the individual loan amount provided by the Company shall not exceed <u>20%</u> of the net worth indicated in the most recent financial statements of the Company audited and certified by CPA.</p> <p>(Deleted)</p> <p>II. For loaning of funds between foreign subsidiaries with voting shares 100% directly or indirectly held by the Company, <u>or loans</u></p>	<p>Aggregate amount of loans and maximum amount permitted to a single borrower:</p> <p>I. The aggregate amount of loans to others provided by the Company shall not exceed 40% of the net worth indicated in the most recent financial statements of the Company audited and certified by CPA. The individual limit of each borrower and the reason of loaning are respectively specified in the following, and the individual limit shall not exceed the total amount:</p> <p>(I) For a borrower having business dealings with the Company, the individual loan amount provided to the borrower shall not exceed the <del>transaction total amount</del> of the business dealings in the most recent <del>twelve months</del>. The “transaction total amount” refers to purchases or sales between the two parties whichever is higher.</p> <p>(II) Where the borrower has short-term financing needs, the individual loan amount provided by the Company shall not exceed 10% of the net worth indicated in the most recent financial statements of the Company audited and certified by CPA.</p> <p><del>II. The aggregate amount of loans to others provided by the a subsidiary shall not exceed 40% of the net worth indicated in the most recent financial statements of the subsidiary. The limit of each borrower and the reason of loaning are respectively specified in the following, and the individual limit shall not exceed the total amount:</del></p> <p><del>(I) For a borrower having business dealings with the subsidiary, the individual loan amount provided to the borrower shall not exceed the transaction total amount of the business dealings in the most recent twelve months. The “transaction total amount” refers to purchases or sales between the two</del></p>	Amendment made according to the actual needs

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<u>provided by foreign subsidiaries with voting shares 100% directly or indirectly held by the Company to the Company, it is not restricted by the financial total amount limit and the financing period; however, each of such subsidiaries shall still self-establish the limit and loan period for loaning funds to others.</u>	<del>parties whichever is higher.</del> <del>(II) Where the borrower has short term financing needs, the individual loan amount provided shall not exceed 10% of the net worth indicated in the most recent financial statements of the subsidiary.</del> <del>3. The aggregate amount of the loaning of funds between overseas subsidiaries of the Company with 100% voting rights held directly or indirectly the Company and the limit for each individual borrower shall not exceed 100% of the net worth of the company loaning the fund to others; provided that the duration of the loan shall be handled in accordance with Article 6 of these Procedures.</del>	
Article 6	<p>Duration of loans and calculation of interest</p> <p>I. <u>For each loan, the duration shall not exceed a maximum of one year from the date of loan or one business cycle (whichever is longer shall prevail).</u></p> <p>II. <u>The interest rate of the loan shall refer to the interest rate for deposit and loan of the Company at the financial institution, and the interest rate may be adjusted depending upon the actual needs. Unless there are special rules on the calculation of loan interest, interest shall be calculated monthly in principle, and interest may be collected monthly, quarterly or settled at once upon the due date of the loan.</u></p>	<p>Duration of loans and calculation of interest</p> <p>I. <del>The loan duration of the loan provided by the Company shall be limited to one year.</del></p> <p>II. <del>The interest of the loan provided by the Company shall be calculated based on the interest rate announced by the bank at the time of loaning fund to others plus 2% in principle; however, it may be adjusted by the Board of Directors depending upon the needs. Interest is calculated on a daily basis, and the interest is calculated by multiplying the sum (i.e. the total aggregate) of the daily loan balance by the annual interest rate, and then divide it by 365 in order to obtain the interest.</del> <del>Unless there are special rules on the calculation of loan interest, interest shall be paid once monthly in principle, and interest shall be be paid within one week from the notice for interest payment date agreed by the borrower.</del></p>	Amendment made according to the actual needs
Article 7	<p>(Omitted)</p> <p>VII. <u>Loaning of funds between the Company and its subsidiaries or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. The term of "certain limit" described in the preceding paragraph shall be in compliance with Paragraph 2 of Article 5, and in addition, the authorized limit on loans extended by the Company or its subsidiaries to any single entity shall not exceed 10% of the net worth</u></p>	<p>(Omitted)</p> <p>VII. <del>Loaning of funds between the Company and its subsidiaries or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. Article 5 The term of "certain limit" described in the preceding paragraph shall be handled in accordance with the total loan amount and individual borrower limit described in Article 5 of these Procedures.</del></p>	Amendment made in accordance with the laws

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<u>indicated in the most recent financial statements of the Company.</u> (Omitted)	(Omitted)	
Article 11	In case of change of circumstances such that the subject of loan becomes nonconforming with the provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the balance exceeds the limit, then improvement plan shall be established. In addition, relevant improvement plan shall be submitted to the Audit Committee, and improvement shall be completed according to the plan schedule.	In case of change of circumstances such that the subject of loan becomes nonconforming with the provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the balance exceeds the limit, then improvement plan shall be established. In addition, relevant improvement plan shall be submitted to the Audit Committee <del>and Board of Directors</del> , and improvement shall be completed according to the plan schedule.	Amendment made in accordance with the laws
Article 17	During the audit conducted by auditors of the Company according to the annual audit plan at a subsidiary, it is necessary to understand the status on the procedure of loaning of funds to others executed the subsidiary. In case of discovery of deficiencies, it is necessary to continue follow up its improvement status.	During the audit conducted by auditors of the Company according to the annual audit plan at a subsidiary, it is necessary to understand the status on the procedure of loaning of funds to others executed the subsidiary. In case of discovery of deficiencies, it is necessary to continue follow up its improvement status., <del>and follow up report shall be prepared and submitted to the Chairman.</del>	Amendment made according to the actual needs
Article 18	In case where a managerial officer or main case handler of the Company <u>is subject to intentional or major fault such that these Procedures are violated</u> , it shall be handled in accordance with <u>personnel and administrative related regulations and rules of the Company.</u>	In case where a managerial officer or main case handler of the Company violates these <del>Procedures</del> , punishment shall be imposed <del>in accordance with the personnel management regulations and employee performance evaluation of the Company depending upon the severity of the violation.</del>	Amendment made according to the actual needs



## [Attachment 9]

Comparison table for the Procedures for Endorsements and Guarantees before and after amendment

Article No.	After Amendment	Before Amendment	Reason of Amendment
Article 2	<p>Applicable scope and subject (Omitted)</p> <p>(V) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, <u>or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other</u>, such endorsements/guarantees may be made free of the restrictions. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.</p>	<p>Applicable scope and subject (Omitted)</p> <p>(V) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restrictions. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.</p>	Amendment made in accordance with the laws
Article 5	<p>(Omitted)</p> <p>II. Endorsements/guarantees provided to a single company may not exceed <u>20%</u> of the Company's net worth of the Company's most recent financial statements. However, the limitations are not restricted when the Company provides endorsements/guarantees for subsidiaries in which the Company directly or indirectly holds more than 50% of the voting rights and to companies in which the Company directly and indirectly holds 100% of the voting rights, but still may not exceed 100% of the Company's net worth of the Company's most recent financial statements.</p> <p>III. For the endorsement/guarantee made to others having business dealings with the Company, in addition to the provisions specified in the preceding two paragraphs, the maximum endorsement/guarantee amount provided to one single party shall not exceed the <u>estimated business dealing total amount between the two parties within the most recent year or future one year, and shall not exceed 20% of the net worth of the Company indicated in the most recent financial statements of the Company</u> (the term "business dealing total amount" refers to the higher of the purchase or sales amount between the two parties).</p> <p>(Omitted)</p>	<p>(Omitted)</p> <p>II. Endorsements/guarantees provided to a single company may not exceed 10% of the Company's net worth of the Company's most recent financial statements. However, the limitations are not restricted when the Company provides endorsements/guarantees for subsidiaries in which the Company directly or indirectly holds more than 50% of the voting rights and to companies in which the Company directly and indirectly holds 100% of the voting rights, but still may not exceed 100% of the Company's net worth of the Company's most recent financial statements.</p> <p>III. For the endorsement/guarantee made to others having business dealings with the Company, in addition to the provisions specified in the preceding two paragraphs, the maximum endorsement/guarantee amount provided to one single party shall not exceed the business dealing total amount between the two parties within <del>twelve months before the making of the endorsement/guarantee</del> (the term "business dealing total amount" refers to the higher of the purchase or sales amount between the two parties).</p> <p>(Omitted)</p>	Amendment made according to the actual needs
Article	I. To apply for endorsement/guarantee, the	I. <del>The enterprise receiving the</del>	Amendment

Article No.	After Amendment	Before Amendment	Reason of Amendment
6	<p><u>enterprise receiving the endorsement/endorsement shall submit application, and shall fill out the “Guarantee Application Form” for the handling department’s evaluation and completion of the “Application Guarantee Evaluation Form” indicating the endorsement/guarantee company, subject, type, reason and amount, which shall also be handled in accordance with the provisions of Article 9 of these procedures.</u> (Revised Paragraph 1 to Paragraph 3)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>II. The handling unit shall prepare the “Endorsement/Guarantee Memorandum Book” recording details of each guarantee, and its content shall include the guarantee matter, name of enterprise receiving endorsement/guarantee, endorsement/guarantee amount, approval date of the Board of Directors and Chairman, guarantee/endorsement date, matters required to be evaluated carefully according to this provision, collateral content and its appraisal value and the criteria and date, etc. for discharge of the endorsement/guarantee liability. (Deleted)</p> <p>(Deleted)</p> <p>III. <u>Prior to making endorsement/guarantee, the Company shall contact the company receiving the endorsement/guarantee to provide its company registration certificate and necessary financial data, and evaluation shall be conducted on the following items:</u> (I) <u>The financial status of the company applying for endorsement/guarantee as well as</u></p>	<p><del>endorsement/guarantee shall submit application and fill out the “Guarantee Application Form”.</del></p> <p>II. <del>The handling personnel shall fill out the “Application Evaluation Form” and submit to the financial department for approval. The financial department shall perform evaluation properly and conduct credit check and risk assessment. The evaluation item shall include the necessity and reasonableness of the endorsement/guarantee. Whether the endorsement/guarantee amount is consistent with the business dealing, and whether it has any impact on the operating risk, financial status and shareholders’ equity of the Company, whether it is necessary to obtain a collateral and the appraisal value of the collateral. After the financial department summarizes the aforementioned documents and information, the case shall be submitted to the Board of Directors for discussion and resolution, and the Chairman shall then make decision according to the provision of Article 9 of these Procedures.</del></p> <p>III. <del>After the approval of the Board of Directors or Chairman, the case handler shall submit relevant documents of the “Guarantee Application Form”, contract, undertaking or guarantee notes, etc. to the seal custody unit for seal affixing.</del></p> <p>IV. <del>For guarantee notes applied with and certified by the Company that are used for</del></p>	made in accordance with the laws

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<p><u>the necessity of and reasonableness of making an endorsement/guarantee.</u></p> <p><u>(II) Conduct credit check on the information provided by the company applying for endorsement/guarantee in order to asses the risks of the endorsement/guarantee.</u></p> <p><u>(III) Determine whether the amount of endorsement/guarantee is still within the limit and determine the impacts of the endorsement/guarantee on the operation risks of the Company, financial status and benefits of shareholders.</u></p> <p><u>(IV) Evaluate the risk bearing extend of the Company on the endorsement/guarantee, and determine whether it is necessary to obtain a collateral.</u></p> <p><u>IV. Upon the due date of the guarantee, the handling unit shall perform cancellation of rights and obligations and handle guarantee discharge matters, and shall also provide all of the documents related the guarantee/endorsement to CPA for appropriate disclosure during the preparation of financial statements.</u></p>	<p><del>providing guarantee to the external, it is recommended to request a guarantee note of the same amount to be issued by the counterparty and to be preserved in the Company, in order to use it for counter guarantee.</del></p> <p><del>V. When the financial department is issuing the aforementioned guarantee note, it is necessary to prepare voucher. The accounting subjects of guarantee notes submitted, guarantee notes payable and guarantee notes receivable, guarantee notes received, etc. shall be used for accounting recognition.</del></p> <p><del>VI. The handling unit shall prepare the "Endorsement/Guarantee Memorandum Book" recording details of each guarantee, and its content shall include the guarantee matter, name of enterprise receiving endorsement/guarantee, endorsement/guarantee amount, approval date of the Board of Directors and Chairman, guarantee/endorsement date, matters required to be evaluated carefully according to this provision, collateral content and its appraisal value and the criteria and date, etc. for discharge of the endorsement/guarantee liability.</del></p> <p><del>VII. During the making of endorsement/guarantee, the financial department shall take notes on the content endorsement/guarantee check.</del></p> <p><del>VIII. Before the end of the endorsement/guarantee date, the financial department shall actively inform the party receiving the endorsement/guarantee to retrieve the guarantee note deposited at the bank or credit institution and shall cancel the deed related to the endorsement/guarantee.</del></p> <p><del>IX. Upon the due date of the guarantee, the handling unit shall perform cancellation of rights and obligations and handle guarantee discharge matters, and shall also inform the financial department. For endorsement/guarantee cases that have reached the due date, the financial department</del></p>	

Article No.	After Amendment	Before Amendment	Reason of Amendment
		shall actively follow up whether the case has been closed and canceled and shall also provide all of the documents related the guarantee/endorsement to CPA for appropriate disclosure during the preparation of financial statements.	
Article 7	I. <u>When the party receiving the endorsement/guarantee</u> being a subsidiary with a net worth less than 1/2 of the paid-in capital, <u>the financial department shall evaluate the operating risk of such subsidiary and its impact to the Company</u> and shall also submit report to the Board of Directors quarterly. However, for a company with voting shares 100% directly and indirectly held by the Company, such restriction shall not be applicable.  (Omitted)	I. <del>When the Company or a subsidiary of the Company</del> makes guarantee/endorsement to a subsidiary with a net worth less than 1/2 of the paid-in capital, <del>in addition to the review of the endorsement/guarantee according to the provision of Article 6 of these Procedures,</del> it is also necessary to <del>perform risk assessment quarterly and shall submit report to the Board of Directors for possible risks associated with the endorsement/guarantee on a quarterly basis.</del> However, for a company with voting shares 100% directly and indirectly held by the Company, such restriction shall not be applicable. (Omitted)	Amendment made according to the actual needs
Article 9	I. The endorsement/guarantee of he Company shall be executed after the resolution of the Board of Directors' meeting. However, the Board of Directors may authorize the Chairman to grant endorsements/guarantees within the range of <u>NT\$ 100 million</u> each time, followed by reporting to the most recent Board of Directors' meeting for ratification after the execution thereof. II. <u>For a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares, before making endorsements/guarantees according to Paragraph 4 of Paragraph 2 of Article 2, shall be reported to the Board of Directors of the Company first before execution thereof.</u> However, this restriction shall not apply to endorsements/guarantees made between <u>companies in which the Company holds, directly or indirectly, 100% of the voting shares.</u> III. For the decision handling procedure of endorsement/guarantee of the Company, please refer to Article 6 of these Procedures.	I. The endorsement/guarantee of he Company shall be executed after the resolution of the Board of Directors' meeting. However, the Board of Directors may authorize the Chairman to grant endorsements/guarantees within the range of <del>not exceeding 10% of the net worth of the Company indicated in the most recent financial statements</del> each time, followed by reporting to the most recent Board of Directors' meeting for ratification after the execution thereof. (Newly added)  H. For the decision handling procedure of endorsement/guarantee of the Company, please refer to Article 6 of these Procedures.	Amendment made according to the laws and actual needs
Article 18	During the audit conducted by auditors of the Company according to the annual audit plan at a subsidiary, it is necessary to understand the status on the procedure of loaning of funds to others executed the subsidiary. In case of discovery of deficiencies, it is necessary to continue follow up its improvement status.	During the audit conducted by auditors of the Company according to the annual audit plan at a subsidiary, it is necessary to understand the status on the procedure of loaning of funds to others executed the subsidiary. In case of discovery of deficiencies, it is necessary to continue follow up its improvement status., <del>and follow up report shall be prepared and submitted to the Chairman.</del>	Amendment made according to the actual needs
Article 19	In case where a managerial officer or main case handler of the Company <u>is subject to intentional or major fault such that these</u>	In case where a managerial officer or main case handler of the Company violates these <del>Procedures</del> , punishment shall be imposed <del>in</del>	Amendment made according

Article No.	After Amendment	Before Amendment	Reason of Amendment
	<u>Procedures are violated</u> , it shall be handled in accordance with <u>personnel and administrative related regulations and rules of the Company.</u>	<del>accordance with the personnel management regulations and employee performance evaluation of the Company depending upon the severity of the violation.</del>	to the actual needs

## Four. Appendices

## [Appendix 1]

### Hitron Technologies Inc.

#### Code of Ethical Conduct for Directors and Managers (Before Amendment)

Established on March 22, 2019

##### Article 1 Purpose and Basis

This Code of Conduct is adopted for the purpose of encouraging directors and managerial officers of (including general managers, assistant general managers, deputy assistant general managers, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.

##### Article 2 Content of Provisions

The purpose of the establishment of the code of ethical conduct of the Company is to prevent improper conducts, and the content of provisions are as follows:

- I.Prevention of conflicts of interest
- II.Minimizing incentives to pursue personal gain
- III.Non-disclosure obligation
- IV.Fair trade
- V. Safeguarding and proper use of company assets
- VI. Legal compliance
- VII. Encouraging reporting on illegal or unethical activities
- VIII. Disciplinary measures

##### Article 3 Prevention of conflict of interest

Directors and managerial officers shall handle official business based on objective and effective methods, shall perform duties based on the best interest of the Company, and shall also prevent the gaining of any illegal benefits by themselves, spouse, parents, children or relatives within second degree of kinship through their job positions in the Company.

To prevent conflict of interest, the Company prohibits individual directors, managerial officers and their spouses, parents, children or relatives within second degree of kinship to provide fund loans or to make guarantees.

When the Company performs loaning of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which the personnel described in the preceding paragraph belong to, the Company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for directors and managerial officers to voluntarily explain whether there is any potential conflict between them and the Company.

#### Article 4 Minimizing incentives to pursue personal gain

Directors and managerial officers shall protect the legal benefits and interests of the Company.

Directors and managerial officers shall not obtain personal gain by using company property or information or taking advantage of their positions

Unless the prior consent of the board of director or Chairman is obtained, it is prohibited to engage in competing business with the Company

#### Article 5 Non-disclosure obligation

Directors and managerial officers shall bear the non-disclosure obligation for business information learned due to job duties or cooperation relationship unless authorization is obtained or such information is required to be disclosed publicly according to the laws and regulations.

#### Article 6 Fair trade

Directors and managerial officers shall treat all suppliers and customers of purchase (sales), competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

#### Article 7 Safeguarding and proper use of company assets

All directors and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the Company's profitability.

#### Article 8 Legal compliance

Directors and managerial officers shall comply with all laws and regulations specified by the Company.

#### Article 9 Encouraging reporting on illegal or unethical activities

The company shall raise awareness of ethics internally and encourage employees to report to an appropriate person (such as: director, managerial officer, chief internal auditor, or other appropriate individual) upon suspicion or discovery of any activity in violation of a law or regulation or the codes of ethical conduct.

The Company shall adopt a confidential method to process the aforementioned report information, and shall also protect the safety of the reporter in order to prevent any reprisals from occurring, and shall also assign relevant unit to form project investigation task force to conduct investigation.

#### Article 10 Disciplinary measures

In case of any violation of the code of ethical conduct, the Company shall, depending upon the significance of such violation, disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken.



For unintentional matter or matters without intention to affect the Company's interest, it is necessary to submit supporting documents to the project investigation task force to explain that the unintentional matter details. The Company shall also provide clear explanation on the MOPS depending upon the significance of such event.

#### Article 11 Exemption

The Company may apply exemption of the application of this Code on directors and managerial officers; however, it is required to obtain prior approval or to be approved by the Board of Directors through resolution. Information on the date on which the Board of Directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS.

#### Article 12 Disclosure

The Company shall disclose the code of ethical conduct it has adopted, and any amendments to it, on the Company's website, annual reports and prospectuses and on the MOPS. The same procedure shall be adopted for amendments thereof.

#### Article 13 Enforcement

This Code shall be implemented after the Board of Directors grants the approval through resolution, and shall be reported at a shareholders' meeting. The same procedure shall be followed when this Code is amended.

## [Appendix 2]

### Hitron Technologies Inc.

#### Ethical Corporate Management Best Practice Principles (Before Amendment)

Established on March 22, 2019

- Article 1 These Principles are established to foster a corporate culture of ethical management and sound development.
- These Principles are applicable to the Company's subsidiaries, foundations to which the the Company's direct or indirect contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by such company (referred to as the "business group").
- Article 2 When engaging in commercial activities, the directors, managerial officers, employees of the Company and persons having substantial control over the Company (referred to as the "substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (referred to as the "unethical conduct") for purposes of acquiring or maintaining benefits.
- Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managerial officers, employees or substantial controllers or other stakeholders.
- Article 3 "Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. However, benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 4 The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Article 5 The Companies shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 6 The Company shall in its own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (referred to as the "prevention programs").
- The Company shall establish specific method of ethical management and operation procedure and guidelines describing plans for preventing unethical conduct according to these Principles, and shall specifically describe the precautions for performing duties by subjects to which these Principles are applicable.
- When establishing the prevention programs, the Company shall comply with relevant laws and regulations of the territory where the Group and its business group are operating..
- Article 7 The prevention programs adopted by the Company shall include preventive measures against the following:
- I. Offering and acceptance of bribes.
  - II. Illegal political donations.
  - III. Improper charitable donations or sponsorship.
  - IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
  - V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
  - VI. Engaging in unfair competitive practices.
  - VII. Product and service damaging the rights and interests or safety of the consumers or other stakeholders.

- Article 8 The Company shall clearly specify, on the company website and in the annual report, the ethical corporate management policies and the commitment by the Board of Directors and management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.
- Article 9 The Company shall engage in commercial activities in a fair and transparent manner.  
Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.  
When entering into contracts with others, the Companies shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.
- Article 10 When conducting business, the Company and the directors, managerial officers, employees and substantial controllers, may not directly or indirectly offer or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. However, where it complies with the laws of the region where operation takes place, such restriction may not be applied.
- Article 11 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and the directors, managerial officers, employees and substantial controllers of the Company, shall comply with the Political Donations Act and their own relevant internal procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- Article 12 When making or offering donations and sponsorship, the Company and the directors, managerial officers, employees and substantial controllers of the Company shall comply with relevant laws and regulations and internal procedures, and shall not surreptitiously engage in bribery.
- Article 13 The Company and the directors, managerial officers, employees and substantial controllers of the Company shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- Article 14 The Company and the directors, managerial officers, employees substantial controllers of the Company shall observe applicable laws and regulations, the Company's internal procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.
- Article 15 The Company shall engage in business activities in accordance with relevant competition laws and regulations, and shall not engage in any conducts of unfair competition.  
In the course of providing products an services, the Company and the directors, managerial officers, employees and substantial controllers of the Company shall comply with relevant laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services, in order to prevent the products or services from damaging the rights and interests of consumer or other stakeholders.
- Article 17 The Board of Directors of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.  
To achieve sound ethical corporate management, the Company appoints the Human Resource Department to be dedicated unit responsible for managing and promoting the following ethical corporate management matters, and shall report to the Board of Directors on a regular basis:
- I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate measures to ensure ethical management in compliance with the requirements of laws and regulations.
  - II. Adopting programs and procedures to prevent unethical conduct.
  - III. Establishing supervision mechanisms for operating activities of relatively higher unethical conduct risk in the scope of business.
  - IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
  - V. Developing a whistle-blowing system and ensuring its operating effectiveness.

- VI. Assisting the Board of Directors and management level in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating.
- Article 18 The Company and the directors, managerial officers, employees and substantial controllers of the Company shall comply with laws and regulations and the prevention programs when conducting business.
- Article 19 The Company shall adopt policies for preventing conflicts of interest, and shall also offer appropriate means for directors, managerial officer and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.
- When a proposal at a given Board of Directors' meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managerial officers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings. The directors shall practice self-discipline and must not support one another in improper dealings.
- The Company' directors, supervisors, managerial officers, employees and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.
- Article 20 The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.
- The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the Board of Directors. The internal auditors may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.
- Article 21 The Company shall establish operational procedures and guidelines in accordance with Article 6 of these Principles, and the content shall at least contain the following matters:
- I. Standards for determining whether improper benefits have been offered or accepted.
  - II. Procedures for offering legitimate political donations.
  - III. Procedures and the standard rates for offering charitable donations or sponsorship.
  - IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
  - V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
  - VI. Regulations and procedures for dealing with suppliers, contractors, clients and business transaction counterparties suspected of unethical conduct.
  - VII. Handling procedures for violations of these Principles.
  - VIII. Disciplinary measures on offenders.
- Article 22 The Chairman, General Manager or senior management level of the Company shall communicate the importance of corporate ethics to its directors and employees on an irregular basis.
- The Company shall periodically organize training and awareness programs for directors, managerial officers, employees and substantial controllers. All business handling units shall perform education and promotion on counterparties engaging in commercial conducts with the Company, so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.
- The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies.
- Article 22 The Company sets up a whistle-blowing mailbox to allow internal and external personnel of the Company to submit reports. When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.

In case where any director, managerial officer, employee and substantial controller of the Company is subject to violation of the ethical corporate management regulations, the Company may impose discipline action depending upon the severity of the violation.

Article 24 The Company shall disclose the measures taken for implementing ethical corporate management on the Company's website, annual reports and prospectuses.

Article 25 The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage the directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 26 These Principles shall be implemented after the Board of Directors grants the approval through resolution, and shall be reported at a shareholders' meeting. The same procedure shall be followed when these Principles are amended.

The Company has established independent directors, and during the submission of the Ethical Corporate Management Best Practice Principles to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors' meeting.

## [Appendix 3]

### Hitron Technologies Inc. Articles of Incorporation (Before Amendment)

Amended on June 13, 2017

#### Chapter 1 General Rules

Article 1: The Company shall be incorporated under the Company Act and its name shall be 仲琦科技股份有限公司 in Chinese. (English: Hitron Technologies Inc.)

Article 2: The scope of business of the Company shall be as follows:

1. CB01010 Mechanical Equipment Manufacturing.
2. CB01020 Affairs Machine Manufacturing.
3. CC01060 Wired Communication Mechanical Equipment Manufacturing.
4. CC01070 Wireless Communication Mechanical Equipment Manufacturing.
5. CC01080 Electronics Components Manufacturing.
6. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing.
7. CC01110 Computer and Peripheral Equipment Manufacturing.
8. CC01120 Data Storage Media Manufacturing and Duplicating.
9. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
10. F399040 Retail Sale No Storefront.
11. F401010 International Trade.
12. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.
13. I301010 Information Software Services.
14. I301020 Data Processing Services.
15. I301030 Electronic Information Supply Services.
16. I501010 Product Designing.
17. IZ13010 Internet Certificates Service.
- I. Research, development, production, manufacturing and sale of the following products
  1. Wireless communication equipment
  2. Synchronous sequential system.
  3. Synchronous fiber communication equipment
  4. Digital modem equipment
  5. Fiber (automatic) monitoring system
  6. Splice box for central surveillance system
  7. Broadband gateway
  8. Set-top box
- II. Export and import businesses of the aforementioned products.

Article 3: The Company may provide endorsements and guarantees to the external for business and investment needs.

Article 4: The Company shall have its head office in Hsinchu Science Park and depending upon the business

needs, after the resolution of the Board of Directors, branch offices or factories may be established domestically or overseas.

## Chapter 2 Shares

Article 5: The total capital of the Company shall be NTD 4,000,000,000, divided into 400,000,000 shares, at a par value of NTD 10 per share, and the Board of Directors is authorized to perform share issuance at discrete times. Preferred shares may be issued from the aforementioned total number of shares.

An amount of NTD 300,000,000 of the total capital described in Paragraph 1 shall be reserved for the issuance of employee share subscription warrants and corporate bonds associated with share subscription warrants, for a total of 30,000,000 shares at a par value of NTD 10 per share, which may be issued in discrete times according to the resolution of the Board of Directors' meeting.

Article 6: The shares of the Company shall be registered, which shall be signed or sealed by at least three Directors and indicated with numbers, and the shares shall be certified by the competent authority or a registration institution approved by the competent authority for the issuance thereof.

For the shares issued by the Company, the printing of share certificates may be exempted; however, the shares shall be registered with the Centralized Securities Depository Enterprises.

The printing and issuance of other securities may be handled in accordance with relevant laws and regulations for which the provision of the preceding paragraph is applicable.

Article 7: The administration of the shareholder services of the Company shall be handled according to the "Regulations Governing the Administration of Shareholder Services of Public Companies" and relevant laws.

Article 8: When it is considered necessary, the Company may entrust the shareholder services to a shareholder service agency approved by the competent authority for handling according to the resolution of the Board of Directors' meeting.

Article 9: Any transfer registration of shares shall be prohibited within sixty days prior to the ordinary shareholders' meeting, thirty days prior to the extraordinary shareholders' meeting, or five days prior to the record date for the distribution of dividends and bonuses or other interests by the Company.

## Chapter 3 Shareholders' Meeting

Article 10: The shareholders' meeting are classified into two types of the ordinary shareholders' meeting and the extraordinary shareholders' meeting. (1) The ordinary shareholders' meeting shall be convened within six months after the close of each fiscal year. (2) The extraordinary shareholders' meeting shall be convened whenever necessary according to laws.

Article 11: For the convention of an ordinary shareholders' meeting, all shareholders shall be informed thirty days prior to the convention of meeting in advance.

For the convention of an extraordinary shareholders' meeting, all shareholders shall be informed fifteen days prior to the convention of meeting in advance.

Article 12: Resolutions at a shareholders' meeting, unless otherwise specified by the laws, shall be adopted by a majority of the shareholders presented in person, who representing more than half of the total number of the Company's outstanding shares, and shall be executed based on the majority of the voting rights

of the attending shareholders.

Article 13: When the number of attending shareholders is less than the number specified in the preceding article, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted based on the consents of a majority of the voting rights of the attending shareholders, and all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the meeting of shareholders described in the preceding paragraph, if the tentative resolution is again adopted by a majority of attending shareholders who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under preceding paragraph.

Article 14: Except for those without voting rights described in the laws, each shareholder of the Company shall have one vote for each share held,

Article 15: Where a shareholder for any reasons cannot attend a shareholders' meeting in person, he/she/it may appoint a proxy to attend the shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company and stating therein the scope of power authorized to the proxy. The regulations for authorizing proxies to attend meetings on behalf of shareholders of the Company shall comply with Article 177 of the Company Act and shall also be handled accordingly to the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" announced by the competent authority.

Article 16: Matters relating to the resolutions of a shareholders' meeting shall be recorded in meeting minutes, which shall be signed or sealed by the chairperson of the meeting and shall be distributed to all shareholders within twenty days after the conclusion of the meeting. The distribution of the meeting minutes may be made via the method of electronic method or public notice.

#### Chapter 4 Director and Managerial Personnel

Article 17: The Company shall have seven to thirteen directors. Elections of directors (independent directors) of 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 term of office of directors shall be three years, and directors may be eligible for re-election. The shareholding ratio of all directors of the Company shall comply with the regulations specified by the competent authority of securities.

Article 17-1: In the roster of directors established by the Company, the number of independent directors of the Company shall not be less than three and shall not be less than one fifth of the total number of directors. Relevant matters of the professional qualification, concurrent job position limitation and other necessary requirements shall comply with relevant regulations specified by the securities competent authority.

Article 17-2: The Company shall establish the Audit Committee composed of all independent directors as members thereof. The exercise of authorities and other matters requiring compliance of the Audit Committee shall be handled in accordance with the regulations of the competent authority.

Article 18: When the number of vacancies of directors reaches one third of the total number of directors, the Board of Directors shall convene an extraordinary shareholders' meeting within sixty days for



election to fill the vacancies or for elections of new directors.

Article 19: The Chairman shall internally preside the shareholders' meeting and the meeting of the Board of Directors, and shall externally represent the company. In case the Chairman can not exercise his power and authority for any cause, the Deputy Chairman shall act on his behalf. In case where the Deputy Chairman is also unable to exercise his power and authority for any cause, the Chairman or Deputy Chairman shall designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect from among themselves an acting Chairman.

In case a meeting of the Board of Directors is convened via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 20: During the convention of a Board of Directors' meeting of the Company, notices indicating the reasons of the convention shall be delivered to all directors seven days in advance; provided that in case of emergencies, such meeting may be convened at any time.

The Board of Directors' convention notices may be made in writing, facsimile or e-mail method, etc.

Article 21: A Board of Directors' meeting shall be attended by a majority of directors to meet the statutory number of attendees. When it is less than the statutory number of attendees, the meeting may be deferred to a later date. Resolutions of a Board of Directors shall be adopted based on the consents of a majority of attending directors. In case where a director cannot attend a Board of Directors' meeting, he or she may appoint another director to act as a proxy for attending the meeting on his or her behalf. However, the aforementioned proxy shall be limited to accept the authorization of one director only.

Article 22: Deleted.

Article 23: Deleted.

Article 24: Deleted.

Article 25: The Company may have one President, and several Vice Presidents, Chief Executive Officer, Deputy Chief Executive Officer and several managerial officers may also be established according to the resolution of the Board of Directors. The appointment, discharge and the remuneration thereof shall be handled in accordance with the provision of Article 29 of the Company Act.

Article 26: The President of the Company shall be appointed according to the resolution of the Board of Directors, and shall perform management duties of the Company according to the laws and assisted by other managerial officers.

Article 27: For the remunerations of the Chairman and directors, in addition to the appropriation of remuneration of directors from the annual profit according to the provision of Article 29, the Board of Directors is authorized to make determinations based on their participation level and value of contribution to the operation of the Company along with the consideration of the common standard adopted in the same industry. In case where a director concurrently assumes other position in the Company, in addition to the aforementioned remuneration determined by the Board of Directors, salary may be paid and collected according to the normal standard.

However, the remuneration of independent director may be slightly higher than the remuneration

of non-independent directors.

Article 27-1: During the term of office of the directors of the Company, the Board of Directors may be authorized to purchase liability insurances for their indemnification liabilities within the scope of their official services according to the laws.

## Chapter 5 Final Accounts

Article 28: At the end of each fiscal year of the Company, the Board of Directors shall prepare the following reports and statements for submission to the ordinary shareholder's meeting for ratification: I.

Business report. II. Financial statements. III. Proposal for distribution of earnings or covering losses.

Article 29: When the Company has a profit at the end of each fiscal year, an amount between 3% and 10% of the profit shall be appropriated as the remuneration of employees, which is to be distributed and issued in the form of shares or cash according to the resolution of the Board of Director, and the recipients thereof may include employees of affiliates satisfying a criteria, and such criteria is to be specified by the Chairman.

The Company may appropriate the aforementioned profit as the remuneration of directors, in which the appropriation ratio shall not exceed 2% of the profit of the current year.

Where the Company has accumulated loss from the previous years, for a profit gained in the current year, before the appropriation of employee's remuneration, it shall be used to compensate the accumulated loss first, followed by executing the appropriation of the remaining balance according to the ratios described in the preceding two paragraphs. Remuneration of Employees and Remuneration of Directors

The distribution of the remuneration proposal shall be executed in accordance with the resolution of the Board of Directors' meeting attended by more than two thirds of the directors and based on the consents of a majority of the attending directors, and shall be report to the shareholders' meeting.

Prior to the establishment of the Audit Committee, the remuneration of supervisors together with the remuneration of directors shall be distributed at an amount not more than 2% of the profit of the current year, and the provisions of this article shall be applied mutatis mutandis.

Article 29-1: Where the Company has surplus earnings in the annual settlement of a fiscal year, after tax is paid according to the laws, the accumulated loss of the previous year shall be compensated first, followed by appropriating 10% of such earnings as the legal reserve; however, in the event that the legal reserve has reached the capital of the Company, it may be exempted from such appropriation. For the remaining amount, special reserve shall be set aside or reversed according to the regulations of the competent authority. Subsequently, if there is still remaining surplus earning, such remaining amount along with the accumulated undistributed surplus earnings from the previous years are then submitted to the Board of Directors for the establishment of an earnings distribution proposal, followed by submitting to the shareholders' meeting for resolution on the distribution of shareholders' bonus or retaining such earnings.

Article 30: Deleted

Article 31: The industrial environment of the Company is ever-changing and the Company is presently in a stable

growth stage. The dividend policy shall take into the account of the Company's future capital need and long-term financial planning in order to pursue sustainable operation. The Company adopts an excessive dividend policy and its issuance terms, timing and amount are handled according to Article 29-1 of the Articles of Incorporation. The Company establishes plans according to the future capital demands. The cash dividend issued each year shall not be less than 10% of the total amount of the cash and share dividends issued in the current year.

## Chapter VI. Supplementary Provisions

Article 32: The reinvestment total amount of the Company may not be restricted by the regulation related to reinvestment ratio specified in Article 13 of the Company Act.

Article 33: Any matters not specified in these Articles of Incorporation shall be handled in accordance with the Company Act and relevant laws and regulations.

Article 34: The organizational charters and enforcement rules of the Company shall be further established by the Board of Directors through resolution.

Article 35: These Article of Incorporation shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

Article 36: These Articles of Incorporation Directors were duly enacted on March 10, 1986.

The first amendment was made on January 15, 1990.

The second amendment was made on July 31, 1990.

The third amendment was made on August 7, 1992.

The fourth amendment was made on September 20, 1992.

The fifth amendment was made on November 22, 1992.

The sixth amendment was made on August 31, 1994.

The seventh amendment was made on May 10, 1995.

The eighth amendment was made on March 15, 1996.

The ninth amendment was made on November 8, 1996.

The tenth amendment was made on March 28, 1997.

The eleventh amendment was made on April 18, 199VIII.

The twelfth amendment was made on May 29, 1999.

The thirteenth amendment was made on May 16, 2000.

The fourteenth amendment was made on May 16, 2000.

The fifteenth amendment was made on May 14, 2001.

The sixteenth amendment was made on May 20, 2002.

The seventeenth amendment was made on June 16, 2003.

The eighteenth amendment was made on June 15, 2004.

The nineteenth amendment was made on June 14, 2005.

The twentieth amendment was made on June 15, 2006.

The twenty-first amendment was made on June 13, 2008.

The twenty-second amendment was made on June 16, 2009.

The twenty-third amendment was made on June 17, 2010.

The twenty-fourth amendment was made on June 15, 2011.

The twenty-fifth amendment was made on June 21, 2012.

The twenty-sixth amendment was made on June 21, 2013.

The twenty-seventh amendment was made on June 20, 2014.

The twenty-eighth amendment was made on June 14, 2016.

The twenty-ninth amendment was made on June 13, 2017.

## [Appendix 4]

### Hitron Technologies Inc.

#### Procedures for Acquisition or Disposal of Assets (Before Amendment)

Amended at shareholders' meeting on June 13, 2019

#### **Chapter 1 General Rules**

##### Article 1 Legal basis

These Procedures are stipulated according to Article 36-1 of the Securities and Exchange Act and relevant requirements specified in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (referred to as the "Regulations") of Financial Supervisory Commission (referred to as the "FSC") for the amendment of these Procedures.

##### Article 2 Purpose

The Company shall handle the acquisition or disposal of assets in compliance with these Procedures. However, unless otherwise specified in other laws and regulations, such laws and regulations shall prevail.

##### Article 3: The term "assets" as used in these Procedures includes the following:

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

##### Article 4 Terms used in these Procedures are defined as follows:

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- III. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (referred

to as "transfer of shares") under Article 156-3 of the Company Act.

- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

#### Article 5

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

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

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the

information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

## **Chapter 2 Disposition Procedures**

### **Section 1 Establishment of Disposition Procedures**

#### **Article 6**

The “Procedures for Acquisition or Disposal of Assets” established by the Company shall be implemented upon approval from the Audit Committee and Board of Directors, and submitted to the shareholders’ meeting for approval. The same applies when the Procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.

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

Where an Audit Committee has been established by the Company in accordance with the provisions of the Securities and Exchange Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution.

In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained in the preceding subparagraph, then the consents of more than two-thirds of all directors shall be obtained, and the meeting minutes of the Board of Directors’ meeting shall be recorded with the resolution of the Audit Committee.

The terms "all Audit Committee members" described in Paragraph 3 and "all directors" described in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

**Article 7** The following items are specified for these Procedures, and acquisition or disposal matters shall be handled in compliance with the procedures established:

I. Scope of assets: Please refer to Article 3 of these Procedures.

II. Appraisal procedures:

- (I) Procedures for acquisition or disposal of real property, equipment or right-of-use assets thereof: Please refer to Article 9 of these Procedures.
- (II) Procedures for acquisition or disposal of securities: Please refer to Article 10 of these Procedures.
- (III) Procedures for acquisition or disposal of memberships and intangible assets: Please refer to Article 11 of these Procedures.
- (IV) Related party transactions: Please refer to Section 3 of Chapter 2 of these Procedures.
- (V) Derivative trading: Please refer to Section 4 of Chapter 2 of these Procedures.
- (VI) Assets acquired or disposed of in connection with mergers, demergers, acquisitions and transfer of shares: Please refer to Section 5 of Chapter 2 of these Procedures.

III. Operating procedures:

- (I) Authorization limit and level:

1. Non-operating real property, equipment or right-of-use assets thereof: Shall be handled in accordance with relevant provisions of Article 9 of these Procedures.
2. Short-term investment of securities - excluding stocks
  - (1) When the investment amount is less than NT\$60 million, the financial supervisor may determine the feasibility of the transaction, followed by reporting to the Chairman for approval after the transaction is made.
  - (2) When the investment amount exceeds NT\$ 60 million but less than NT\$ 200 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval in order to execute the transaction.
  - (3) When the investment amount exceeds NT\$ 200 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval and further submitting to the Board of Directors for approval through resolution in order to execute the transaction.
3. Short-term investment of securities - stocks
  - (1) When the investment amount is less than NT\$ 100 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval, and it shall also be reported to the most recent Board of Directors' meeting for recordation.
  - (2) When the investment amount exceeds NT\$ 200 million, the case handler shall obtain the approval of the financial supervisor, followed by reporting to the Chairman for approval and further submitting to the Board of Directors for approval through resolution in order to execute the transaction.
4. Investment in long-term equity and securities:  
For the Company's investment in long-term equity and securities, the responsible unit shall perform evaluation and report to the Board of Directors for approval in order to execute the investment.
5. Memberships and intangible assets: Shall be handled in accordance with relevant provisions of Article 11 of these Procedures.
6. Related party transactions: Shall be handled in accordance with relevant provisions specified in Section 3 of Chapter 2 of these Procedures.
7. Derivative trading: Shall be handled in accordance with relevant provisions specified in Section 4 of Chapter 2 of these Procedures.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions and transfer of shares: Shall be handled in accordance with relevant provisions specified in Section 5 of Chapter 2 of these Procedures.

(II) Executing Unit:

1. Real property, equipment or right-of-use assets thereof: Use unit and management unit.
2. Securities investment: Financial unit.
3. Memberships and intangible assets: Use unit and management unit.
4. Derivatives: Financial unit.
5. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law: Decision making team

IV. Public announcement and regulatory filing procedures: Please refer to Chapter 3 of these



Procedures.

V. Investment limits of the Company and subsidiaries:

- (I) The total investment amount in securities of each company shall not exceed 100% of its net worth. However, professional investment companies or overseas reinvestment companies are not restricted by such limit.
- (II) The investment amount in an individual security of each company shall not exceed 30% of its net worth. However, professional investment companies or overseas reinvestment companies are not restricted by such limit.
- (III) When each company purchases non-operating real property, equipment or right-of-use assets thereof, the total amount shall not exceed 30% of its net worth.
- (IV) The total investment amount in memberships and intangible assets of each company shall not exceed 20% of its net worth.

VI. The Company shall supervise the asset acquisition and disposition status of the subsidiaries and the supervision and management shall be handled in accordance with relevant regulations of the Company and “Procedures for Acquisition and Disposal of Asset” of each subsidiary.

VII. Where any relevant personnel violates the provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” or these Procedures, such violation shall be handled in accordance with the internal operational regulations of the Company

VIII. Subsidiaries of the Company shall establish and execute the Procedures for Acquisition and Disposal of Assets in accordance with these Procedures.

## Article 8

Where the acquisition or disposal of asset of the Company is required to be approved by the Board of Directors according to the procedures stipulated or other laws and regulations, if any director expresses dissent and it is contained in the minutes or a written statement, the Company shall also submit the director's dissenting opinion to the Audit Committee.

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

Where an Audit Committee has been established by the Company in accordance with the provisions of the Securities and Exchange Act, any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5.

## Section 2 Acquisition or Disposal of Assets

### Article 9 Real property, equipment or right-of-use assets thereof

#### I. Evaluation

The acquisition or disposal of real properties and equipment or right-of-use assets thereof shall be handled according to the procedures specified in the internal control system fixed asset cycle operation of the Company.

#### II. Transaction price determination method

For the acquisition or disposal of real properties or other right-of-use assets, the executing unit shall refer to the announced current value, evaluated price, neighboring real property actual transaction price or appraisal report issued by expert and appraisal institution. After the processes of price inquiry, price comparison and price negotiation, analysis report shall be prepared and reported to the Board of Directors for approval in order to execute the transaction.

### III. Expert's appraisal report

In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

## Article 10 Securities

### I. Evaluation

The acquisition or disposal of securities of the Company shall be handled in accordance with the internal control system investment cycle operation of the Company.

### II. Transaction price determination method

- (I) Where the securities acquired or disposed are of publicly quoted prices of an active market, or where the Financial Supervisory Commission, Executive Yuan, specifies otherwise, the financial unit shall perform determination based on the market price and condition.

(II) For the acquisition or disposal of securities of the Company, it is necessary to obtain the financial statements of the most recent period of the subject company certified or audited by CPA before the transaction occurrence date as the reference for evaluating the transaction price.

III. Expert assessment opinion report

When the transaction amount of the acquisition or disposal of securities reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 11 Memberships or intangible assets

I. Evaluation

The acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be handled according to the internal control system fixed asset cycle operation of the Company.

II. Transaction price determination method

The executing unit shall consider the fair market price at the time of transaction, and shall also consider the net recoverable net income from the asset in the future and an analysis report shall be prepared and submitted to the Board of Directors for resolution.

III. Expert assessment opinion report

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 12

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Paragraph 2 of Article 31, and the term "within the preceding year" described refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 13

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

### Section 3 Related Party Transactions

#### Article 14

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 12.

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

#### Article 15

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

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a transaction counterparty.
- III. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17.
- IV. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- VII. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 31, and the term "within the preceding year" described refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board of Directors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent company, subsidiaries or between subsidiaries in which the Company

directly or indirectly holds 100% of the issued shares or authorized capital, the Board of Directors may authorize the Chairman, according to Paragraph 3 of Article 7, to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the most recent Board of Directors' meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real property right-of-use assets held for business use.

Where the position of independent director has been created by the Company in accordance with the provisions of the Securities and Exchange Act, when a matter is submitted for discussion by the Board of Directors pursuant to Paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.

Where an Audit Committee has been established by the Company in accordance with the provisions of the Securities and Exchange Act, the matters for which Paragraph 1 requires recognition by the supervisors shall first be approved by one-half or more of all Audit Committee members and then submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5.

#### Article 16

The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

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

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:

- I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
- II. More than five years will have elapsed from the time the related party signed the contract to

obtain the real property or right-of-use assets thereof to the signing date for the current transaction.

- III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
- IV. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

#### Article 17

When the results of the Company's appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 18. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (I) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The term "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (II) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- II. Where the Company acquiring real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

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

#### Article 18

Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly

lower than the transaction price, the following steps shall be taken:

- I. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph I of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
- II. Independent director members of the Audit Committee shall comply with Article 218 of the Company Act.
- III. Actions taken pursuant to Subparagraph I and Subparagraph II shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the the competent authority of securities has given its consent.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition is not an arms length transaction.

#### **Section 4 Engaging in Derivatives Trading**

##### **Article 19**

The Company engaging in derivatives trading shall be aware of the following risk management and audit control, and shall also incorporate such matters into the handling procedure:

##### **I. Transaction principles and directives**

###### **(I) Transaction type**

The financial derivatives that may be traded by the Company refers to all derivatives defined in Article 4 of these Procedures.

###### **(II) Operating or hedging strategy**

The term of “derivatives trading” described in these Procedures is divided into hedge instruments for the purpose of hedging (non-trading) and trading instruments for the purpose of trading in accordance with the purpose of holding or issuance of the instruments.

When the Company engages in derivatives trading, it shall be limited to the purpose of risk hedging. The transaction counterparty shall be financial institutions having business dealings with the Company in order to prevent the occurrence of credit risk.

###### **(III) Delegation of Responsibilities**

1. Accounting unit:

Responsible for account recognition of transactions, provide position report and confirm transaction, and also prepare vouchers for account entries according to various receipts and documents, and complete relevant accounting statements.

2. Financial unit:

- (1) Understand market information, determine trend and risk, be familiar with derivatives, rules and regulations, provide sufficient and timely information to relevant units for reference.
- (2) Estimate the Company's overall foreign exchange and other hedge position demands, perform risk hedging according to the Company's policy and establish profit and cost targets. Understand each derivatives position transaction and estimate the unrealized profit or loss according to the market evaluation.
- (3) cooperate with the use of the bank quota, calculate cash flow in detail such that the financial personnel may then perform post-transaction delivery works.
- (4) Responsible for establishment and revision of the derivatives trading related handling procedures, summarize transaction records reported by the headquarter and subsidiaries periodically in order to facilitate the overall management and announcement of monthly transactions.

3. Audit unit:

Conduct regular and irregular audit according to the internal audit system.

(IV) Performance evaluation guideline:

1. The profit or loss generated between the accounting book exchange rate cost and the financial derivative trading of the Company shall be used as the basis for the performance evaluation.
2. To sufficiently manage and express the evaluation risks of transactions, the Company adopts the monthly evaluation method to assess the profit and loss.

(V) Trading contract total amount:

1. Hedge instrument transaction total limit:

Position shall not exceed the total liabilities or overseas funding accumulated position of the Company in principle. In case of any change, it shall be reported to the Board of Directors for approval.

2. Trading instrument transaction total limit:

Unless the approval of the Board of Directors is obtained, it is prohibited to engage in transactions involving trading instruments.

(VI) All and individual contract loss upper limit amount:

1. Regarding hedge trades, the contract loss upper limit shall not exceed 20% of the contract amount, and this is applicable to both individual contract and all contracts.
2. For trading contracts with specific purpose, after the establishment of position, it is necessary to set up the stop-loss point in order to prevent excessive loss. Regarding setting of stop-loss point, the contract loss upper limit shall not exceed 10% of the contract amount, and this is applicable to both individual contract and all contracts.
3. In case where all contract loss amount and individual contract loss amount exceed the aforementioned limit, it is necessary to report to the senior supervisor designated by the



Board of Directors for the supervision and control of derivatives trading and the Chairman immediately, and shall report to the Board of Directors, in order to negotiate necessary responsive measures.

- II. Risk management measures: Shall be handled in accordance with Article 19 of these Procedures.
- III. Internal audit system measures: Shall be handled in accordance with Article 21 of these Procedures.
- IV. Periodic assessment method and abnormality handling status: Shall be handled in accordance with Article 21 of these Procedures.

## Article 20

When the Company engages in derivatives trading, the Company shall adopt the following risk management measures:

### I. Risk management scope

#### (I) Consideration of credit risk:

The transaction counterparty of the Company shall be banks having business dealings or internationally well-known financial institutions and shall be able to provide professional information in principle.

#### (II) Market risk management

Open foreign exchange trading market provided by banks are considered in principle.

#### (III) Consideration of liquidity risk:

To ensure the market liquidity, during the selection of financial products, the ones with relatively higher liquidity (i.e. can be squared off in the market at any time) shall be selected in principle. The financial institutions entrusted to perform transactions shall have sufficient information and the capability to perform transaction in any market at any time.

#### (IV) Consideration of cash flow risk:

The Company shall maintain sufficient current assets and finance quota in order to satisfy the needs for fund delivery.

#### (V) Consideration of operational risk:

Shall comply with the authorization limit, operation procedures specified by the Company properly and shall be included in the internal audit in order to prevent operating risk.

#### (VI) Consideration of legal risk:

Documents signed with financial institutions shall reviewed carefully before executing signatures officially in order to prevent legal risk.

- II. Personnel engaging in derivatives trading shall not concurrently act as the operators for the confirmation and delivery of transactions.
- III. The risk measurement, supervision and control personnel shall be from a department different from the personnel described in the preceding paragraph, and shall be reported to the Board of Directors or senior supervisor without bearing the decision responsibility for the transaction or position.
- IV. The positions held for trading purpose shall be evaluated at least once weekly. If there is a need to perform hedge trade due to business needs, it shall be evaluated at least twice monthly.

The evaluation report shall be submitted to the senior supervisor authorized by the Board of Directors, and shall be reported to the board of directors for approval quarterly.

#### Article 21

When the Company engages in derivatives trading, the Board of Directors shall execute the supervision management according to the following principles:

- I. Designated senior supervisor shall be aware of the supervision and control of derivatives trading risk.
- II. Periodically assess whether the performance of the derivatives trading complies with the predefined management strategies and whether the risk borne is within the acceptable range of the Company.

Senior supervisor authorized by the Board of Directors shall handle the derivatives trading according to the following principles:

- I. It is necessary to periodically assess whether the risk management measures currently adopted are appropriate and handle matters according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and these Procedures.
- II. It is necessary to supervise transactions and profit or loss condition. In case of discovery of any abnormality, necessary responsive measures shall be adopted, and shall report to the Board of Directors immediately. Where the Company has established independent directors, the Board of Directors’ meeting shall be attended by the independent directors and opinions shall be provided.

When the Company engages in derivative trading, where relevant personnel are authorized to according to the requirements of the procedures for derivative trading, it is necessary to report to the most recent Board of Directors’ meeting after such trading.

#### Article 22

The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under Subparagraph 4 of Article 20 and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2, of the preceding article shall be recorded in detail in the log book.

The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

### **Section 5 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares**

#### Article 23

The Company conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger

by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

#### Article 24

The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Paragraph 1 of the preceding article when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

#### Article 25

The Company participating in a merger, demerger, or acquisition shall convene a Board of Directors' meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The Company participating in a transfer of shares shall call a Board of Directors' meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:

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

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

#### Article 26

All personnel of the Company participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

#### Article 27

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

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

#### Article 28

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

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

#### Article 29

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

#### Article 30

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 25, Article 26 and the preceding article.

### **Chapter 3 Public Disclosure of Information**

#### Article 31

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within two days counting inclusively from the date of occurrence of the event:

##### **I. Items for public announcement**

- (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (II) Merger, demerger, acquisition, or transfer of shares.
- (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures established.
- (IV) Where the type of equipment or right-of-use assets thereof belongs to business use is acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
- (V) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
- (VI) Where an asset transaction other than any of those referred to in the preceding five

subparagraphs , or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

1. Trading of domestic government bonds.
2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

II. The amount of transactions of the aforementioned public announcement items shall be calculated as follows:

- (I) The amount of any individual transaction.
- (II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- (III) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- (IV) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

The term "within the preceding year" described in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

III. Public reports

- (I) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authority of securities by the tenth day of each month.
- (II) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (III) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for five years except where another act provides otherwise.

## Article 32

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the competent authority of securities within two days counting inclusively from the date of occurrence of the event:

- I. Change, termination, or rescission of a contract signed in regard to the original transaction.
- II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

III. Change to the originally publicly announced and reported information.

**Chapter 4 Additional Provisions**

Article 33

Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a domestic public company shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Paragraph 1 of Article 31.

Article 34

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

In the case of a company whose shares have no par value or a par value other than NT\$10, then regarding the calculation of transaction amounts of 20% of paid-in capital specified in these Procedures, 10% of equity attributable to owners of the parent shall be substituted; regarding the for calculations of transaction amounts relative to paid-in capital reaching NT\$10 billion specified in these Procedures, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Article 35

These Procedures shall be implemented upon approval from the Audit Committee and Board of Directors, and submitted to the shareholders' meeting for approval. The same applies when the Procedures are amended.

When these Procedures are submitted for discussion in a Board of Directors' meeting in accordance with the provision of the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

## [Appendix 5]

### Hitron Technologies Inc.

#### Procedures for Lending Funds to Other Parties (Before Amendment)

Amended at shareholders' meeting on June 18, 2020

### Chapter 1 General Rules

#### Article 1 Legal Basis

These Operational Procedures for Loaning Funds to Others (referred to as “these Procedures”) are established in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (referred to as the “Regulations”). However, unless otherwise specified in other laws and regulations, such laws and regulations shall prevail.

#### Article 2 Borrower

Pursuant to Article 15 of the Company Act, unless otherwise under any of the following circumstances, the capital of the Company shall not be lend to any shareholder or any other person:

- I. Companies or firms with business dealings with the Company.
- II. Companies or firms having the short-term financing needs with the Company.

The term of "short-term" described herein refers to one year. However, where the Company's operating cycle exceeds one year, it shall mean one operating cycle. The term of "financing amount" described herein refers to the cumulative balance of the Company's short-term financing.

#### Article 3 Definition of Terms

- I. The terms of “subsidiary” and “parent company” described in these Procedures: shall be determined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- II. Where the Company’s financial reports are prepared according to the International Financial Reporting Standards (IFRS), the term of "net worth" described in these Procedures shall mean the balance sheet equity attributable to the owner of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- III. The term of “date of event occurrence” described in these Procedures: refers to the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever is earlier.

#### Article 4 Definition of Public Report

The term of "public report" described in these Procedures: refers to entering the information into the website specified by the Financial Supervisory Commission (referred to as “FSC”).

### Chapter 2 Procedures for Loaning Funds to Others

#### Article 5 Aggregate amount of loans and maximum amount permitted to a single borrower:

- I. The aggregate amount of loans to others provided by the Company shall not exceed 40% of the net worth indicated in the most recent financial statements of the Company audited and certified by CPA. The individual limit of each borrower and the reason of loaning are respectively specified



in the following, and the individual limit shall not exceed the total amount:

- (I) For a borrower having business dealings with the Company, the individual loan amount provided to the borrower shall not exceed the transaction total amount of the business dealings in the most recent twelve months. The “transaction total amount” refers to purchases or sales between the two parties whichever is higher.
  - (II) Where the borrower has short-term financing needs, the individual loan amount provided by the Company shall not exceed 10% of the net worth indicated in the most recent financial statements of the Company audited and certified by CPA.
- II. The aggregate amount of loans to others provided by the a subsidiary shall not exceed 40% of the net worth indicated in the most recent financial statements of the subsidiary. The limit of each borrower and the reason of loaning are respectively specified in the following, and the individual limit shall not exceed the total amount:
- (I) For a borrower having business dealings with the subsidiary, the individual loan amount provided to the borrower shall not exceed the transaction total amount of the business dealings in the most recent twelve months. The “transaction total amount” refers to purchases or sales between the two parties whichever is higher.
  - (II) Where the borrower has short-term financing needs, the individual loan amount provided shall not exceed 10% of the net worth indicated in the most recent financial statements of the subsidiary.
- III. The aggregate amount of the loaning of funds between overseas subsidiaries of the Company with 100% voting rights held directly or indirectly the Company and the limit for each individual borrower shall not exceed 100% of the net worth of the company loaning the fund to others; provided that the duration of the loan shall be handled in accordance with Article 6 of these Procedures.

#### Article 6 Duration of loans and calculation of interest

- I. The duration of the loan provided by the Company shall be limited to one year.
- II. The interest of the loan provided by the Company shall be calculated based on the interest rate announced by the bank at the time of loaning fund to others plus 2% in principle; however, it may be adjusted by the Board of Directors depending upon the needs. Interest is calculated on a daily basis, and the interest is calculated by multiplying the sum (i.e. the total aggregate) of the daily loan balance by the annual interest rate, and then divide it by 365 in order to obtain the interest. Unless there are special rules on the calculation of loan interest, interest shall be paid once monthly in principle, and interest shall be be paid within one week from the notice for interest payment date agreed by the borrower.

#### Article 7 Procedures for Executing and Reviewing Loaning of Fund Cases

- I. Prior to loaning of funds to others, the Company shall perform careful assessment on the items described in the “Loaning of Funds and Credit Check Assessment Form” established by the Company item by item in order to determine whether the provisions of these Procedures are

complied. The result of the credit check assessment form shall be submitted altogether to the Board of Directors for resolution in order to execute the loaning of funds to the borrower, and it is prohibited to authorize other person to make decision on such loaning of funds. For a subsidiary with a shareholding above 50%, the aforementioned “Loaning of Fund and Credit Check Assessment Form” is not applicable to accounts receivable recognized as loaning of fund exceeding the normal credit period.

- II. The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the information of the borrower, amount, date of approval by the Board of Directors, lending/borrowing date, guarantee and credit check assessment result, etc., for recordation.
- III. For first-time borrower, the case handler shall request the borrower to provide basic information and financial information to conduct credit check work. For a continuous loan borrower, the credit check investigation shall be performed once per year in principle. For a major case, the credit check investigation shall be performed once any time depending upon the actual needs.
- IV. When the Company conducts credit check on the borrower, the Company shall also assess the impact on the Company's business operations, financial condition, and shareholders' equity.
- V. For the result of credit check investigation, for a borrower with proper credit and the loan case with a proper purpose, the case handler shall determine whether loaning amount matches with the business dealing amount based on the credit check result. For a borrower having a short-term financing need, it is necessary to describe the reason and condition for the loaning of fund, opinions and criteria for granting the loaning of fund.
- VI. Before executing the loaning of fund to others, the financial unit shall fill out the “Loaning of Fund Signing Report” for submission to the Chairman for approval in order to execute the loaning of fund to others. For a subsidiary with a shareholding above 50%, the aforementioned “Loaning of Fund Signing Report” is not applicable to accounts receivable recognized as loaning of fund exceeding the normal credit period.
- VII. Loaning of funds between the Company and its subsidiaries or between its subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. Article 5 The term of “certain limit” described in the preceding paragraph shall be handled in accordance with the total loan amount and individual borrower limit described in Article 5 of these Procedures.
- VIII. Where a loaning of fund case is signed and approved, the case handler shall fill out a loan contract according to the criteria for granting the loaning of fund approved in order to perform the contract signing procedure. After the borrower and joint guarantor provide signatures on the contract, the case handler shall then perform the verification procedure.
- IX. To guarantee the borrower's repayment of the loan within the agreed time-limit, the Company

may, depending upon the needs, request the borrower to provide a collateral of a value equivalent to the loan; or the borrower may sign a promissory note indicate the Company as the beneficiary and the face value equivalent to the loan amount and submit it to the Company for preservation.

- X. For a company with the shareholding above 50% held by the Company, the provision of the collateral of a value equivalent to the loan amount may be adjusted by the Board of Directors depending upon the actual condition, such that it is not restricted by the limitation of the aforementioned Paragraph 9.

#### Article 8 Subsequent Measures for Control and Management of Loans, and Procedures for Handling Delinquent Creditor's Rights

- I. After the fund of a loan is issued to a borrower, the financial status, business and relevant credit condition of the borrower and the guarantor shall be monitored constantly. If a collateral is provided, cautions shall be made on whether there is any changes in the value of the collateral. In case of any major changes, report to the Chairman shall be made immediately, and shall handle matters according to instructions appropriately.
- II. Borrower repays loan at the maturity of the loan or before the maturity thereof, payable interest shall be calculated first and shall be repaid along with the principle; following which, the promissory note for the loan etc. may be annulled or returned to the borrower or the cancellation of pledge setting may be handled.
- III. At the maturity of the loan, the borrower shall repay the principle and interest in full.

### **Chapter 3 Individual Case Assessment**

#### Article 9

When the Company loans funds to others, it shall take into full consideration each independent director's opinions; in addition, the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

#### Article 10

- I. The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval, lending/borrowing date, and matters to be carefully evaluated according to Paragraph 1 of Article 7.
- II. The internal auditors of the Corporation shall perform audits on these Procedures and the execution status thereof at least on a quarterly basis, and written records shall be created. In case of any discovery of major violations, written notice shall be submitted to the Audit Committee.

#### Article 11

In case of change of circumstances such that the subject of loan becomes nonconforming with the provisions of the “Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies” or the balance exceeds the limit, then improvement plan shall be established. In addition, relevant improvement plan shall be submitted to the Audit Committee and Board of Directors, and improvement shall be completed according to the plan schedule.

### **Chapter 4 Public Disclosure of Information**

#### Article 12

The Company shall announce and report the loaning fund balance of the Company and subsidiaries made in the previous month before the tenth date of each month.

#### Article 13 Public Announcement Procedures for Loaning of Funds to Others

Where the balance of the loaning fund of the Corporation reaches one of the following standards, the Corporation shall announce and report such event within two days commencing immediately from the date of occurrence:

- I. Where the balance amount of the loaning fund of the Company and its subsidiaries to others reaches more than 20% of the net worth of the Company indicated in the latest financial statement.
- II. Where the balance amount of the loaning of funds of the Company and its subsidiaries to one single entity reaches more than 10% of the net worth of the Company indicated in the latest financial statement.
- III. Where the newly increased amount of the loaning fund of the Company or subsidiaries reaches more than NT\$10 million and reaches more than 2% of the net worth of the Company indicated in the latest financial statement.

#### Article 14

The Company shall evaluate or approve the loaning of fund status and shall list sufficient allowance for bed debts; in addition, relevant information shall be disclosed appropriately in the financial report, and shall provide relevant information to CPA in order to perform necessary auditing procedures.

### **Chapter 5 Procedures for Controlling Subsidiaries**

#### Article 15

Where a subsidiary of the Corporation plans to perform loaning of funds to others, the Company shall instruct the subsidiary to establish the Operational Procedures for Loaning of Funds to Others and shall handle the matter according to the procedures established.

#### Article 16

The Company shall announce and report on behalf of any subsidiary of the Company that is not a domestic public company any matters that such subsidiary is required to announce and report according to Chapter 4 of these Procedures.

#### Article 17

During the audit conducted by auditors of the Company according to the annual audit plan at a subsidiary, it is necessary to understand the status on the procedure of loaning of funds to others executed the subsidiary. In case of discovery of deficiencies, it is necessary to continue follow up its improvement status, and follow-up report shall be prepared and submitted to the Chairman.

### **Chapter 6 Penalties**

#### Article 18

In case where a managerial officer or main case handler of the Company violates these Procedures, punishment shall be imposed in accordance with the personnel management regulations and employee

performance evaluation of the Company depending upon the severity of the violation.

## **Chapter 7 Implementation and Amendment**

### **Article 19**

- I. These Procedures shall be approved by the Audit Committee and the Board of Directors, followed by reporting to the shareholders' meeting for approval. In case where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the shareholders' meeting and for discussion. The same shall be applied to any amendments thereof.
- II. Where these Procedures are submitted for discussion by the Board of Directors according to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

### **Article 20**

- I. A foreign company as specified under Article 165-1 of the Securities and Exchange Act ("foreign company") shall comply mutatis mutandis with these Procedures when executing the loaning of fund to others.
- II. Net worth of a foreign company as calculated under these Procedures means the balance sheet equity attributable to the owners of the parent company.

## [Appendix 6]

Hitron Technologies Inc.  
Procedures for Endorsements and Guarantees  
Amended at shareholders' meeting on June 14, 2018

### Chapter 1 General Rules

#### Article 1. Legal Basis

These Operational Procedures for Making Endorsements/Guarantees (referred to as “these Procedures”) are established in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (referred to as the “Regulations”). However, unless otherwise specified in other laws and regulations, such laws and regulations shall prevail.

#### Article 2. Applicable scope and subject

- I. The term of “endorsement/guarantee content” described in these Procedures:
  - (I) Financing endorsements/guarantees include:
    1. Bill discount financing.
    2. Endorsement or guarantee made to meet the financing needs of another company.
    3. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
  - (II) Customs duty endorsements/guarantees refer to endorsements or guarantees for the Company itself or other companies with respect to customs duty matters.
  - (III) Other endorsements/guarantees: meaning endorsements or guarantees beyond the scope of the preceding two subparagraphs.
  - (IV) Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.
- II. Subject for endorsement/guarantee:
  - (I) A company having business dealings with the Company.
  - (II) A company with more than 50% of voting shares directly and indirectly held by the Company.
  - (III) A company that directly and indirectly holds more than 50% of the voting shares of the Company.
  - (IV) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
  - (V) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly

invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restrictions. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

#### Article 3. Definition of Terms

- I. The terms of “subsidiary” and “parent company” described in these Procedures: shall be determined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- II. Where the Company’s financial reports are prepared according to the International Financial Reporting Standards (IFRS), the term of "net worth" described in these Procedures shall mean the balance sheet equity attributable to the owner of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- III. The term of “date of event occurrence” described in these Procedures: refers to the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever is earlier.

#### Article 4. Definition of Public Report

The term of "public report" described in these Procedures: refers to entering the information into the website specified by the Financial Supervisory Commission (referred to as “FSC”).

### **Chapter 2 Handling Procedures for Providing Endorsements or Guarantees for Others**

#### Article 5. Aggregate Amount of Loans and Maximum Amount Permitted to a Single Borrower

- I. The total amount of endorsements/guarantees made by the Company shall not exceed 150% of the Company's net worth as indicated in the most recent financial statements of the Company.
- II. Endorsements/guarantees provided to a single company may not exceed 10% of the Company’s net worth of the Company's most recent financial statements. However, the limitations are not restricted when the Company provides endorsements/guarantees for subsidiaries in which the Company directly or indirectly holds more than 50% of the voting rights and to companies in which the Company directly and indirectly holds 100% of the voting rights, but still may not exceed 100% of the Company’s net worth of the Company's most recent financial statements.
- III. For the endorsement/guarantee made to others having business dealings with the Company, in addition to the provisions specified in the preceding two paragraphs, the maximum endorsement/guarantee amount provided to one single party shall not exceed the business dealing total amount between the two parties within twelve months before the making of the endorsement/guarantee (the term “business dealing total amount” refers to the higher of the purchase or sales amount between the two parties).
- IV. The aggregate endorsements/guarantees of the Company and subsidiaries of the Company shall not exceed 1.5 times of the net worth of the Company, and the amount of endorsements/guarantees for one single enterprise shall not exceed more than twice of the net worth of the Company.
- V. The aggregate amount of endorsements/guarantees established by the Company and subsidiaries of the Company stating that such amount may reach 50% or more of the Company's net worth as indicated in

the most recent financial statements of the Company, it is necessary to explain the necessity and reasonableness of such endorsements/guarantees at the shareholders' meeting.

Article 6. Procedures for Executing and Reviewing Endorsements/Guarantees

- I. The enterprise receiving the endorsement/guarantee shall submit application and fill out the "Guarantee Application Form".
- II. The handling personnel shall fill out the "Application Evaluation Form" and submit to the financial department for approval. The financial department shall perform evaluation properly and conduct credit check and risk assessment. The evaluation item shall include the necessity and reasonableness of the endorsement/guarantee. Whether the endorsement/guarantee amount is consistent with the business dealing, and whether it has any impact on the operating risk, financial status and shareholders' equity of the Company, whether it is necessary to obtain a collateral and the appraisal value of the collateral. After the financial department summarizes the aforementioned documents and information, the case shall be submitted to the Board of Directors for discussion and resolution, and the Chairman shall then make decision according to the provision of Article 9 of these Procedures.
- III. After the approval of the Board of Directors or Chairman, the case handler shall submit relevant documents of the "Guarantee Application Form", contract, undertaking or guarantee notes, etc. to the seal custody unit for seal affixing.
- IV. For guarantee notes applied with and certified by the Company that are used for providing guarantee to the external, it is recommended to request a guarantee note of the same amount to be issued by the counterparty and to be preserved in the Company, in order to use it for counter guarantee.
- V. When the financial department is issuing the aforementioned guarantee note, it is necessary to prepare voucher. The accounting subjects of guarantee notes submitted, guarantee notes payable and guarantee notes receivable, guarantee notes received, etc. shall be used for accounting recognition.
- VI. The handling unit shall prepare the "Endorsement/Guarantee Memorandum Book" recording details of each guarantee, and its content shall include the guarantee matter, name of enterprise receiving endorsement/guarantee, endorsement/guarantee amount, approval date of the Board of Directors and Chairman, guarantee/endorsement date, matters required to be evaluated carefully according to this provision, collateral content and its appraisal value and the criteria and date, etc. for discharge of the endorsement/guarantee liability.
- VII. During the making of endorsement/guarantee, the financial department shall take notes on the content endorsement/guarantee check.
- VIII. Before the end of the endorsement/guarantee date, the financial department shall actively inform the party receiving the endorsement/guarantee to retrieve the guarantee note deposited at the bank or credit institution and shall cancel the deed related to the endorsement/guarantee.
- IX. Upon the due date of the guarantee, the handling unit shall perform cancellation of rights and obligations and handle guarantee discharge matters, and shall also inform the financial department. For endorsement/guarantee cases that have reached the due date, the financial department shall actively follow up whether the case has been closed and canceled and shall also provide all of the documents



related the guarantee/endorsement to CPA for appropriate disclosure during the preparation of financial statements.

Article 7.

- I. When the Company or a subsidiary of the Company makes guarantee/endorsement to a subsidiary with a net worth less than 1/2 of the paid-in capital, in addition to the review of the endorsement/guarantee according to the provision of Article 6 of these Procedures, it is also necessary to perform risk assessment quarterly and shall submit report to the Board of Directors for possible risks associated with the endorsement/guarantee on a quarterly basis. However, for a company with voting shares 100% directly and indirectly held by the Company, such restriction shall not be applicable.
- II. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding provision, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 8. Procedures for Use and Custody of Corporate Chops

For the corporate chop for making endorsements/guarantees of the Company shall be registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees, and it shall be handled in accordance with the “Corporate Chops Management Regulations” established by the Company, in order to use the chop or to issue bills and notes. If the foreign company does not have corporate chops, it may be exempted from application of the previous provision.

Article 9. Decision and Authorization Level

- I. The endorsement/guarantee of the Company shall be executed after the resolution of the Board of Directors’ meeting. However, the Board of Directors may authorize the Chairman to grant endorsements/guarantees within the range of not exceeding 10% of the net worth of the Company indicated in the most recent financial statements each time, followed by reporting to the most recent Board of Directors’ meeting for ratification after the execution thereof.
- II. For the decision handling procedure of endorsement/guarantee of the Company, please refer to Article 6 of these Procedures.

### **Chapter 3 Individual Case Assessment**

Article 10.

- I. Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with these Procedures. The Company may make an endorsement/guarantee only after the evaluation results under these Procedures have been submitted to and resolved upon by the Board of Directors, or approved by the Chairman in order to execute the endorsement/guarantee in accordance with the provision of the preceding article.
- II. Where the Company has established independent directors, during the submission of the Operational Procedures for Making Endorsements/Guarantees are reported to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall take into full consideration of each independent director's opinion and the independent directors' clear assenting or dissenting opinions as

well as their reasons of dissent shall be recorded in the meeting minutes of the Board of Directors' meeting.

- III. When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the Board of Directors.

Article 11.

- I. To execute endorsements/guarantees, the Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the Board of Directors or of authorization by the Chairman, the date the endorsement/guarantee is made, and the matters to be carefully evaluated according to Paragraph 1 of the preceding article.
- II. The internal auditors of the Corporation shall perform audits on these Procedures and the execution status thereof at least on a quarterly basis, and written records shall be created. In case of any discovery of major violations, written notice shall be submitted to the Audit Committee.

Article 12.

Where there is a need to exceed the limit amount specified in these Procedures due to the business needs during the making of endorsements/guarantees and where the requirements specified in these Procedures are complied, then the majority of the directors shall provide named joint guarantee on the possible loss due to the overlimit made by the Company, and shall amend these Procedures, followed by reporting to the shareholders' meeting for subsequent ratification. In case where the shareholders' meeting provides no approval, then plan shall be established to eliminate the overlimit part within a certain period.

## **Chapter 4 Public Disclosure of Information**

Article 13.

The Company shall announce and report the endorsement/guarantee balance of the Company and subsidiaries made in the previous month before the tenth date of each month.

Article 14. Public Announcement Procedures for Endorsements and Guarantees

Where the balance of the endorsements/guarantees of the Company reaches one of the following standards, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:

- I. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
- II. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
- III. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.

- IV. The amount of new endorsements/guarantees made by the Company or subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.

Article 15.

The Company shall evaluate whether to recognize endorsements/guarantees or whether there is any loss, and shall also appropriately disclose the information of the endorsements/guarantees in the financial statement; in addition, the Company shall provide relevant information to certified accountant in order to perform necessary audit procedures.

### **Chapter 5 Procedures for Controlling Subsidiaries**

Article 16.

Where a subsidiary of the Company plans to provide endorsement/guarantee for others, the Company shall instruct the subsidiary to establish the “Operational Procedures for Making of Endorsements/Guarantees” and shall handle the matter according to the procedures established.

Article 17.

The Company shall announce and report on behalf of any subsidiary of the Company that is not a domestic public company any matters that such subsidiary is required to announce and report according to Chapter 4 of these Procedures.

Article 18.

During the audit conducted by auditors of the Company according to the annual audit plan at a subsidiary, it is necessary to understand the status on the procedure for making endorsement/guarantee for others executed the subsidiary. In case of discovery of deficiencies, it is necessary to continue follow up its improvement status, and follow-up report shall be prepared and submitted to the Chairman.

### **Chapter 6 Penalties**

Article 19.

In case where a managerial officer or main case handler of the Company violates these Procedures, punishment shall be imposed in accordance with the personnel management regulations and employee performance evaluation of the Company depending upon the severity of the violation.

### **Chapter 7 Implementation and Amendment**

Article 20.

In case of change of circumstances such that the subject of endorsement/guarantee becomes nonconforming with the provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the amount exceeds the limit, then improvement plan shall be established. In addition, relevant improvement plan shall be submitted to the Audit Committee and Board of Directors, and improvement shall be completed according to the plan schedule.

Article 21.

- I. These Procedures shall be approved by the Audit Committee and the Board of Directors, followed by reporting to the shareholders' meeting for approval. In case where any director expresses dissent and it

is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the shareholders' meeting and for discussion. The same shall be applied to any amendments thereof.

- II. Where these Operational Procedures for Making of Endorsements/Guarantees are submitted for discussion by the Board of Directors according to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Article 22.

- I. A foreign company as specified under Article 165-1 of the Act ("foreign company") shall comply mutatis mutandis with these Procedures when making endorsements or guarantees for others.
- II. Net worth of a foreign company as calculated under these Procedures means the balance sheet equity attributable to the owners of the parent company.

## [Appendix 7]

### Hitron Technologies Inc. Rules and Procedures for Shareholders' Meeting

Amended on June 20, 2014

- Article 1: The procedures for shareholders' meeting of the Company shall comply with these Rules.
- Article 2: Where a shareholder of the Company for any reasons cannot attend the shareholders' meeting in person, he/she/it may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy.
- When one person is concurrently appointed as proxy by two or more shareholders, with the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.
- A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail; however, when a declaration is made to cancel the previous proxy appointment, such restriction shall not be applicable.
- Article 3: During the sign-in of shareholders or proxies, sign-in cards shall be submitted in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in.
- Article 4: The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for the convention of the shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 5: Shareholder meetings that are convened by the Board of Directors shall be chaired by the Chairman. If the Chairman is unable to perform duty due to leave of absence or any reasons, the Deputy Chairman shall act as the deputy thereof. If the Deputy Chairman is unavailable or is also on leave or cannot exercise the authorities due to reasons, the Chairman will appoint one of the directors to act on their behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman's duties on behalf.
- Where a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. Where there are two or more such convening parties, they shall mutually select a chair from among themselves.
- Article 6: The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders' meeting shall wear identification cards.
- Article 7: The Company shall record on audio or video tape the entire proceedings of a shareholders' meeting and preserve the recordings for at least one year.
- Article 8: At the appointed meeting time, when the attending shareholders represent a majority of the total number of issued shares, the chair shall call the meeting to order. However, when the attending shareholders do

not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted based on a majority of the voting rights presented by the attending shareholders pursuant to Article 175 of the Company Act.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting.

For other special resolution matters specified in the Company Act, the method of resolution thereof shall be handled in according to the laws and regulations.

Article 9: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding paragraph (including extraordinary motions), except by a resolution of the shareholders' meeting. After the chair declares the meeting adjourned, shareholders shall not further elect a chair to continue the meeting at the original site or at another place.

If the chair declares the meeting adjourned in violation of the rules of procedure, a new chair may be elected based on the agreement of a majority of the votes represented by the attending shareholders in order to continue the meeting.

Article 10: Before speaking, an attending shareholder must specify on a speaker's slip indicating the attendance card number, account name and subject of the speech. The order in which shareholders speak is to be set by the chair.

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

Article 11: An attending shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. However, where the explanation of the proposal or response to doubts is approved by the chair, such restriction shall not be applicable.

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

If the shareholder's speech exceeds the time-limit, exceeds the maximum number of speeches or exceeds the scope of the agenda item, the chair may terminate the speech. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

For those refusing to accept the correction requested by the chair, such matter shall be handled in accordance with Paragraph 2 of Article 18.

- Article 12: After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
- Article 13: 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 and call a vote.
- Article 14: Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. Voting results shall be made known on-site immediately and recorded in writing.
- Article 15: The passage of a proposal shall be based on the calculation of the shares, and, except as otherwise specified in relevant laws, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.
- When a proposal comes to a vote, if no shareholder voices an objection following an inquiry by the chair, the proposal shall be deemed to be approved, and it shall have the same effect as that reached through voting.
- Article 16: When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they are to be put to a vote. When anyone among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- Article 17: When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed., or a resolution may be adopted at a shareholders' meeting to inform or announce the resumption of the meeting within five days.
- Article 18: The chair may direct the proctors (or security personnel) to help maintain order at the meeting place.
- Shareholders shall obey the instructions of the chair and proctors (or security personnel) related to order maintenance. For any personnel interfering the progress of the a shareholders' meeting and refusing to accept correction requested, the chair or proctors (or security personnel) may escort such personnel from the meeting.
- Article 19: Any matters not specified in these Rules shall be handled in accordance with the Company Act, Securities and Exchange Act and other relevant laws as well as the Articles of Incorporation of the Company.
- Article 20: These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

[Appendix 8]

Hitron Technologies Inc.  
Shareholdings of All Directors

I. Minimum Required Shareholding and Shareholding of all Directors:

Title	Minimum Required Shareholding by all Directors	Current Shareholding (Shares)
Director	13,159,449	200,742,702

Note 1: The period of Book closure is from April 13, 2021 to June 11, 2021.

Note 2. The Company has three independent directors, and the minimum required shareholding by all Directors except for independent directors is downsized to 80% of the minimum required based on Article 2, paragraph 2 of “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”.

II. Company’s current Directors’ shareholding are as follows on April 13, 2021:

Title	Name	Shareholding (Shares)
Chairman	Alpha Networks Inc. Representative: April Huang	200,000,000
Director	Alpha Networks Inc. Representative: Peter Chen	200,000,000
Director	Amy Liu	742,702
Director	Alpha Networks Inc. Representative: Yu-chin Lin	200,000,000
Director	Alpha Networks Inc. Representative: Yang-Chih Chou	200,000,000
Director	Alpha Networks Inc. Representative: Patrick Chiu	200,000,000
Director	Alpha Networks Inc. Representative: Allen Hsu	200,000,000
Independent Director	Mao-Cao, Lin	-
Independent Director	Ming-Fu, Huang	-
Independent Director	Lo-Min ,Chen	-
Total		200,742,702