

Stock code: 6449



**APAQ TECHNOLOGY
CO., LTD**

2020 Regular Shareholders' Meeting

Agenda Handbook

June 17, 2020

Contents

Item	Page
Chapter 1. Meeting Procedure	1
Chapter 2. Regular Shareholders' Meeting Agenda	2
I. Matters Reported On	3
II. Proposals	3
III. Discussion and Election Matters	5
IV. Extraordinary Motions	17
Chapter 3. Attachment	
I. Business Report	18
II. Supervisors' Audit Report	19
III. The Company's investments, financing endorsements, and derivatives overseas and in China in 2019	22
IV. CPA's Audit Report and the Consolidated Financial Reports	25
V. CPA's Audit Report and the Individual Financial Reports	34
Chapter 4. Appendices	
I. Rules and Procedure for Shareholders Meetings	42
II. Articles of Incorporation (Before Amendment)	45
III. Procedures for Endorsements and Guarantees (Before Amendment)	52
IV. Procedures for Lending Funds to Others(Before Amendment)	59
V. Guidelines for Election of Directors and Supervisors (Before Amendment)	65
VI. The Numbers of Shares Held and the Minimum Numbers of Shares Required to be Held by All Directors and Supervisors	67
VII. Other Explanatory Materials	67

Procedures for 2020 Annual General Meeting

I. Call to Order

II. Chairman's Remarks

III. Announcements

IV. Ratification Items

V. Discussion and Election Matters

VI. Extempore Motions

VII. Adjournment

Agenda for 2020 Annual General Meeting

Time: 9:00 AM, Wednesday, June 17, 2020

Location: 202 Vocational Training Room, 2nd Floor, Administrative Service Center, Jhunan Science Park, Hsinchu Science Park Bureau, Ministry of Science and Technology
(No. 36-2, Keyan Rd., Zhunan Township, Miaoli County 350)

I. Call to Order: Moderator Announcing Shareholders in Attendance

II. Chairman's Remarks

III. Agenda

(I) Announcements

1. 2019 Business Report.
2. Supervisor's Audit Report on the 2019 Business Report and Financial Statements.
3. Report on material transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2019.
4. Report on distribution of remuneration paid to employees, directors and supervisors.

(II) Ratification Items

1. 2019 Business Reports and Financial Statements.
2. 2019 Earnings Distribution Plan.

(III) Discussion and Election Matters

1. Discussion on the amendments to the Company's Articles of Incorporation.
2. Discussion on the amendments to the Company's Procedures for Endorsements/Guarantees.
3. Discussion on the amendments to the Company's Procedures for Lending Funds to Others.
4. Discussion on the amendments to the Company's Election Procedures of Directors and Supervisors.
5. Election of the 7th Directors.
6. Discussion on the lifting of the non-competition restrictions on new directors.

(IV) Extempore Motions

IV. Adjournment

(I) Announcements

I. 2019 Annual Business Report.

Description: Please refer to Attachment I (page 20) of the Agenda Handbook for the Company's 2019 Annual Business Report.

II. Supervisor's Audit Report on the 2019 Business Report and Financial Statements.

Description: Please refer to Attachment II (page 21~23) of the Agenda Handbook for the Supervisor's Audit Report.

III. Report on material transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2019.

Description: Please refer to Attachment III (page 24~25) of the Agenda Handbook for the material transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2019.

IV. Report on distribution of remuneration paid to employees, directors and supervisors.

Description: 1. In accordance with the Articles of Incorporation, if the Company has gained profits within a fiscal year, 8% or more of the profits shall be reserved as the employees' compensation, which shall be distributed by a resolution adopted by the board meeting in the form of shares or in cash. Employees eligible for such compensation include subsidiary employees meeting certain specific requirements. The Company shall allocate not more than 3% of the proceeding profits as remuneration to directors and supervisors by a resolution adopted by the board meeting. The distribution of remuneration to employees, directors and supervisors shall be reported at the shareholders' meeting.

2. The Company' profit for 2019 was NT\$ 193,288,069 (the same as below). It is proposed to allocate NT\$ 16,437,102 to employees as remuneration and NT\$ 4,834,442 to directors and supervisors. A total of NT\$ 21,271,544 will be paid in cash. There is no difference between the amount allocated and the estimated amount for the year of expenses recognition.

(II) Ratification Items

Proposal 1 (Proposed by the Board)

Subject: The 2019 Business Report and Financial Statements submitted for adoption.

Description: The Consolidated Financial Reports and Individual Financial Statements for the year 2019 have been adopted by resolution by the board of directors on March 24, 2020, audited by the CPAs Wan-Yuan Yu and Chien-Hui Lu of KPMG Taiwan entrusted by the board of directors, and submitted together with the Business Report to the supervisors for review with the written audit report issued. Please refer to Attachment I, IV and V (page 20 and page 26~39) of the Agenda Handbook for the Business Report, Consolidated Financial Reports and Individual Financial Statements.

Resolution:

Proposal II (Proposed by the Board of Directors)

Subject: The 2019 Earnings Distribution Plan is submitted for adoption.

Description: 1. According to Article 27-1 of the Company's Articles of Incorporation, the earnings for the year 2019 will be distributed as follows:


APAQ TECHNOLOGY CO., LTD.
2019 Earnings Distribution Table

(Unit: NT\$)

Item	Amount	Remarks
Beginning of Period Retained Earnings	362,035,886	
Add: Net Income for 2019	139,071,063	
Add: Disposal of Equity Instruments Measured at Fair Value through Other Comprehensive Income	2,873,145	
Less: Legal Reserves Appropriated for 2019	14,194,421	
Less: Special Capital Reserve Appropriated	70,563,339	
Distributable Net Profit	419,222,334	
Distributable Items:		
Shareholder Dividends (Cash)	84,524,751	NT\$ 1 per share
Retained Earnings at the end of Period	334,697,583	

Note: The number of outstanding shares is 84,524,751.

Chairman:



Manager:



Accounting Manager:



- As for the above mentioned distributable items of shareholders' cash dividend, if the number of shares outstanding of the Company is affected by the change of the capital stock, and the dividend ratio of the shareholders is changed and needs to be revised, it is proposed that the Chairman shall be authorized to make the corresponding adjustment.
- The cash dividends shall be calculated according to the distribution ratio to the nearest NT\$ 1 (round down). If the total fractional amount is insufficient to be less than NT\$ 1, it shall be incorporated into other income.
- As for the dividend distribution, the Chairman shall be authorized to set the ex-dividend date, distribution date and other relevant matters.

Resolution:

(III) Discussion and Election Matters

Proposal 1 (Proposed by the Board)

Subject: The amendments to the Company's Articles of Incorporation submitted for discussion.

Description: Due to the establishment of the audit committee, part of the articles of the Company's Articles of Incorporation were proposed to be amended. The comparison table of the articles before and after the amendment is as follows:

APAQ TECHNOLOGY CO., LTD.

Comparison Table for the Articles of the Articles of Incorporation before and after the Amendments

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Article 6	The shares of the Company are all registered shares, which shall be numbered, signed by or affixed with the seals of the directors <u>on behalf of the Company</u> , and issued upon the approval of <u>the certified bank pursuant to the law. The Company may be exempted from printing any share certificate for the shares issued, and shall register the issued shares with a centralized securities depository enterprise.</u>	The shares of the Company are all registered shares, which shall be numbered, signed by or affixed with the seals of <u>three or more</u> directors of the Company, and issued upon the approval of <u>the competent authority or its authorized issuance registration agency.</u>	Amend in line with the Company Act
Article 6-1	(Delete)	The Company may choose not to print any certificate in respect of the registered shares or corporate bonds issued by it as required, but shall register with a centralized securities custody institution.	Merge the contents with the previous article
Chapter IV	Directors, <u>Audit Committee</u> and Managers	Directors, <u>Supervisors</u> and Managers	Establish Audit Committee accordingly
Article 16	The Company has 5 to 9 directors, and adopts <u>the candidate nomination system set out in Article 192-1 of the Company Act</u> . Shareholders shall elect directors from those listed in the <u>slate of director candidates for a term of three years and the elected directors may be eligible for re-election.</u> <i>The Company may obtain</i> Directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship. The board of directors is fully authorized to handle all matters relating to the liability insurance.	The Company shall have a board of directors composed of five to nine directors and <u>two to three supervisors</u> , who shall be appointed by the board of shareholders among <u>competent candidates</u> in the board of directors for a term of three years and the electees may be eligible for re-election. <i>The Company may obtain</i> directors and <u>supervisors</u> liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship. The board of directors is fully authorized to handle all matters relating to the	Establishment of Audit Committee and a comprehensive director nomination system

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<p><u>In accordance with Article 14-4 of Securities and Exchange Act, the Company has established an audit committee to exercise the powers instead of the supervisors. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener. The exercise of power and related matters shall be in accordance with the provisions of the relevant laws and regulations and prescribed by the board of directors.</u></p>	<p>liability insurance.</p>	
<p>Article 16-1</p>	<p>The number of independent directors in preceding article shall not be fewer than <u>three</u> nor fewer than one fifth of the total number of directors. <u>The professional qualifications, shareholding, concurrent posts restrictions, nomination and election methods of independent directors and other matters that should be complied with, shall be handled in accordance with the relevant laws and regulations of the securities competent authority.</u> In the process of electing directors, the number of votes exercisable per share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. The independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.</p>	<p>The number of independent directors in preceding article shall not be less than <u>two</u> and no less than one fifth of the total number of directors. In the process of electing directors, the number of votes exercisable per share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. The independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.</p>	<p>Establish Audit Committee accordingly</p>
<p>Article 16-2</p>	<p>(Delete)</p>	<p>A candidate nomination system is adopted by the Company for the election of directors. A shareholder holding one percent or more of the total number of issued shares and the board of director shall present a slate of independent director candidates to the Company upon review by the board of directors in accordance with</p>	<p>Merge the contents with the previous article</p>

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
		<p>relevant laws and regulations that all candidates nominated are qualified independent director candidates, and submit the same to the shareholders' meeting; independent directors should be elected from the nominees listed in the slate.</p> <p>All matters related to the acceptance and announcement of the nomination of independent director candidates shall be handled in accordance with the relevant laws and regulations of the Company Act and the Securities and Exchange Act.</p>	
Article 19-1	<p>The reasons for calling a board of Directors meeting shall be notified to each Director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.</p> <p>The notice set forth in the preceding paragraph may be served in writing, or by email or fax.</p>	<p>The reasons for calling a board of directors meeting shall be notified to each director <u>and supervisor</u> at least seven days in advance. However, for urgent circumstances, a meeting may be called on shorter notice.</p> <p>The notice set forth in the preceding paragraph may be served in writing, or by email or fax.</p>	Establish Audit Committee accordingly
Article 22	<p><u>The Company's board of directors may set up various functional committees. The membership, functional authority and other relevant matters shall be handled in accordance with the relevant laws and regulations and determined by the board of directors.</u></p>	<p><u>Supervisors may, in addition to exercising their supervisory powers independently according to law, attend meetings of the board of directors without voting rights.</u></p>	Establish Audit Committee accordingly
Article 23	(Delete)	<p><u>The powers and duties of the supervisors are as follows:</u></p> <p>I. <u>Review the Business Report and Financial Statements made by the board of directors and submitted to the shareholders' meeting.</u></p> <p>II. <u>Review the budgets and final settlements of the Company.</u></p> <p>III. <u>Investigate the business and financial status of the Company.</u></p> <p>IV. <u>Notify the board of directors to cease any act in violation of laws or regulations or the Articles of Incorporation, or business beyond the scope of registered operations.</u></p> <p>V. <u>Exercise other powers conferred under the Company Act.</u></p>	Establish Audit Committee accordingly
Article 24	The remuneration of directors shall be determined by a meeting of	The remuneration of directors and <u>supervisors</u> shall be determined by a	Establish Audit

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	shareholders.	meeting of shareholders.	Committee accordingly
Article 26	The fiscal year of the Company begins on January 1 and ends on December 31 each year. At the end of a fiscal year, the board of directors shall prepare the following reports and statements <u>to be submitted to the shareholders' meeting for ratification in accordance with the law:</u> I. Business Report. II. Financial statements III. Proposal for earnings distribution or loss recovery.	The fiscal year of the Company shall be from January 1 to December 31 each year. At the end of a fiscal year, the board of directors shall prepare the following reports and statements <u>to be countersigned by the supervisors 30 days prior to the regular shareholders' meeting</u> and shall be submitted to the shareholders' meeting <u>for</u> ratification: I. Business Report. II. Financial statements; and III. Proposal for earning distribution or loss recovery.	Establish Audit Committee accordingly
Article 27	If the Company has gained profits within a fiscal year, 8% or more of the profits shall be reserved as the employees' compensation, which shall be distributed by a resolution adopted by the board meeting in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements. The Company shall allocate not more than 3% of the proceeding profits as the remuneration to directors by a resolution adopted by the board meeting. The distribution of remuneration to employees and directors shall be reported at the shareholders' meeting. However, if the Company has accumulated losses, the amount shall be set aside to cover the deficit, and then distributed as remuneration to employees and directors in accordance with the aforementioned percentage.	If the Company has gained profits within a fiscal year, 8% or more of the profits shall be reserved as the employees' compensation, which shall be distributed by a resolution adopted by the board meeting in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements. The Company shall allocate not more than 3% of the proceeding profits as the remuneration to directors and <u>supervisors</u> by a resolution adopted by the board meeting. The distribution of remuneration to employees, directors and <u>supervisors</u> shall be reported at the shareholders' meeting. However, if the Company has accumulated losses, the amount shall be set aside to cover the deficit, and then distributed as remuneration to employees, directors and <u>supervisors</u> in accordance with the aforementioned percentage.	Establish Audit Committee accordingly
Article 29	In addition to directors' remuneration prescribed in Article 27 of the Articles, the board of directors shall be authorized to determine the attendance fees for the directors of the Company by referring to the standards of the same industry.	In addition to the remuneration of directors and <u>supervisors</u> prescribed in Article 27 of the Articles of Incorporation, the board of directors shall be authorized to determine the attendance fees for the directors <u>and supervisors</u> of the Company by referring to the standards of the same industry.	Establish Audit Committee accordingly

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Article 33	<p>These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on December 23, 2005, and came into force on the date of approval and registration by the competent authority.</p> <p>The first amendment was made on July 7, 2006 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The second amendment was made on June 26, 2009 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The third amendment was made on June 25, 2010 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fourth amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fifth amendment was made on June 22, 2012 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The sixth amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The seventh amendment was made on June 12, 2014 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The eighth amendment was made on June 23, 2015 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The ninth amendment was made on June 23, 2016 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The tenth amendment was made on June 20, 2017 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The eleventh amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders'</p>	<p>These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on December 23, 2005, and came into force on the date of approval and registration by the competent authority.</p> <p>The first amendment was made on July 7, 2006 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The second amendment was made on June 26, 2009 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The third amendment was made on June 25, 2010 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fourth amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fifth amendment was made on June 22, 2012 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The sixth amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The seventh amendment was made on June 12, 2014 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The eighth amendment was made on June 23, 2015 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The ninth amendment was made on June 23, 2016 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The tenth amendment was made on June 20, 2017 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The eleventh amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders'</p>	Add the amendment date

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	meeting. The twelfth amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting. <u>The thirteenth amendment was made on June 17, 2020 and taken into effect by the resolution of the shareholders' meeting.</u>	meeting. The twelfth amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.	

Resolution:

Proposal 2 (Proposed by the Board of Directors)

Subject: The amendments to the Company's Procedures for Endorsements and Guarantees submitted for discussion.

Description: In accordance with the requirements of the competent authority, part of the articles of the Company's Procedures for Endorsements and Guarantees were proposed to be amended. The comparison table of the articles before and after the amendment is as follows:

APAQ TECHNOLOGY CO., LTD.

Comparison Table of the Articles of the Operational Procedures for Endorsements and Guarantees before and after the Amendments

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Article 10	Announcing and reporting procedures The Company shall, before the tenth day of each month, publicly announce and report the balance of endorsements/guarantees for the previous month of the Company and its subsidiaries. If the balance of endorsements/guarantees meets one of the following conditions, the Company shall publicly 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 percent or more of the Company's net value as stated in its latest financial statements. II. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20	Announcing and reporting procedures <u>after public offering of the Company</u> The Company shall, before the tenth day of each month to publicly announce and report the balance of endorsements/guarantees for the previous month of the Company and its subsidiaries. The Company whose balance of endorsements/guarantees reaches one of the following levels shall publicly 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 percent or more of the Company's net value as stated in its latest financial statement. II. The balance of endorsements/guarantees by the Company and its subsidiaries for a	Amend according to the actual situation

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<p>percent or more of the Company's net value as stated in its latest financial statements.</p> <p>III. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements/guarantees for, the carrying amount of investment accounted for using equity method, and balance of lending to, such enterprise reaches 30 percent or more of public company's net value as stated in its latest financial statements.</p> <p>IV. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$ 30 million or more, and reaches 5 percent or more of the public company's net value as stated in its latest financial statements.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan any matters that such subsidiary is required to publicly announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> <p>"Date of occurrence" in these Operational Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</p>	<p>single enterprise reaches 20 percent or more of the Company's net value as stated in its latest financial statement.</p> <p>III. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements/guarantees for, the carrying amount of investment accounted for using equity method, and balance of lending to, such enterprise reaches 30 percent or more of public company's net value as stated in its latest financial statement.</p> <p>IV. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$ 30 million or more, and reaches 5 percent or more of the public company's net value as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan any matters that such subsidiary is required to publicly announce and report pursuant to subparagraph 4 of the preceding paragraph.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</p>	
Article 14	<p>Supplementary Provisions</p> <p>(I) Matters not covered by these Procedures shall be handled in accordance with other applicable laws and regulations.</p> <p>(II) These procedures were amended on February 21, 2006. The fifth amendment was made</p>	<p>Supplementary Provisions</p> <p>(I) Matters not covered by these Procedures shall be handled in accordance with other applicable laws and regulations.</p> <p>(II) These Procedures were amended on February 21, 2006. The fifth amendment was made</p>	Add article for amendments

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<p>on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting. The second amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting. The third amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting. The fourth amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting. <u>The fifth amendment was made on June 17, 2020 and taken into effect by the resolution of the shareholders' meeting.</u></p>	<p>on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting. The second amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting. The third amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting. The fourth amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.</p>	

Resolution:

Proposal 3 (Proposed by the Board of Directors)

Subject: The amendments to the Company's Procedures for Lending Funds to Others submitted for discussion.

Description: In accordance with the requirements of the competent authority, part of the articles of the Company's Procedures for Lending Funds to Others were proposed to be amended. The comparison table of the articles before and after the amendment is as follows:

APAQ TECHNOLOGY CO., LTD.

Comparison Table of the Articles of the Procedures for Loaning of Company Funds before and after the Amendments

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Article 9	<p>Public announcement and reporting as follows</p> <p>I. The Company shall, before the tenth day of each month to publicly announce and report the balance of lending for the previous month of the Company and its subsidiaries.</p> <p>II. The Company whose balance of lending reaches one of the following levels shall publicly announce and report such event within two days commencing immediately from the date of occurrence:</p>	<p><u>Announcing and reporting:</u> announcing and reporting procedures after public offering of the Company.</p> <p>I. The Company shall, before the tenth day of each month to publicly announce and report the balance of lending for the previous month of the Company and its subsidiaries.</p> <p>II. The Company whose balance of lending reaches one of the following levels shall publicly announce and report such event within two days commencing immediately from the date of</p>	Amend according to the actual situation

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<p>(I) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>(II) The balance of lending by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>(III) The amount of new lending of funds by the Company or its subsidiaries reaches NT\$ 10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan any matters that such subsidiary is required to publicly announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of the loans to and monetary amount of the transaction, whichever date is earlier.</p>	<p>occurrence:</p> <p>(I) The aggregate balance of lending to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>(II) The balance of lending by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>(III) The amount of new lending of funds by the Company or its subsidiaries reaches NT\$ 10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statements.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan any matters that such subsidiary is required to publicly announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of the loans to and monetary amount of the transaction, whichever date is earlier.</p>	
Article 12	<p>Supplementary Provisions:</p> <p>(I) Matters not covered by these Procedures shall be handled in accordance with other applicable laws and regulations.</p> <p>(II) These Operational Procedures were formulated on April 10, 2006.</p> <p>The first amendment was made on June 26, 2009 and taken into effect by</p>	<p>Supplementary Provisions:</p> <p>(I) Matters not covered by these Procedures shall be handled in accordance with other applicable laws and regulations.</p> <p>(II) These Procedures were formulated on April 10, 2006.</p> <p>The first amendment was made on June 26, 2009 and taken into effect by the resolution of the shareholders'</p>	Add article for amendments

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<p>the resolution of the shareholders' meeting.</p> <p>The second amendment was made on June 25, 2010 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The third amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fourth amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fifth amendment was made on June 12, 2014 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The sixth amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The seventh amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.</p> <p><u>The eighth amendment was made on June 17, 2020 and taken into effect by the resolution of the shareholders' meeting.</u></p>	<p>meeting.</p> <p>The second amendment was made on June 25, 2010 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The third amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fourth amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The fifth amendment was made on June 12, 2014 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The sixth amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting.</p> <p>The seventh amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.</p>	

Resolution:

Proposal 4 (Proposed by the Board of Directors)

Subject: The amendments to the Company's Guidelines for Election of Directors and Supervisors submitted for discussion.

Description: Due to the establishment of the audit committee, part of the articles of the Company's Guidelines for Election of Directors and Supervisors were proposed to be amended. The name of the Guideline was renamed to Guidelines for Election of Directors. The comparison table of the articles before and after the amendment is as follows:

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
Name of the Procedures	Guidelines for Election of Directors	Guidelines for Election of Directors <u>and Supervisors</u>	Audit Committee established accordingly.
Article 1	The election of the directors of the Company shall be conducted by	The election of the directors <u>and supervisors</u> of the Company shall be	Audit Committee

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	these regulations unless otherwise provided by the Company Act, the Articles of Incorporation and the relevant laws and regulations.	conducted by these regulations unless otherwise provided by the Company Act, the Articles of Incorporation and the relevant laws and regulations.	established accordingly.
Article 2	The election of directors of the Company shall be conducted at the meeting of shareholders, the Company shall prepare the ballots for the election of directors and count the number of voting rights.	The election of directors <u>and supervisors</u> of the Company shall be conducted at the meeting of shareholders, the Company shall prepare separate ballots for directors <u>and supervisors</u> and specify the number of voting rights.	Audit Committee established accordingly.
Article 3	The election of <u>directors (including independent directors)</u> 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 election of 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.	In line with the full nomination system of directors.
Article 4	The cumulative <u>voting system</u> (one ballot with one vote) shall be used for election of the directors at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.	The cumulative <u>electoral method</u> (one ballot with one vote) shall be used for election of the directors <u>and supervisors</u> at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.	Audit Committee established accordingly.
Article 5	The number of directors will be as specified in the Company's Articles of Incorporation. Those receiving ballots representing the highest numbers of voting rights will be elected as independent and non-independent directors <u>respectively</u> and sequentially according to the ballot return statistics. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. Where a person is concurrently elected as an <u>independent</u> director or a <u>non-independent</u> director in accordance with paragraph 1, he/she shall decide on his own whether to be an <u>independent</u> director or a <u>non-</u>	The directors <u>and supervisors</u> of the Company <u>shall be appointed by the board of shareholders from competent candidates, and</u> the number will be as specified in the Company's Articles of Incorporation. Those receiving ballots representing the highest numbers of voting rights will be elected as independent and non-independent directors <u>or supervisors</u> sequentially and respectively according to the ballot return statistics. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. Where a person is concurrently elected as a director <u>or supervisor</u> in	Audit Committee established accordingly.

Article	Articles after Amendment	Articles before Amendment	Reasons for Amendment
	<u>independent</u> director. Or where the personal data of an elected <u>independent</u> director or a <u>non-independent</u> director are verified to be inconsistent, or the election is invalid according to relevant laws and regulations, the vacancy shall be filled by the candidate with second highest numbers of voting rights of the original election, which shall be declared at the same shareholders' meeting.	accordance with paragraph 1, he/she shall decide on his own whether to be a director <u>or supervisor</u> . Or where the personal data of a director <u>or supervisor</u> are verified to be inconsistent, or the election is invalid according to relevant laws and regulations, the vacancy shall be filled by the candidate with second highest numbers of voting rights of the original election, which shall be declared at the same shareholders' meeting.	
Article 8	The ballot boxes used for the election shall be prepared by the Company and shall be publicly checked by the poll watchers before voting commences.	The ballot boxes used for the election shall be prepared by the Company and shall be publicly checked by the poll monitoring <u>personnel</u> before voting commences.	Amend the texts as appropriate.
Article 11	(Delete)	<u>If the Company has set up an audit committee, there shall not be an election of supervisors.</u>	Audit Committee established accordingly.
Article 14	The Company shall issue notifications to the persons elected as directors or supervisors.	The Company shall issue notifications to the persons elected as directors <u>and supervisors</u> .	Audit Committee established accordingly.
Article 16	The establishment of these Procedures were adopted by the shareholders' meeting on June 25, 2013. The first amendment to these Procedures was adopted by the shareholders' meeting on June 12, 2014. <u>The second amendment to these Procedures was adopted by the shareholders' meeting on June 17, 2020.</u>	The establishment of these Procedures were adopted by the shareholders' meeting on June 25, 2013. The first amendment to these Procedures was adopted by the shareholders' meeting on June 12, 2014.	Add articles for amendments

Proposal 5 (Proposed by the Board of Directors)

Subject: The proposal for election of the 7th Directors submitted for election.

- Description:
- The current term of the directors and supervisors shall expire on June 19, 2020, and it is proposed that the general re-election shall be held in advance at this shareholders' meeting. The former directors and supervisors shall be relieved after the election of the new directors. The term of office of the new seventh directors shall be three years from June 17, 2020 to June 16, 2023.
 - In this election, 7 directors were reelected, including 3 independent directors

adopting the candidate nomination system. The audit committee composed of all independent directors shall exercise the powers and duties instead of the supervisors pursuant to Article 14-4 of the Securities and Exchange Act. The roster of director candidates has been reviewed and adopted by the board of directors of the Company on May 6, 2020. The information of the candidates for independent director is hereby stated as follows:

Name of Nominee	Main Education	Main Experience	Number of Shares Held
Shu-Chien Liang	PhD of Materials Science at University of Pennsylvania	Vice President, Delta Electronics, Inc. Director, INPAQ Technology Co., Ltd. Supervisor, Topoint Technology Co., Ltd. Director and consultant, Photonics Industry & Technology Development Association Consultant, Industrial Technology Research Institute	0
Jonq-Min Liu	Lungmen Executive Program (GE, Crotonville) Stanford Executive Program, Department of Management, Standford University Master and PhD of Chemistry at Columbia University Bachelor of Chemistry at National Tsing Hua University	Chairman, Industrial Technology Investment Corporation Professional Specialist, Industrial Technology Research Institute President, Industrial Technology Research Institute Vice President, Industrial Technology Research Institute President, China Chemical Association General Director, Material and Chemical Research Laboratories, Industrial Technology Research Institute President, The Polymer Society, Taipei President, Materials Research Society, Taiwan President, Taiwan Flat Panel Display Materials & Devices Association General Director, Industrial Materia Research Laboratories, Industrial Technology Research Institute	0
Chia-Ning Chang	MBA of National Sun Yat-Sen University, Bachelor of Psychology of National Taiwan University,	Chief Strategy Officer of Walsin PSA, Director of HannStar Board International Holdings Limited, President of Kamaya Electric Co., Ltd., President of Nitsuko Electronics Corporation, Vice President/Chief Financial Officer of Walsin Technology Corporation, General Manager of ING Bank N.V Shanghai Branch, Director of ING Baring Group, Vice President of JP Morgan	0

Election Results:

Proposal 5 (Proposed by the board of directors)

Subject: The proposal of lifting of the non-competition restrictions on new directors submitted for discussion.

Description: Pursuant to Article 209 of the Company Act: A director of the Company who engages in any transaction for himself or on behalf of another person that is within the scope of the Company's operations shall explain the major content of such actions to the shareholders meeting and obtain its consent. It was proposed that the board of directors shall agree that the act of a new director, without prejudice to the interests of the Company, shall not be subject to Article 209 of the Company Act.

Resolution:

(IV) Extraordinary Motions

(V) Adjournment

APAQ TECHNOLOGY CO., LTD.**2019 Annual Business Report****I. Business Policy, Implementation Overview and Profitability and Development Analysis**

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as "APAQ") is a company focusing on the development and application of conductive polymer materials, aiming at innovating technological products, and providing a comfortable and convenient living environment with conductive polymer material as the core technology. APAQ has successfully developed a series of solid capacitor products and mastered the advantages of R&D, marketing and manufacturing management; it has been treated as an important strategic partner by big manufacturer customers around the world.

In the first half of 2019, the Company suffered from a shortage of CPU & Chipset resulting from the Intel defect issue, which severely affected PC shipments. In addition, the Company also suffered from low operating revenue and gross margin in the first half of the year due to the consumption of material for which suppliers raised prices when raw materials were in short supply in 2018. In the second half of the year, the MB/VGA market became active with increased operating revenue and gross margin, but the overall annual performance was slightly worse than that in 2018.

APAQ's market share of coiled conductive polymer solid state capacitor ranks the first in the world. In order to further develop market customers and expand market share, the Company has built a new production line of coiled conductive polymer solid state capacitor in Hubei Province at the end of 2019, which will not only increase the overall capacity, cost competitiveness and operating revenue, but also effectively enhance the market competitiveness of APAQ.

II. Implementation Results of Business Plan

Unit: NT\$ thousand

Item	2019	2018	Growth Rate
Net Operating Revenue	2,002,841	2,042,820	-1.96%
Gross Operating Profit	462,123	517,296	-10.67%
Operating income	208,051	263,970	-21.18%
Net income after tax	139,071	182,343	-23.73%

III. Research Development Status and General Condition of Implementation

In response to the future development towards advanced market of 5G/IOT/AI/Power/Automotive/Industrial, APAQ adheres to the independent innovation of science and technology, and is dedicated to the technology and component development related to conductive polymer materials, and has been continuously developing coiled and stacked conductive polymer solid state capacitors with the characteristics of low impedance, high ripple, miniaturization, long life, high temperature resistance, and high voltage for the high-end market in 2019.

IV. Vision of Continuous Growth

Thanks to the full support from our shareholders, the team has been able to obtain enough resources in the past year to continue to complete the productivity construction and the development of new products, which has laid a solid foundation for the Company's sustainable development. At present, the Company has entered the stage of rapid growth, we sincerely request all shareholders continuously to give support and recognition.

Chairman:



Manager:



Accounting Manager:



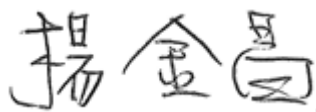
APAQ TECHNOLOGY CO., LTD.
Supervisors' Audit Report

The board of directors shall prepare and submit the Company's 2019 Annual Business Report, Consolidated Financial Reports, Individual Financial Reports and the Proposal of the Earnings Distribution Statement, in which the Consolidated Financial Reports and Individual Financial Reports have been audited by the CPAs Wan-Yuan Yu and Chien-Hui Lu of KPMG Taiwan, with the written audit report issued. The aforementioned Business Report, Consolidated Financial Reports, Individual Financial Reports and the Proposal of the Earnings Distribution Statement have been audited by the supervisor and deemed as appropriate, and reported as above in accordance with Article 219 of the Company Act for approval.

Sincerely,

2020 Regular Shareholders' Meeting of APAQ TECHNOLOGY CO., LTD.

Supervisor:




May 6, 2020

APAQ TECHNOLOGY CO., LTD.
Supervisors' Audit Report

The board of directors shall prepare and submit the Company's 2019 Annual Business Report, Consolidated Financial Reports, Individual Financial Reports and the Proposal of the Earnings Distribution Statement, in which the Consolidated Financial Reports and Individual Financial Reports have been audited by the CPAs Wan-Yuan Yu and Chien-Hui Lu of KPMG Taiwan, with the written audit report issued. The aforementioned Business Report, Consolidated Financial Reports, Individual Financial Reports and the Proposal of the Earnings Distribution Statement have been audited by the supervisor and deemed as appropriate, and reported as above in accordance with Article 219 of the Company Act for approval.

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Sincerely,

2020 Regular Shareholders' Meeting of APAQ TECHNOLOGY CO., LTD.

Supervisor:



May 6, 2020

APAQ TECHNOLOGY CO., LTD.

Material Transactions of the Company's investments, financing endorsements, and derivatives overseas and in China in 2019.

(I) Information on Material Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the merged company shall disclose the following information concerning material transactions:

1. Loaning Funds to others:

Number	Lending Company	Borrower	Current Account	Related Party (Yes/No)	Maximum Amount in Current Period	Ending Balance	Actual Amount Used	Interest Range	Nature of Lending	Amount of Business Transaction	Reason for Short-term Financing	Allowance for Losses	Collateral Name	Collateral Value	Limit on Loans Granted to Each Borrower	Limit on Total Amount of loans
0	The Company	APAQ Wuxi	Other Receivables - Affiliates	Yes	474,000	449,700	119,920	2.896%	Short-term Financing	1,406,071	Business Transaction	-	-	-	785,995	785,995

Note 1. For companies or firms that have business transactions with the Company, the maximum amount of loans to a single borrower shall not exceed the total amount of trading between the two companies.

Note 2. The total amount of the Company's accumulated external loans of funds shall be limited to 40% of the amount of owner's equity attributable to the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by accountants in the most recent period.

2. Providing endorsements or guarantees for others:

Number	Company Name of Endorser/ Guarantor	Object of Endorsements/ Guarantees		The Amount of Endorsements /Guarantees for a Single Enterprise	Maximum Balance of Endorsements/ Guarantees in Current Period	Ending Balance of Endorsements /Guarantees	Actual Amount Used	Amount of Endorsements /Guarantees by Property	Ratio of Accumulated Endorsements/ Guarantees to the Net Worth of the Most Recent Financial Statements	Maximum Ceiling of Endorsements /Guarantees	Parent Company's Endorsements /Guarantees to Subsidiary	Subsidiary's Endorsements /Guarantees to Parent Company	Endorsements /Guarantees to Mainland China
		Company Name	Relationship										
0	The Company	APAQ Wuxi	Subsidiary	1,964,987	474,000	449,700	89,940	-	22.89%	1,964,987	Y	N	Y

Note 1. The amount of the endorsements/guarantees for a single enterprise shall be limited to the amount of owner's equity attributable to the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by accountants in the most recent period.

Note 2. The total amount of external endorsements/guarantees shall be limited to the amount of owner's equity attributable to the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by accountants in the most recent period.

3. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture):

Holding Company	Type and Name of Securities	Relationship with the Issuer of Securities	Accounting Subject	End of the Period				Remarks
				Number of Shares	Carrying Amount	Shareholding Ratio	Fair Value	
The Company	Chaintech Technology Corporation	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Current-	4,710	143,891	4.64%	143,891	
The Company	Foxfortune Technology Ventures Limited	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	1,000	42,551	5.80%	42,551	
The Company	Inpaq Korea	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	18	701	10.73%	701	
The Company	Chia Lin Venture Capital Co., Ltd.	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	2,000	20,125	3.64%	20,125	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	3,770	49,468	5.39%	49,468	
The Company	Ching Chiao Technology Co., Ltd.	None	Financial Assets Measured at Fair Value through Other Comprehensive Income - Non-current-	240	4,504	3.20%	4,504	

4. Aggregate purchases or sales of the same securities reaching NT\$ 300 million or 20 percent of paid-in capital or more: None.

5. Acquisition of real estate reaching NT\$ 300 million or 20 percent of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None.
7. Purchases from or sales to related parties reaching NT\$ 100 million or 20 percent of paid-in capital or more: None.

A Company Purchases (Sales) Goods	Name of the Counterparty	Relationship	Transaction Details				Details of and Reasons why the Terms of the Transaction are Different from A General Transaction		Notes/Accounts Receivable (Payable)		Remarks
			Purchases/sales	Amount	As a Proportion of Total Goods Purchased (Sold)	Credit Period	Unit Price	Credit Period	Balance	As a Proportion of Notes/Accounts Receivable (Payable)	
The Company	APAQ Wuxi	Subsidiary	Purchases	1,406,071	65 %	Due in 60 days after invoice date	-	Note 1	368,526	98.00%	

Note 1. The general payment term of the manufacturer is 30 days to 90 days after invoice date, and the payment term for APAQ Wuxi is 60 days after invoice date.

Note 2. The relevant transactions and ending balances have been offset in the consolidated financial statements.

8. Accounts receivable from related parties reaching NT\$ 100 million or 20 percent of paid-in capital or more: None.

Companies that Account for Receivables	Name of the Counterparty	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount of Receivable Collected after the Period (Note 2)	Allowance for Losses
					Amount	Action taken		
The Company	APAQ Wuxi	Subsidiary	155,171 (Note 1)	-	-	-	29,077	-

Note 1. It is other receivables arising from sales of goods, loans of funds, etc.

Note 2. It refers to the recovery status as of March 24, 2020.

Note 3. The relevant transactions and ending balances have been offset in the consolidated financial statements.

9. Derivative trading:

	108.12.31	107.12.31
Right of Redemption - Convertible Corporate Bonds Payable	\$ -	52

10. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances of any significant transactions between them:

Number	Name of Trader	Counterparty	Relationships with Trader	Conditions of Transactions		
				Account	Amount	Percentage Accounted for in Consolidated Revenue or Total Assets
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Purchases	1,406,071	70%
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Sales	70,663	4%
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Accounts receivable	32,283	1%
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Accounts payable	368,526	10%
0	The Company	APAQ Wuxi	Parent company's transaction with subsidiary	Other receivables	122,888	3%

(II) Information on Investees:

The information on investees is as follows (excluding the investee companies in Mainland China):

Name of Investor	Name of Investee	Region	Principal Business	Original Investment Amount		Shareholding at the End of the Period			Ratio of Maximum Interim Capital Contribution	Gains/losses of Investee	Investment Gains/Losses Recognized in the Current Period	Remarks
				End of the Period	End of Last Year	Number of Shares	Ratio	Carrying Amount				
The Company	APAQ Samoa	Samoa	Holding	1,288,569	1,116,306	41,504	100.00%	1,639,854	100.00%	45,376	117,313	Note 1

Note 1. Investment gains/losses recognized include adjustments for upstream transactions between affiliates.

Note 2. The relevant transactions and ending balances have been offset in the consolidated financial statements.

(III) Information on investments in Mainland China:

1. Information on investments in Mainland China

Name of Investee	Principal Business	Paid-in Capital (Note 4)	Method of Investment	Accumulated Outward Remittance of Investment from Taiwan at the Beginning of the Current Period	Outward Remittance or Recovery of Investment in the Current Period		Accumulated Outward Remittance of Investment from Taiwan at the End of the Current Period	Current Gains/Losses of Investee	Shareholding Ratio of the Company's Direct or Indirect Investment	Ratio of Maximum Interim Capital Contribution	Investment Gains/Losses Recognized in the Current Period	Ending Book Value of Investment	Repatriated Investment Income As of the End of Current Period	Remarks
					Outward Remittance (Note 4)	Recovery								
APAQ Wuxi	Production and sales of electronic components	1,160,226 (USD 38,700 thousand)	Note 1	1,049,874 (USD 33,700 thousand)	153,849 (USD 5,000 thousand)	-	1,203,723 (USD 38,700 thousand)	50,989	100.00%	100.00%	50,989 Note 3	15,942,284	-	
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components	42,975 (RMB 10,000 thousand)	Note 1	44,898 (RMB 9,800 thousand)	-	-	44,898 (RMB 9,800 thousand)	3,620	35.00%	35.00%	1,227 Note 3	45,174	-	
APAQ Hubei	Production and sales of electronic components	14,990 (USD 500 thousand)	Note 2	-	15,590 (USD 500 thousand)	-	15,590 (USD 500 thousand)	2,480	100.00%	100.00%	2,480 Note 3	17,661	-	

2. Limit on the amount of investments in Mainland China:

Accumulated Outward Remittance of Investment to Mainland China from Taiwan at the End of the Current Period (Note 4)	Investment Amount Approved by the Investment Commission, MOEA (MOEAIC) (Note 4)	Limit on the Amount of Investments in Mainland China Authorized by MOEAIC
1,264,211 (USD 39,200 thousand and RMB 9,800 thousand)	1,414,111 (USD 44,200 thousand and RMB 9,800 thousand)	(Note 5)

Note 1. Investment in Mainland China directly or indirectly through a third area.

Note 2. Direct investment in Mainland China.

Note 3. It is recognized according to the report audited by the accountant in the same period.

Note 4. The paid-in capital is converted into NT dollars at the exchange rate on the balance sheet date; the amount of investment remitted in the current period is converted into NT dollars at previous exchange rates; The investment amount approved by MOEAIC of USD 44,200,000 and RMB 9,800,000 is converted into NT dollars at previous exchange rates. In addition, as of December 31, 2019, there was still an approved investment amount of US\$ 5,000,000, which had not yet been actually remitted.

Note 5. The Company has obtained the certificate of the range of the enterprise operational headquarters, issued by the Industrial Development Bureau, Ministry of Economic Affairs (MOEAIDB), without limit of investment amount in Mainland China in accordance with the provisions of MOEAIC.

Report of Independent Accountants

To the Board of Directors and shareholders of APAQ TECHNOLOGY CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of APAQ TECHNOLOGY CO., LTD. and its subsidiaries (the “consolidated company”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the consolidated company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year 2019. These matters were addressed in our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not express a separate opinion on these matters. Key audit matters for the consolidated company's consolidated financial statements of the current period are stated as follows:

I. Assessment of allowance for uncollectible accounts from accounts receivable

Please refer to Note 4 (7) Financial Instruments in the consolidated financial report for accounting policies related to the assessment of allowance for uncollectible accounts from accounts receivable. Please refer to Note 5 for details on the accounting estimate and assumption uncertainty of allowance for uncollectible accounts from accounts receivable, and Note 6 (4) for bills and accounts receivable.

Description:

Most customers of the consolidated company belong to sectors including consumer electronics, peripheral devices for computers and wireless communication. Due to the rapid changes in the industry, technology, market, economy or regulatory environment, it is difficult to obtain financial information from the customers. When assessing the lifetime expected credit losses of the accounts receivable, the potential impairment is measured by factors such as the aging analysis of the receivables, the customer's financial position, collection records, current market conditions and forward-looking information. The assessment of allowance for uncollectible accounts from accounts receivable therefore has an element of subjective judgment from the management, which is a matter the accountants need to address when carrying out the audits of the consolidated financial report of the consolidated company.

How our audit addressed the matter:

The main audit procedure includes obtaining the calculation sheet for the assessment of allowance for uncollectible accounts from accounts receivable from the management to verify the calculations, sampling and verifying the completeness of the accounts receivable aging schedule and the accuracy of the aging interval, while analyzing the age of receivables, historical collection records and the customers' credit risk concentration etc. to test the appropriateness of the expected credit loss rate, in order to evaluate the reasonableness of the consolidated company's assessment of allowance for uncollectible accounts from accounts receivable. In addition, the appropriateness of the management's disclosure of impairment of accounts receivable is also evaluated.

II. Inventory assessment

For accounting policies related to inventory assessment, please refer to Note 4 (8) Inventory of the consolidated financial report. For accounting estimates and assumption uncertainty for inventory assessment, please refer to Note 5 of the consolidated financial report. Relevant details can be found in Note 6 (5) net inventory.

Description:

Since inventory is measured by the lower of cost and net realizable value, companies need to employ judgments and estimates to determine the net realizable value of inventory on the reporting date. Due to the rapid evolution in technology, the net realizable value fluctuates and potentially leads to significant changes. Therefore, the assessment for the allowance for price decline in inventories is one of the important evaluation items for the accountant when auditing the consolidated company's consolidated financial report.

How our audit addressed the matter:

Our main audit procedure for the above-mentioned key matters includes obtaining the inventory aging report and checking the general ledger, selecting appropriate samples from the inventory aging report to compare with the transaction documents to verify that the inventory has been placed in the appropriate interval of the inventory aging report, understanding the management's strategy for calculating the net realizable value and checking relevant documents, evaluating the reasonableness of the inventory price decline and the policy for taking stock of obsolete and slow-moving inventories, assessing whether the inventory evaluation has been implemented in accordance with the established accounting policies, and evaluating whether the management's disclosure for allowance for price decline in inventories is reasonable.

Other Matters

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of APAQ TECHNOLOGY CO., LTD. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements

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

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

Those charged with governance, including the supervisors, are responsible for overseeing the consolidated company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatement may arise from fraud or error. Misstatements 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- I. 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.
- II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated company's internal control.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated company to cease to continue as a going concern.

- V. 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.
- VI. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the consolidated company 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 year 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.

KPMG

CPA

Allan Yu

:

Grace Lu

Securities Competent
Authority Approval No.

: (88) Taiwan Financial
Securities No.18311
FSC Ref. No.1000028068

March 24, 2020

----Disclaimer----

This English version is a translation based on the original Chinese version.

Where any discrepancy arises between the two versions, the Chinese version shall prevail.

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Balance Sheets
Years ended on December 31, 2019 and 2018

Unit: NT\$ thousands

	2019.12.31		2018.12.31			2019.12.31		2018.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100	\$ 700,953	19	635,709	17	2100	\$ 924,840	25	1,103,585	30
1110					2170	307,178	9	187,682	5
			52	-	2180	4,968	-	-	-
1120					2201	79,378	2	67,891	2
	143,891	4	243,564	7	2213	14,419	-	54,458	1
1150	87,461	2	9,393	-	2280	6,113	-	-	-
1170	780,770	22	483,054	13	2320	2,095	-	-	-
1180	22,724	-	84,675	2	2399	92,973	3	137,102	3
1310	390,840	11	601,590	16		<u>1,431,964</u>	<u>39</u>	<u>1,550,718</u>	<u>41</u>
1476	37	-	506	-	Non-current liabilities:				
1479	30,746	1	98,421	3	2570	-	-	745	-
	<u>2,157,422</u>	<u>59</u>	<u>2,156,964</u>	<u>58</u>	2530	243,423	7	242,273	6
Non-current assets:					2580	13,739	-	-	-
1517					Total Liabilities				
	117,349	3	121,084	3	<u>1,689,126</u>				
1550	45,174	1	46,317	1	Equity [Note 6 (13) and (18)]:				
1600	1,176,196	32	1,279,218	34	3100	845,011	23	844,419	23
1840	54,726	2	41,425	1	3200	560,800	15	559,411	15
1755	30,967	1	-	-	3300	680,939	19	622,179	17
1780	37,259	1	41,630	1	3400	(121,763)	(3)	(51,199)	(1)
1984	25,458	1	26,155	1	3500	-	-	(27,897)	(1)
1990	9,562	-	27,856	1	Total equity				
	<u>1,496,691</u>	<u>41</u>	<u>1,583,685</u>	<u>42</u>	<u>1,964,987</u>				
Total assets	\$ 3,654,113	100	3,740,649	100	Total liabilities and equity				
					\$ 3,654,113 100 3,740,649 100				

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-dong Lin

Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended on December 31, 2019 and 2018

Unit: NT\$ thousands

		2019		2018	
		Amount	%	Amount	%
4110	Net sales revenue [Note 6 (20) and 7]	\$ 2,002,841	100	2,042,820	100
5110	Cost of goods sold [Note 6 (5), (14), (15), (16), (21) and 7]	1,540,718	77	1,525,524	75
5900	Gross profit	462,123	23	517,296	25
6000	Operating expenses [Note 6 (14), (15), (16), (21) and 7]				
6100	Selling expenses	79,652	4	77,553	4
6200	General and administrative expenses	120,164	6	120,986	6
6300	Research and development expenses	54,256	3	54,787	3
	Total operating expenses	254,072	13	253,326	13
6900	Operating profit	208,051	10	263,970	12
7000	Non-operating income and expenses:				
7020	Other gains and losses [Note 6 (13) and (22)]	11,521	1	12,160	1
7050	Finance costs [Note 6 (13), (14) and (22)]	(25,956)	(1)	(25,986)	(1)
7100	Interest revenue	5,795	-	4,481	-
7230	Net foreign exchange gain [Note 6 (23)]	(8,436)	-	(1,834)	-
7370	Share of profit of associates accounted for under equity method [Note 6 (6)]	1,227	-	1,033	-
	Total non-operating income and expenses	(15,849)	-	(10,146)	-
7900	Profit before income tax	192,202	10	253,824	12
7950	Less: Income tax expense [Note 6 (17)]	53,131	3	71,481	3
	Profit for the year	139,071	7	182,343	9
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gain (loss) on valuation of equity investment at fair value through other comprehensive income	(13,048)	(1)	18,733	1
	Other comprehensive income (loss) that will not be reclassified to profit or loss	(13,048)	(1)	18,733	1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Financial statements translation differences of foreign operations	(68,304)	(3)	(20,439)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss [Note 6 (17)]	13,661	(1)	5,468	-
	Other comprehensive income (loss) that will be reclassified to profit or loss	(54,643)	(2)	(14,971)	(1)
8300	Other comprehensive income (loss) for the year (net, after tax)	(67,691)	(3)	3,762	-
	Total comprehensive income for the year	\$ 71,380	4	186,105	9
	Earnings per share (Unit: NT\$) [Note 6 (19)]				
9750	Basic earnings per share	\$ 1.66		2.24	
9850	Diluted earnings per share	\$ 1.61		2.19	

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-dong Lin

Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Statements of Changes in Equity
Years ended December 31, 2019 and 2018

Unit: NT\$ thousands

	Equity			Retained earnings				Other equity items			Treasury stock	Total equity	
	Share capital - common stock	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Financial statements translation differences of foreign operations	Interest (loss) of equity instrument investment at fair value through other comprehensive income			Total
Balance as of January 1, 2018	\$ 731,901	29,046	760,947	243,704	88,615	34,568	468,406	591,589	(45,141)	(5,365)	(50,506)	(71,286)	1,474,448
Profit for the year	-	-	-	-	-	-	182,343	182,343	-	-	-	-	182,343
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(14,971)	18,733	3,762	-	3,762
Total comprehensive income for the year	-	-	-	-	-	-	182,343	182,343	(14,971)	18,733	3,762	-	186,105
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,910	-	(18,910)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	9,521	(9,521)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(156,208)	(156,208)	-	-	-	-	(156,208)
Transfer of treasury stock to employees	-	-	-	3,642	-	-	-	-	-	-	-	5,133	8,775
Issuance of common stock for cash	55,000	-	55,000	207,716	-	-	-	-	-	-	-	-	262,716
Issuance of common stock for cash and retained employee compensation	-	-	-	7,624	-	-	-	-	-	-	-	-	7,624
Issuance of convertible corporate bonds	-	-	-	11,825	-	-	-	-	-	-	-	-	11,825
Conversion of convertible corporate bonds	80,718	(29,046)	51,672	127,853	-	-	-	-	-	-	-	-	179,525
Treasury stock buyback	-	-	-	-	-	-	-	-	-	-	-	(27,897)	(27,897)
Disposal of treasury stock	(23,200)	-	(23,200)	(42,953)	-	-	-	-	-	-	-	66,153	-
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	4,455	4,455	-	(4,455)	(4,455)	-	-
Balance as of December 31, 2018	844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Profit for the year	-	-	-	-	-	-	139,071	139,071	-	-	-	-	139,071
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(54,643)	(13,048)	(67,691)	-	(67,691)
Total comprehensive income for the year	-	-	-	-	-	-	139,071	139,071	(54,643)	(13,048)	(67,691)	-	71,380
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Conversion of convertible bonds	-	592	592	1,389	-	-	-	-	-	-	-	-	1,981
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Buyback of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	2,873	2,873	-	(2,873)	(2,873)	-	-
Balance as of December 31, 2019	\$ 844,419	592	845,011	560,800	125,760	51,199	503,980	680,939	(114,755)	(7,008)	(121,763)	-	1,964,987

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-dong Lin

Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2019 and 2018

Unit: NT\$ thousands

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Profit before tax for the year	\$ 192,202	253,824
Adjustments:		
Income and expenses having no effect on cash flows		
Depreciation	184,418	132,805
Amortization	4,359	5,152
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	52	432
Interest expense	25,956	25,986
Dividend income	(8,873)	(2,220)
Interest income	(5,795)	(4,481)
Allowance for loss on market value decline and obsolete and slow-moving inventories	1,500	10,001
Compensation cost relating to share-based payment	-	11,266
Share of corporate profit or loss recognized under the equity method	(1,227)	(1,033)
Loss (gain) on disposal and retirement of property, plant and equipment	1,410	(52)
Other net expenses (gain) having no effect on cash flows	132	13,598
Total income and expense items	<u>201,932</u>	<u>191,454</u>
Changes in assets/liabilities relating to operating activities		
Accounts receivable and notes	(375,784)	289,888
Accounts receivable - related parties	61,951	(6,024)
Inventories	209,250	(291,751)
Other operating assets	68,144	(49,871)
Accounts payable	119,496	(176,634)
Accounts payable - related parties	4,968	-
Other operating liabilities	<u>27,469</u>	<u>(7,148)</u>
Total adjustments for reconcile profit (loss)	<u>317,426</u>	<u>(50,086)</u>
Cash flows from operating activities	<u>509,628</u>	<u>203,738</u>
Interest received	5,795	4,481
Dividends received	8,873	2,220
Interest paid	(22,723)	(19,587)
Income tax paid	<u>(108,274)</u>	<u>(54,530)</u>
Net cash flows from operating activities	<u>393,299</u>	<u>136,322</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive gains and losses - current	-	(202,319)
Disposal of financial assets measured at fair value through other comprehensive income - current	82,862	27,370
Financial assets at fair value through other comprehensive gains and losses - non-current	-	(56,150)
Disposal of financial assets measured at fair value through other comprehensive income - non-current	7,500	-
Acquisition of investments accounted for under equity method	-	(44,898)
Acquisition of property, plant and equipment	(152,036)	(503,204)
Disposal of property, plant and equipment	3	1,790
Acquisition of intangible assets	-	(369)
Decrease (increase) in other financial assets	697	(22,377)
Decrease (increase) in other non-current assets	<u>(515)</u>	<u>2,144</u>
Net cash flows used in investing activities	<u>(61,489)</u>	<u>(798,013)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	362,580	1,237,550
Repayment of short-term borrowings	(537,040)	(810,900)
Issuance of convertible corporate bonds	-	245,804
Repayment of the principal amount of rentals	(5,727)	-
Cash dividends paid	(83,184)	(156,208)
Issuance of common stock for cash	-	262,716
Cost for treasury stock buyback	(13,520)	(27,897)
Transfer of treasury stocks to employee	<u>38,055</u>	<u>5,133</u>
Cash flows from (used for) financing activities	<u>(238,836)</u>	<u>756,198</u>
Effect of exchange rates on cash and cash equivalents	<u>(27,730)</u>	<u>(4,515)</u>
Increase in cash and cash equivalents	65,244	89,992
Cash and cash equivalents, beginning of year	635,709	545,717
Cash and cash equivalents, end of the year	<u>\$ 700,953</u>	<u>635,709</u>

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-dong Lin

Accounting manager: Pei-lin Lee

Report of Independent Accountants

To the Board of Directors and shareholders of APAQ TECHNOLOGY CO., LTD.

Opinion

We have audited the accompanying balance sheets of APAQ TECHNOLOGY CO., LTD. as at December 31, 2019 and 2018, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the parent company as at December 31, 2019 and 2018, and its financial performance and its 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 audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the section titled "Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements." We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year 2019. These matters were addressed in our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not express a separate opinion on these matters. Key audit matters for the Company's financial statements of the current period are stated as follows:

1. Assessment of allowance for uncollectible accounts from accounts receivable

Please refer to Note 4 (6) Financial Instruments in the parent company only financial report for accounting policies related to the assessment of allowance for uncollectible accounts from accounts receivable. Please refer to Note 5 for details on the accounting estimate and assumption uncertainty of allowance for uncollectible accounts from accounts receivable, and Note 6 (4) for bills and accounts receivable.

Description:

Most customers of the Company belong to sectors including consumer electronics, peripheral devices for computers and wireless communication. Due to the rapid changes in the industry, technology, market, economy, or regulatory environment, it is difficult to obtain financial information from the customers. When assessing the lifetime expected credit losses of the accounts receivable, the potential impairment is measured by factors such as the aging analysis of the receivables, the customer's financial position, collection records, current market conditions and forward-looking information. The assessment of allowance for uncollectible accounts from accounts receivable therefore has an element of subjective judgment from the management, which is a matter the accountants need to address when carrying out the audits of the financial report of

the Company.

How our audit addressed the matter:

The main audit procedure includes obtaining the calculation sheet for the assessment of allowance for uncollectible accounts from accounts receivable from the management to verify the calculations, sampling and verifying the completeness of the accounts receivable aging schedule and the accuracy of the aging interval, while analyzing the age of receivables, historical collection records and the customers' credit risk concentration etc. to test the appropriateness of the expected credit loss rate, in order to evaluate the reasonableness of the Company's assessment of allowance for uncollectible accounts from accounts receivable. In addition, the appropriateness of the management's disclosure of impairment of accounts receivable is also evaluated.

2. Inventory assessment

For accounting policies related to inventory assessment, please refer to Note 4 (7) Inventory of the financial report. For accounting estimates and assumption uncertainty for inventory assessment, please refer to Note 5 of the parent company only financial report. Relevant details can be found in Note 6 (5) net inventory.

Description:

Since inventory is measured by the lower of cost and net realizable value, companies need to employ judgments and estimates to determine the net realizable value of inventory on the reporting date. Due to the rapid evolution in technology, the net realizable value fluctuates and potentially leads to significant changes. Therefore, the assessment for the allowance for price decline in inventories is one of the important evaluation items for the accountant when auditing the Company's parent company only financial report.

How our audit addressed the matter:

Our main audit procedure for the above-mentioned key matters includes obtaining the inventory aging report and checking the general ledger, selecting appropriate samples from the inventory aging report to compare with the transaction documents to verify that the inventory has been placed in the appropriate interval of the inventory aging report, understanding the management's strategy for calculating the net realizable value and checking relevant documents, evaluating the reasonableness of the inventory price decline and the policy for taking stock of obsolete and slow-moving inventories, assessing whether the inventory evaluation has been implemented in accordance with the established accounting policies, and evaluating whether the management's disclosure for allowance for price decline in inventories is reasonable.

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

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.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only 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 GAAS will always detect a material misstatement when it exists. Misstatement may arise from fraud or error. Misstatements 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 parent company only financial statements.

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

- I. Identify and assess the risks of material misstatement of the parent company only 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.
- II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- V. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the Company 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 parent company only financial statements of the current year 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.

KPMG

Allan Yu

CPA :

Grace Lu

Securities Competent Authority Approval No.
March 24, 2020

(88) Taiwan Financial
Securities No.18311
FSC Ref. No.1000028068

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Where any discrepancy arises between the two versions, the Chinese version shall prevail.

APAQ TECHNOLOGY CO., LTD.

Balance Sheets

Years ended on December 31, 2019 and 2018

Unit: NT\$ thousands

Assets		2019.12.31		2018.12.31		Liabilities and Equity		2019.12.31		2018.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents [Note 6 (1)]	\$ 453,063	13	501,198	15	2100	Short-term borrowings [Note 6 (12)]	\$ 834,900	24	673,575	20
1110	Financial assets at fair value through profit or loss - current [Note 6 (2) and (13)]	-	-	52	-	2170	Accounts payable	9,018	-	7,151	-
1120	Financial assets at fair value through other comprehensive income - current [Note 6 (3)]	143,891	4	243,564	7	2180	Accounts payable - related parties [Note 7]	368,526	11	407,854	12
1170	Accounts receivable [Note 6 (4)]	652,640	18	414,768	12	2201	Payroll and bonus payable	52,054	1	51,692	2
1180	Accounts receivable - related parties [Note 6 (4) and (7)]	32,283	1	67,336	2	2213	Payables on equipment	2,955	-	12,480	-
1210	Other accounts receivables - related parties [Note 7]	122,888	4	234,404	7	2280	Lease liabilities - current [Note 6 (14)]	6,113	-	-	-
1310	Net inventories [Note 6 (5)]	131,024	4	197,268	6	2320	Long-term liabilities due within one year [Note 6 (13)]	2,095	-	-	-
1476	Other financial assets - current [Note 6 (5)]	-	-	53	-	2399	Other current liabilities	40,893	1	72,064	2
1479	Other current assets [Note 6 (10)]	7,646	-	10,775	-			1,316,554	37	1,224,816	36
		<u>1,543,435</u>	<u>44</u>	<u>1,669,418</u>	<u>49</u>						
Non-current assets:						Non-current liabilities:					
1517	Financial assets at fair value through other comprehensive income - non-current [Note 6 (3)]	117,349	3	121,084	4	2570	Deferred income tax liabilities [Note 6 (17)]	-	-	745	-
1550	Investments accounted for under equity method [Note 6 (6) and 7]	1,643,854	46	1,397,279	41	2530	Bonds payable [Note 6 (13)]	243,423	7	242,273	7
1600	Property, plant, and equipment [Note 6 (7)]	117,116	3	138,888	4	2580	Lease liabilities - non-current [Note 6 (14)]	13,739	-	-	-
1840	Deferred income tax assets [Note 6 (17)]	54,726	2	41,425	1			257,162	7	243,018	7
1755	Right of use assets [Note 6 (8)]	19,754	1	-	-			<u>1,573,716</u>	<u>44</u>	<u>1,467,834</u>	<u>43</u>
1780	Intangible assets [Note 6 (11)]	36,986	1	41,260	1	Total Liabilities					
1984	Other financial assets - non-current [Note 6 (9) and 8]	3,971	-	3,778	-	Equity [Note 6 (13) and (18)]:					
1990	Other non-current assets [Note 6 (10)]	1,512	-	1,615	-	3100	Share capital	845,011	24	844,419	25
		<u>1,995,268</u>	<u>56</u>	<u>1,745,329</u>	<u>51</u>	3200	Capital surplus	560,800	16	559,411	15
		<u>\$ 3,538,703</u>	<u>100</u>	<u>3,414,747</u>	<u>100</u>	3300	Retained earnings	680,939	19	622,179	18
						3400	Other equity interest	(121,763)	(3)	(51,199)	(1)
						3500	Treasury stock	-	-	(27,897)	-
								<u>1,964,987</u>	<u>56</u>	<u>1,946,913</u>	<u>57</u>
						Total liabilities and equity		<u>\$ 3,538,703</u>	<u>100</u>	<u>3,414,747</u>	<u>100</u>

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-dong Lin

Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD.
Statements of Comprehensive Income
Years ended on December 31, 2019 and 2018

Unit: NT\$ thousands

		2019		2018	
		Amount	%	Amount	%
4110	Net sales revenue [Note 6 (20) and 7]	\$ 1,770,683	100	1,611,975	100
5110	Cost of goods sold [Note 6 (5), (14), (15), (16), (21) and 7]	1,535,272	87	1,241,128	77
5950	Gross profit	235,411	13	370,847	23
5910	More: Unrealized sales profit and loss [Note 7]	3,260	-	-	-
5900	Realized gross profit	238,671	13	370,847	23
6000	Operating expenses [Note 6 (14), (15), (16), (21) and 7]				
6100	Selling expenses	51,148	3	49,078	3
6200	General and administrative expenses	68,252	4	70,997	4
6300	Research and development expenses	54,256	3	54,787	4
	Total operating expenses	173,656	10	174,862	11
6900	Operating profit	65,015	3	195,985	12
7000	Non-operating income and expenses:				
7020	Other gains and losses [Note 6 (13) and (22)]	13,230	1	26,141	2
7050	Finance costs [Note 6 (13), (14) and (22)]	(17,105)	(1)	(13,426)	(1)
7100	Interest revenue	9,004	1	9,117	-
7230	Net foreign exchange gain [Note 6 (23)]	(17,921)	(1)	26,426	2
7370	Share of profit of associates accounted for under equity method [Note 6 (6)]	119,793	7	(28,575)	(2)
	Total non-operating income and expenses	107,001	7	19,683	1
7900	Profit before income tax	172,016	10	215,668	13
7950	Less: Income tax expense [Note 6 (17)]	32,945	2	33,325	2
	Profit for the year	139,071	8	182,343	11
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gain (loss) on valuation of equity investment at fair value through other comprehensive income	(13,048)	(1)	18,733	1
	Other comprehensive income (loss) that will not be reclassified to profit or loss	(13,048)	(1)	18,733	1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Financial statements translation differences of foreign operations	(68,304)	(4)	(20,439)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss [Note 6 (17)]	13,661	1	5,468	-
	Other comprehensive income (loss) that will be reclassified to profit or loss	(54,643)	(3)	(14,971)	(1)
8300	Other comprehensive income (net, after tax)	(67,691)	(4)	3,762	-
	Total comprehensive income	<u>\$ 71,380</u>	<u>4</u>	<u>186,105</u>	<u>11</u>
	Earnings per share (Unit: NT\$) [Note 6 (19)]				
9750	Basic earnings per share	\$ 1.66		2.24	
9850	Diluted earnings per share	\$ 1.61		2.19	

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-dong Lin Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD.
Statements of Change in Equity
Years ended on December 31, 2019 and 2018

Unit: NT\$ thousands

	Equity			Retained earnings				Financial statements translation differences of foreign operations	Other equity items			Treasury stock	Total equity
	Share capital - common stock	Capital collected in advance	Total	Capital surplus	Legal capital reserve	Special reserve	Unappropriated retained earnings		Total	Interest (loss) of equity instrument investment at fair value through other comprehensive income	Total		
Balance as of January 1, 2018	\$ 731,901	29,046	760,947	243,704	88,615	34,568	468,406	591,589	(45,141)	(5,365)	(50,506)	(71,286)	1,474,448
Profit for the year	-	-	-	-	-	-	182,343	182,343	-	-	-	-	182,343
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(14,971)	18,733	3,762	-	3,762
Total comprehensive income for the year	-	-	-	-	-	-	182,343	182,343	(14,971)	18,733	3,762	-	186,105
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,910	-	(18,910)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	9,521	(9,521)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(156,208)	(156,208)	-	-	-	-	(156,208)
Transfer of treasury stock to employees	-	-	-	3,642	-	-	-	-	-	-	-	5,133	8,775
Issuance of common stock for cash	55,000	-	55,000	207,716	-	-	-	-	-	-	-	-	262,716
Issuance of common stock for cash and retained employee compensation	-	-	-	7,624	-	-	-	-	-	-	-	-	7,624
Issuance of convertible corporate bonds	-	-	-	11,825	-	-	-	-	-	-	-	-	11,825
Conversion of convertible corporate bonds	80,718	(29,046)	51,672	127,853	-	-	-	-	-	-	-	-	179,525
Treasury stock buyback	-	-	-	-	-	-	-	-	-	-	-	(27,897)	(27,897)
Disposal of treasury stock	(23,200)	-	(23,200)	(42,953)	-	-	-	-	-	-	-	66,153	-
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	4,455	4,455	-	(4,455)	(4,455)	-	-
Balance as of December 31, 2018	844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Profit for the year	-	-	-	-	-	-	139,071	139,071	-	-	-	-	139,071
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(54,643)	(13,048)	(67,691)	-	(67,691)
Total comprehensive income	-	-	-	-	-	-	139,071	139,071	(54,643)	(13,048)	(67,691)	-	71,380
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Conversion of convertible corporate bonds	-	592	592	1,389	-	-	-	-	-	-	-	-	1,981
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Treasury stock buyback	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	2,873	2,873	-	(2,873)	(2,873)	-	-
Balance as of December 31, 2019	\$ 844,419	592	845,011	560,800	125,760	51,199	503,980	680,939	(114,755)	(7,008)	(121,763)	-	1,964,987

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng

Manager: Shi-dong Lin

Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD.
Statements of Cash Flows
Years ended on December 31, 2019 and 2018

Unit: NT\$ thousands

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Profit before tax for the year	\$ 172,016	215,668
Adjustments:		
Income and expenses having no effect on cash flows		
Depreciation	30,962	15,281
Amortization	4,274	5,036
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	52	432
Interest expense	17,105	13,426
Interest revenue	(9,004)	(9,117)
Dividend income	(8,873)	(2,220)
Allowance for loss on market value decline and obsolete and slow-moving inventories	1,500	-
Compensation cost relating to share-based payment	-	11,266
Share of corporate profit or loss recognized under the equity method	(119,793)	28,575
Loss (gain) on disposal and retirement of property, plant, and equipment	(3,976)	(3,574)
Unrealized sales (purchasing materials) profit and loss between associates	(3,260)	4,131
Other net expenses (gain) having no effect on cash flows	-	4,775
Total income and expense items	<u>(91,013)</u>	<u>68,011</u>
Changes in assets/liabilities relating to operating activities		
Accounts receivable	(237,872)	169,592
Accounts receivable - related parties	35,053	11,315
Other accounts receivable - related parties	45,746	7,715
Inventories	64,744	(125,208)
Other operating assets	3,182	(2,390)
Accounts payable	1,867	2,292
Accounts payable - related parties	(39,328)	127,465
Other operating liabilities	3,488	3,384
Total adjustments for reconcile profit (loss)	<u>(214,133)</u>	<u>262,176</u>
Cash flows from operating activities	<u>(42,117)</u>	<u>477,844</u>
Interest received	10,404	5,344
Dividends received	8,873	2,220
Interest paid	(12,094)	(13,116)
Income tax paid	(64,052)	(15,655)
Net cash flows from operating activities	<u>(98,986)</u>	<u>456,637</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive gains and losses - current-	-	(202,319)
Disposal of financial assets measured at fair value through other comprehensive income - current-	82,862	27,370
Financial assets at fair value through other comprehensive gains and losses - non-current-	-	(56,150)
Disposal of financial assets measured at fair value through other comprehensive income - non-current-	7,500	-
Acquisition of investments accounted for under equity method	(187,853)	(350,065)
Acquisition of property, plant, and equipment	(12,890)	(43,860)
Disposal of property, plant, and equipment	3	200
Increase (decrease) in other receivables - related parties-	64,370	(184,290)
Increase in other financial assets	(193)	-
Decrease in other non-current assets	103	25
Net cash flows used in investing activities	<u>(46,098)</u>	<u>(809,089)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	270,000	725,000
Repayment of short-term borrowings	(105,000)	(630,000)
Issuance of convertible corporate bonds	-	245,804
Repayment of the principal amount of rentals	(5,727)	-
Cash dividends paid	(83,184)	(156,208)
Issuance of common stock for cash	-	262,716
Cost for treasury stock buyback	(13,520)	(27,897)
Transfer of treasury stocks to employee	38,055	5,133
Cash flows from (used for) financing activities	<u>100,624</u>	<u>424,548</u>
Effect of exchange rate changes	<u>(3,675)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(48,135)	72,096
Cash and cash equivalents, beginning of year	501,198	429,102
Cash and cash equivalents, end of the year	<u>\$ 453,063</u>	<u>501,198</u>

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-dong Lin Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD.
Rules of Procedure for Shareholders' Meetings

Shareholders' Meetings on June 12, 2014

- I. Unless otherwise provided in the statute, the shareholders' meeting of the Company shall be governed by the Procedures.
- II. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in. Attendance and voting at a shareholders meeting shall be calculated based on the number of shares.
- III. The venue for holding the shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- IV. If a shareholders meeting is convened by the chairman, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairperson shall act in place of the chairman; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairman shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair. If a shareholders meeting is convened by a party with power to convene but other than the chairman, the convening party shall chair the meeting.
- V. 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 or arm bands.
- VI. The Company shall keep an audio or video recording of the proceedings of a board meeting in their entirety, and retain the recorded materials for at least 1 year.
- VII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 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 chairman may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

- VIII. 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 chairman may not declare the meeting adjourned prior to completion of deliberation on the first two scheduled meeting items (including extraordinary motions), except by a resolution of the shareholders meeting. After the meeting is adjourned, the shareholder may not request the chairman to resume the meeting at the same or another place; If the chairman declares the meeting adjourned in violation of the rules of procedure, a new chair shall be elected by agreement of a majority of the votes represented by the attending shareholders, and then the meeting shall continue.
- IX. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman. 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. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman and the shareholder that has the floor; the chairman shall stop any violation.
- X. Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond. When a meeting is in progress, the chair may announce a break based on time considerations.
- XI. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. 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.
- XII. When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote.
- XIII. 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. The results of the voting shall be announced on-site at the meeting and recorded.
- Except as otherwise provided in the Company Act and in the Articles of Incorporation of the Company, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, it shall be deemed to have been adopted after the chairman has asked the opinions of all shareholders present that there is no objection, and it shall have the same effect as a vote.

- XIV. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- XV. The chairman may direct the proctors or security personnel to help maintain order at the meeting. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor." When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.
- XVI. The establishment of these Rules were adopted by the shareholders' meeting on June 25, 2013. The same procedure shall be followed when the Rules have been amended. The first amendment to these Rules was made on the shareholders' meeting on June 12, 2014.

APAQ TECHNOLOGY CO., LTD.
Articles of Incorporation (Before Amendment)

Shareholders' Meetings on June 19, 2019

- Article 1. The Company is organized in accordance with the provisions of the Company Act for limited liability companies, and is named as "鈺邦科技股份有限公司" (English name is "APAQ TECHNOLOGY CO., LTD.").
- Article 2. The Company's business scope is as follows:
CC01080 Electronic Components Manufacturing Industry
CC01110 Computers and Peripheral Equipment Manufacturing
E603050 Automatic Control Equipment Engineering
F401010 International Trade
I501010 Product Designing
Research, development, manufacturing and sales of the following products:
Aluminum Solid Capacitor, Aluminum Liquid Electrolytic Capacitor and General Electronic Components
- Article 3. The Company set up its head office in the Hsinchu Science Park, and may establish branches at home and abroad upon the resolution of the board of directors and approval the competent authority if necessary.
- Article 4. The Company's foreign investment shall be made according to the resolution of the board of directors of the Company. The total amount of the Company's investments in other companies shall exceed forty percent of the amount of its own paid-in capital.

Chapter 2. Shares

- Article 5. The total capital of the Company is set as NT\$ 2 billion, divided as 200 million shares with a par value of NT\$ 10 per share. All the shares are registered ordinary shares and issued in installments. The unissued shares shall be issued by the resolution of the board of directors according to actual needs. Of which, NT\$ 60 million is reserved, divided as 600 shares with a par value of NT\$ 10 per share, which are used for the issuance of employee stock warrants.
The Company shall, with the consent of at least two-thirds of the voting rights present at the shareholders meeting attended by shareholders representing a majority of total issued shares, transfer shares to employees at less than the average actual share repurchase price, or issue employee stock warrants at a discount to the closing price of the Company's common shares on the issue date.
- Article 6. The shares of the Company are all registered shares, shall be numbered, and shall be signed or affixed with seals of three or more directors of the Company, and shall be issued upon the approval of the competent authority or its authorized issuance registration authority.
- Article 6-1. The Company may be exempted from printing any certificate in respect of the shares issued by it, but shall register the shares issued by it with a centralized securities custody institution.

- Article 7. Shareholders shall provide on file their specimen chop to the Company for recordation and use the same specimen chop to claim dividends and bonuses, or exercise the rights. The transfer, gift, establishment and termination of pledge right, loss, damage or other matters of shares shall be handled in accordance with the relevant laws and regulations.
- Article 8. The Company shall not handle any requests for transfers of shares within 60 days prior to the regular shareholders meeting, 30 days prior to the special shareholders meeting, or 5 days prior to the record date for the distribution of dividends, bonuses or other interests.

Chapter 3. Shareholders' Meeting

- Article 9. Shareholders' meetings of the Company are of two kinds:
- I. Regular meetings, which shall be convened by at least once a year by the board of directors within six months after fiscal year-end.
 - II. Special shareholders' meeting, which shall be convened when necessary according to law.
- Article 10. The shareholders' meeting shall be chaired by the chairperson of the board. In case the Chairman is on leave or absent or cannot exercise his power and authority for any cause, the 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 of the board of directors. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall select a chair from among themselves.
- Article 11. A notice to convene a general meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date, and a notice of the date, place and reasons to convene an extraordinary general meeting of shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date. With the consent of addressees, the meeting notice on convening a shareholders' meeting may be given in electronic form.
- Article 12. Delete.
- Article 13. In case a shareholder is unable to attend a shareholders' meeting, he or she may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, if the voting rights represented by that proxy exceed three percent of the voting rights represented by the total number of issued shares, the voting rights in excess of that percentage shall not be included in the calculation. The proxy form referred to in the preceding paragraph shall be delivered to the Company five days prior to the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail; provided that this restriction shall not apply to those who declare to revoke the power of attorney.
- Article 14. Except in the circumstances otherwise provided for in relevant laws and regulations, a

shareholder of the Company shall have one voting right in respect of each share in his/her/its possession.

Article 15. Unless otherwise provided for in the Company Act, the resolution at the meeting of shareholders shall be adopted by a majority of the shareholders present who represent the majority of its total outstanding shares. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes, specifying the date and place of the meeting, the number of shareholders present, the number of shares represented, the number of voting rights, the name of the chairman, the items of the resolutions and the method of the resolutions. The meeting minutes shall be signed or affixed with the seal of the chair of the meeting, and shall be retained on the board of directors of the Company together with the attendance book and sign-in cards of the attending shareholders and proxy form for attendance, with a retention period governed by Article 183 of the Company Act. The meeting minutes shall be distributed to the shareholders within 20 days after the meeting in accordance with relevant regulations.

Chapter 4. Directors, Supervisors and Managers

Article 16. The Company shall have a board of directors composed of five to nine directors, and two to three supervisors, who shall be appointed by the board of shareholders among competent candidates for a term of three years and the electees may be eligible for re-election.

The Company may obtain directors and supervisors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship. The board of directors is fully authorized to handle all matters relating to the liability insurance.

Article 16-1. The number of independent directors in preceding article shall not be less than two and no less than one fifth of the total number of directors. In the process of electing directors, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represents a prevailing number of votes shall be deemed a director elect. The independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.

Article 16-2. A candidate nomination system is adopted by the Company for election of the independent directors. A shareholder holding one percent or more of the total number of issued shares and the board of directors shall present a slate of independent director candidates to the Company, upon review by the board of directors in accordance with relevant laws and regulations that all candidates so nominated are qualified independent director candidates, submit it to the shareholders' meeting for elections from among the nominees listed in the roster of director candidates.

All matters related to the acceptance and announcement of the nomination of independent director candidates shall be handled in accordance with the relevant laws and regulations of the Company Act and the Securities and Exchange Act.

Article 17. A board meeting shall be held quarterly by directors, with powers and duties as follows:

- I. Formulation of operating policy and review and implementation supervision of business plan.
- II. Appointment and dismissal of the chief executive officer, general manager and deputy general manager of the Company.
- III. Establishment and amendment of important rules, regulations and organization of the Company.
- IV. Establishment and abolition of branches.
- V. Convening of shareholders' meeting.
- VI. Resolution of major domestic and foreign investment proposals.
- VII. Review of the Company's internal regulations and contracts for a period of more than one year.
- VIII. Election of chairman.
- IX. Examination of budgets and final settlements.
- X. Making decision on loan matters.
- XI. Proposals to shareholders' meetings for the amendments to the Articles of Incorporation, change of capital, dissolution or merger of the Company.
- XII. Proposals to shareholders' meetings for allocation of profits or compensation for losses.
- XIII. Selection and delegation of CPAs.
- XIV. Other powers and duties stipulated in the Company Act and delegated by the shareholders' meeting.

Article 18. The board of directors of the Company shall, in accordance with the law, elect a chairman of the board directors from among the directors. The chairman of the board directors shall be the chairman of the board meeting and shall externally represent the Company.

Article 19. Unless otherwise provided for in the Company Act, the board of directors meeting shall be convened by the chairman. In case the Chairman of the Board of Directors is on leave or absent or cannot exercise his power and authority for any cause, the designation of his/her proxy shall be in accordance with the Company Act. A director who appoints another director to attend a board meeting shall issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting. The proxy referred to in the preceding paragraph may be the appointed proxy of only one person. Directors taking part in the board meeting via visual communication network shall be deemed to have attended the meeting in person.

Article 19-1. The reasons for calling a board of Directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.
The notice set forth in the preceding paragraph may be served in writing, or by email or fax.

Article 20. Delete.

Article 21. Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. However, the following matters shall be subject to the

approval of two-thirds of the directors present at the meeting that shall be attended by at least two thirds of all directors:

- I. Resolution of major domestic and foreign investment proposals.
- II. Contracts for a period of more than one year.
- III. Examination of budgets and final settlements.

Article 22. Supervisors may, in addition to exercising their supervisory powers independently according to law, attend meetings of the board of directors, but without voting rights.

Article 23. The powers and duties of the supervisors are as follows:

- I. Review the final business report and financial statements made by the board of directors and submitted to the shareholders' meeting.
- II. Review the budgets and final settlements of the Company.
- III. Investigate the business and financial status of the Company.
- IV. Notify the board of directors to cease any act in violation of laws or regulations, or the Articles of Incorporation, or to engage in any business other than those of the registration.
- V. Exercise other powers conferred under the Company Act.

Article 24. The remuneration of directors and supervisors shall be determined by a meeting of shareholders.

Article 25. The Company shall have one general manager, several deputy general managers. The board of directors may, based on the needs of the organizational function of the Company, appoint a chief executive officer by adoption, who shall, in accordance with the adoptions of the board of directors, lead the managers referred to in the preceding paragraph to carry out the material decisions of the Company and all its related enterprises.

The appointment and dismissal of the chief executive officer and general manager shall be subject to the approval by a majority of the directors at a meeting attended by a majority of the directors. The appointment and dismissal of the deputy general manager shall be submitted by the general manager, and subject to the approval by a majority of the directors at a meeting attended by a majority of the directors.

The board of directors shall be authorized to determine the remuneration paid to managers according to their participation in the operation of the Company and the value of their contribution.

The manager referred to in paragraph 1 and paragraph 2 shall be held concurrently by a director.

Chapter 5. Accounting

Article 26. The fiscal year of the Company shall be from January 1 to December 31 of each year. At the end of a fiscal year, the board of directors shall prepare the following reports and statements to be countersigned by the supervisors 30 days prior to the regular shareholders' meeting and shall be submitted to the shareholders' meeting for recognition:

- I. Business Report
- II. Financial Statements

III. Proposal for earning distribution or loss recovery

Article 27. If the Company has gained profits within a fiscal year, 8% or more of the profits shall be reserved as the employees' compensation, which shall be distributed by a resolution adopted by the board meeting in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements. The Company shall allocate not more than 3% of the proceeding profits as the remuneration of directors and supervisors by a resolution adopted by the board meeting. The distribution plan of the remuneration to employees, directors and supervisors shall be reported at the shareholders' meeting. However, in case of the accumulated losses, certain profits shall first be reserved to cover them, and then reserve remuneration to employees, directors and supervisors in accordance with the proportion mentioned in the preceding paragraph.

Article 27-1. In case of any earnings in the Company's annual final accounting, it shall first pay all taxes and dues and cover its previous losses in accordance with the law, then 10% of the earnings shall be reserved as the statutory surplus reserve; provided that this restriction shall not apply to the circumstances that the statutory surplus reserve has reached the paid-in capital of the Company. Provision or reversal of special surplus reserve shall be made from the remaining earnings in accordance with the law. If there are still earnings left over, the board of directors shall prepare a motion for the earnings distribution for the balance and accumulated retained earnings, and submit it to the board of shareholders for a resolution on dividend distribution.

The Company is running in a changing industry with intensive capital and technology, in which the corporate life cycle is in the stage of stable operation growth, the Company must reserve the surplus to meet the operating growth and investment needs of the fund, thus a surplus dividend policy is adopted in the present stage. Dividends to shareholders shall be distributed not less than 10% of the distributable earnings of the current year in the form of cash or shares, in which the cash dividend shall not be less than 10% of the total amount.

Article 28. Delete.

Article 29. In addition to the remuneration paid to the directors prescribed in Article 27 of these Articles of Incorporation, the board of directors shall be authorized to determine the attendance fees for the directors and supervisors of the Company referring to the standards of the same industry.

Article 30. Delete.

Chapter 6. Supplementary Provisions

Article 31. The Company may undertake external guarantee business in accordance with government regulations.

Article 32. Any matters not covered herein shall be handled in accordance with the requirements of the Company Act and other applicable laws and regulations.

Article 33. These Articles of Incorporation were formulated by the sponsors' meeting with the consent of all the sponsors on December 23, 2005, and came into force on the date of approval and registration by the competent authority.

The first amendment was made on July 7, 2006 and taken into effect by the resolution of the shareholders' meeting.

The second amendment was made on June 26, 2009 and taken into effect by the resolution of the shareholders' meeting.

The third amendment was made on June 25, 2010 and taken into effect by the resolution of the shareholders' meeting.

The fourth amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.

The fifth amendment was made on June 22, 2012 and taken into effect by the resolution of the shareholders' meeting.

The sixth amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.

The seventh amendment was made on June 12, 2014 and taken into effect by the resolution of the shareholders' meeting.

The eighth amendment was made on June 23, 2015 and taken into effect by the resolution of the shareholders' meeting.

The ninth amendment was made on June 23, 2016 and taken into effect by the resolution of the shareholders' meeting.

The tenth amendment was made on June 20, 2017 and taken into effect by the resolution of the shareholders' meeting.

The eleventh amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting.

The twelfth amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.

APAQ TECHNOLOGY CO., LTD.**Procedures for Endorsements and Guarantees (Before Amendment)**

- Article 1. All matters related to the Company's external endorsements and guarantees shall be handled in accordance with the provisions of these Procedures.
- Article 2. Scope of application of these Procedures
- I. Financial endorsements/guarantees:
 - (I) Discounted bill financing.
 - (II) Endorsements or guarantees made for the financing needs of other companies.
 - (III) Issuing negotiable instruments as guarantee to non-financial businesses for its own financing purposes.
 - II. Custom duty endorsements/guarantees: endorsements or guarantees for the Company itself or other companies in respect of custom duty matters.
 - III. Other endorsements/guarantees: other endorsements or guarantees which cannot be included in the above two categories.
 - IV. Any creation of a pledge by the Company or mortgage on its chattel or real property as security for the loans of another company.
- Article 3. The entity for which the endorsement/guarantee is made
- Besides cases where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a business project or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, other recipients of endorsements/guarantees shall be restricted to the following companies:
- I. A company with which it does business.
 - II. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
 - III. A company that directly and indirectly holds more than 50 percent of the voting shares in 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, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
- 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 3-1. "Subsidiary" and "parent company" as referred to in these Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

Article 4. The ceilings for endorsements/guarantees

- I. The total amount of the Company's external endorsements/guarantees shall be limited to 100% of the amount of owner's equity attributable to the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by accountants in the most recent period. The amount of endorsements/guarantees for a single enterprise shall be limited to 100% of the amount of owner's equity attributable to the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by accountants in the most recent period.
- II. Where an endorsement/guarantee is made due to needs arising from business dealings, the amount of an individual endorsement/guarantee shall not exceed the total amount of trading between the two companies, except for the above limitation. The said total amount of trading refers to the amount purchase or sales of goods between the two companies (whichever is higher).
- III. The total amount of endorsements/guarantees made by the Company and its subsidiaries as a whole shall be limited to 100% of the net value of the Company's financial statements audited by the accountant in the most recent period. The amount of the endorsements/guarantees for a single enterprise made by the Company and its subsidiaries as a whole shall be limited to 100% of the net value of the Company's financial statements audited by the accountant in the most recent period.

Article 5. Hierarchy of decision-making authority and delegation thereof

- I. The Company shall obtain approval from the board of directors by resolution for handling matters related with endorsements/guarantees. Where the Company has appointed independent directors, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting. The board of directors may authorize the chairman to grant endorsements/guarantees within the limit of NT\$ 30 million in accordance with the relevant provisions of these Procedures, and subsequently report to the board of directors for ratification, and submit the relevant matters to the board of shareholders for future reference.

- II. Where the Company needs to exceed the limits set out in these Procedures for Endorsements/Guarantees to satisfy its business requirements, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsements/guarantees. It shall also amend the procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to eliminate the excess amount within a given time limit. Where the Company has appointed independent directors, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.
- III. Before making any endorsement/guarantee pursuant to Subparagraph 4, Paragraph 1, Article 3, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the public company's board of directors for resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 6. Procedures for Endorsements and Guarantees

- I. When the Company makes endorsements/guarantees, the endorsee/guarantee company shall issue an application form to apply to the financial unit of the Company. The financial unit shall conduct credit investigation on the endorsee/guarantee company, assess its risk and keep an assessment record, which shall be presented to the general manager and the chairman of the board for approval after the examination. Collateral shall be obtained if necessary.
- II. The financial unit shall conduct credit investigation and prepare a risk assessment report for the endorsee/guarantee company, and the assessment shall include:
 - (I) The necessity and reasonableness of endorsements/guarantees.
 - (II) Assess whether the amount of endorsements/guarantees is necessary based on the financial conditions of the endorsee/guarantee company.
 - (III) Whether the accumulative amount of endorsements/guarantees is still within the limit.
 - (IV) Where an endorsement/guarantee is made due to needs arising from business dealings, assess whether the amount of an endorsement/guarantee is commensurate the total amount of trading between the two companies.
 - (V) The impact on the Company's business operations, financial condition, and shareholders' equity.
 - (VI) Whether collateral must be obtained and appraisal of the value thereof.

(VII) The attached record of credit status and risk assessment of the entity for which the endorsement/guarantee is made.

- III. The financial unit shall prepare a memorandum book for the Company's endorsement/guarantee activities and record in detail the following information: 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 of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under preceding paragraph, which shall be detailed and recorded for future reference.
- IV. The financial unit shall evaluate or recognize the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures and submission of an appropriate audit report.
- V. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Procedures or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan.

The rectification plan referred to in Subparagraph 5 of the preceding paragraph shall be submitted to the independent directors.

Where an audit committee has been established, the provisions of Subparagraph 5 of the preceding paragraph regarding supervisors shall apply mutatis mutandis to the audit committee.

Article 7. Cancellation of endorsements/guarantees

- I. If the relevant certificates or notes need to be rescinded due to debt repayment or renewal, the endorsee company shall deliver the original certificates of endorsements/guarantees to the financial unit of the Company. The original certificates of endorsements/guarantees will be returned to the endorsee with the seal of "cancellation," and the application letter shall be reserved for future reference.
- II. The financial unit shall timely record the cancellation of the endorsements/guarantees in the memorandum book to reduce the amount of the endorsements/guarantees.

Article 8. Internal control

- I. Internal auditors of the Company shall audit the Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify each supervisor in writing of any material violation found.

- II. When the Company and its subsidiaries make an endorsement/guarantee with a net worth less than half of the paid-in capital, internal auditors of the Company shall audit the Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than monthly and prepare written records accordingly. They shall promptly notify each supervisor in writing of any material violation found. In the case of a subsidiary with shares having no par value or a par value other than NT\$ 10, the paid-in capital shall be substituted by the sum of the share capital plus paid-in capital in excess of par.
- III. The Company shall make endorsements/guarantees in accordance with the prescribed procedures. If any material violation is found, the manager and the sponsor shall be punished according to severity of the violation.

The rectification plan referred to in Subparagraph 1 and Subparagraph 2 of preceding paragraph, shall be submitted to the independent directors.

Where an audit committee has been established, the provisions of Subparagraph 1 and Subparagraph 2 of the preceding paragraph regarding supervisors shall apply *mutatis mutandis* to the audit committee.

Article 9. The safekeeping of the corporate chop and procedures

- I. The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop and guaranteed bills shall be kept by a designated person respectively, and may be used to seal or issue negotiable instruments only in prescribed procedures. The appointment, dismissal or change of the chop keeper shall be reported to the board of directors for approval.
- II. If the Company provides guarantees in favor of a foreign company, the Guarantee Agreement shall be signed by the person who was authorized by the board of directors.

Article 10. Public announcement and reporting procedures after public offering of the Company

The Company shall, before the tenth day of each month to publicly announce and report the balance of endorsements/guarantees in the previous month of the Company and its subsidiaries. The Company whose balance of endorsements/guarantees meets one of the following conditions shall publicly announce and report such event within two days commencing immediately from the date of occurrence:

- I. The aggregate balance of endorsements/guarantees of the Company and its subsidiaries reaches 50 percent or more of the Company's net value as stated in its latest financial statements.
- II. The balance of endorsements/guarantees of the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net value as stated in its latest financial statements.
- III. The balance of endorsements/guarantees of the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of

all endorsements/guarantees for, the carrying amount of investment accounted for using equity method, and balance of loans to, such enterprise reaches 30 percent or more of public company's net value as stated in its latest financial statements.

IV. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$ 30 million or more, and reaches 5 percent or more of the public company's net value as stated in its latest financial statements.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan any matters that such subsidiary is required to publicly announce and report pursuant to Subparagraph 4 of the preceding paragraph.

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

Article 11. Where a subsidiary of the Company intends to provide endorsements/guarantees for others, the Company shall instruct it to formulate its own Procedures for Endorsements/Guarantees in compliance with the regulations, and it shall comply with these Procedures when making endorsements/guarantees.

Article 12. Any matters not covered in these Procedures shall be handled in accordance with applicable laws and the Company's regulations.

Article 13. These Procedures shall, after adoption by board of directors, be delivered to each supervisor and submitted to the shareholders meetings for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Operational Procedures.

When the Operational Procedures 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.

When the Company submits its Procedures for Lending Funds to Others 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; 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. Where an audit committee has been established by, when the Procedures are amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for resolution. If approval of more than half of all audit committee members is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. All audit committee members and all directors

shall be counted as the actual number of persons currently holding those positions.

Article 14. Supplementary provisions

(I) Matters for which these Procedures make no provision shall be handled in accordance with other applicable laws and regulations.

(II) These Procedures were amended on February 21, 2006.

The fifth amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.

The second amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.

The third amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting.

The fourth amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.

APAQ TECHNOLOGY CO., LTD.

Procedures for Lending Funds to Others (Before Amendment)

- Article 1. These Procedures are hereby established to be followed by the Company to lend funds to others.
- Article 2. Entities to which the Company may loan funds:
- I. A company or firm does business transaction with the Company.
 - II. A company or firm with necessity of short-term financing. The term "short-term" means one year, or one operating cycle, whichever is the longer.
- Article 3. The reasons and necessity of extending loans to others:
- Where the Company lends funds to other companies or firms due to needs arising from business dealings, the provisions of paragraph 2 of article 4 shall apply. Where loaning funds to others due to the necessity of short-term financing, the reasons and status for such lending and financing shall be specified, and it shall be limited by the following circumstances:
- I. A company holding more than 50% of the Company's shares with the necessity for short-term financing due to business needs.
 - II. A company or firm with the necessity of short-term financing due to material purchase or operating turnover.
- Article 4. The aggregate amount of loans and the maximum amount permitted to a single borrower:
- I. The aggregate amount of loans of the Company shall not exceed 40% of the Company's net worth.
 - II. For companies or firms that have business transactions with the Company, the maximum amount of lending to a single borrower shall not exceed the total amount of transactions between the two companies. The said total amount of transactions refers to the amount purchase or sales of goods between the two companies (whichever is higher).
 - III. For companies or firms that have the needs for short-term financing, the maximum amount of lending to a single borrower shall not exceed 40% of the Company's net worth.
- The restriction in the preceding paragraph shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to lending of funds to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares.
- Article 5. Procedures for Lending Funds:
- I. Credit investigation:
As for any lending of funds by the Company, the borrower shall submit a written application for financing with the necessary information of his/her company and financial information to the Company. After the Company accepts the application,

the financial unit shall investigate, evaluate and prepare a report on the business, financial status, solvency and credit, profitability and the purpose of the loan. The financial unit shall conduct an investigation and a detailed evaluation and review of the entity which the Company may lend funds.

The assessment should include at least:

- (I) The necessity and reasonableness of extending loans to others.
- (II) Assess whether the amount of lending is necessary based on the financial status of the borrower.
- (III) Whether the accumulative amount of funds being lent is still within the limit.
- (IV) The impact on the Company's business operations, financial conditions, and shareholders' equity.
- (V) Whether collateral must be obtained and appraisal of the value thereof.
- (VI) The attached record of credit status and risk assessment of the entity which the Company may lend funds.

II. Creditor protection:

The Company shall obtain a promissory note of the same amount when lending funds to others, and if necessary, set the mortgage of movable or immovable property. Where the debtor provides a person or company of comparable financial strength and credit as the guarantor for the creditor's right as referred to in the preceding paragraph, in lieu of providing collateral, the board of directors may handle the matter in accordance with the credit investigation report prepared by the financial unit. Where the Company is the guarantor, attention shall be paid to whether there is any provision in its Articles of Incorporation related to guarantees.

III. Scope of Authorization:

The Company's lending of fund to others shall be investigated by the Company's financial unit on credit, approved by the general manager and submitted to the board of directors for adoption by resolution. The Company shall not empower any other person to make such decision. Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary 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 line of credit available for the counterparty.

The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended to any single entity shall not exceed 10% of the net worth on the most current financial statements of the Company, except in cases of companies in compliance with Paragraph 2, Article 4.

Where the Company has appointed independent directors, it shall take into full consideration the opinions of each independent director; independent directors'

opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting. Where the Company has established an audit committee, the lending of funds shall be approved by one-half or more of all audit committee members and submitted to the board of directors for resolution. If approval of more than half of all audit committee members is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. All audit committee members and all directors shall be counted as the actual number of persons currently holding those positions.

Article 6. Duration of lending and calculation of interest:

The term of financing is limited to one year, and the interest rate shall not be lower than the highest rate of the Company's short-term borrowing from financial institutions. But where the Company's operating cycle exceeds one year, one operating cycle shall prevail.

Article 7. Procedures for controlling and managing lending of funds to others and handling overdue loans:

- I. After each lending is made, the financial unit shall pay constant attention to the financial, business and related credit status of the borrower and the guarantor. Where collateral is provided, the financial unit shall pay attention to whether there is any change in its guarantee value. In case of any major changes, the chairman shall be informed immediately and shall take appropriate measures according to the instructions.
- II. When the borrower repays the loan at or before the maturity of the loan, the interest payable shall be calculated first and then repaid together with the principal. Only after then can the promissory note loan be canceled and returned to the borrower or the mortgage right be canceled.
- III. The borrower shall repay the principal and interest immediately upon the maturity of the loan.

Article 8. Internal control:

- I. The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under relevant regulations, which shall be detailed and recorded for future reference.
- II. Internal auditors of the Company shall audit the Procedures for Lending Funds to Others. and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify each supervisor in writing of any material violation found. If any material violation is found, the manager and the sponsor shall be punished according to severity of the violation.
- III. If, as a result of a change in circumstances, an entity which the Company may lend

funds to does not meet the requirements of these Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan to strengthen the internal control of the Company.

The rectification plan referred to in Subparagraph 2 and Subparagraph 3 of the preceding paragraph, shall be submitted to the independent directors.

Where an audit committee has been established, the provisions of Subparagraph 1 and Subparagraph 2 of the preceding paragraph regarding supervisors shall apply mutatis mutandis to the audit committee.

Article 9. Announcing and reporting procedures: announcing and reporting procedures after public offering of the Company:

- I. The Company shall, before the tenth day of each month to publicly announce and report the balance of loan of the Company and its subsidiaries in the previous month.
- II. The Company whose balance of loan meets on of the following conditions shall publicly announce and report such event within two days commencing immediately from the date of occurrence:
 - (I) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (II) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 - (III) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$ 10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan any matters that such subsidiary is required to publicly announce and report pursuant to subparagraph 3 of the preceding paragraph.

"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty of the loans to and monetary amount of the transaction, whichever date is earlier.

Article 10. Other matters:

- I. Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own Procedures for Lending Funds to Others in compliance with relevant regulations, and it shall comply with the Procedures when lending funds.

- II. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide accountants with relevant information for implementation of necessary auditing procedures and submission of an appropriate audit report.
- III. Any matters not covered in these Procedures shall be handled in accordance with applicable laws and the Company's regulations.

Article 10-1. "Subsidiary" and "parent company" as referred to in these Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"Net worth" in these Procedures means the amount of owner's equity attributable to the parent company in the balance sheet of the Company's consolidated financial report as audited (certified) by accountants in the most recent period.

Article 11. Take effect:

The Company shall formulate its Procedures for Lending Funds to Others, which shall be approved by the board of directors, and shall be submitted to each supervisor and a shareholders' meeting for approval; if any director expresses dissent and it is included in the minutes or a written statement, the Company shall submit the director's dissenting opinion to all supervisor and a shareholders' meeting for discussion. The same applies when the procedures are amended.

When the Company submits its Procedures 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; 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. Where an audit committee has been established, the amendments to the Procedures shall be approved by more than half of all audit committee members and submitted to the board of directors for resolution. If approval of more than half of all audit committee members is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. All audit committee members and all directors shall be counted as the actual number of persons currently holding those positions.

Article 12. Supplementary provisions:

- (I) Matters for which these Procedures make no provision shall be handled in accordance with other applicable laws and regulations.
- (II) These Operational Procedures were formulated on April 10, 2006.
The first amendment was made on June 26, 2009 and taken into effect by the resolution of the shareholders' meeting.
The second amendment was made on June 25, 2010 and taken into effect by the resolution of the shareholders' meeting.

The third amendment was made on June 22, 2011 and taken into effect by the resolution of the shareholders' meeting.

The fourth amendment was made on June 25, 2013 and taken into effect by the resolution of the shareholders' meeting.

The fifth amendment was made on June 12, 2014 and taken into effect by the resolution of the shareholders' meeting.

The sixth amendment was made on June 26, 2018 and taken into effect by the resolution of the shareholders' meeting.

The seventh amendment was made on June 19, 2019 and taken into effect by the resolution of the shareholders' meeting.

APAQ TECHNOLOGY CO., LTD.**Guidelines for Election of Directors and Supervisors (Before Amendment)****Shareholders' Meetings on June 12, 2014**

- Article 1. The election of the Company's directors and supervisors shall be conducted in compliance with these regulations unless otherwise provided by the Company Act, the Articles of Incorporation and the relevant laws and regulations.
- Article 2. The election of the Company's directors and supervisors shall be conducted at the meeting of shareholders; the Company shall prepare separate ballots for directors and supervisors and specify the number of voting rights.
- Article 3. The election of 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.
- Article 4. The cumulative voting method (one ballot with one vote) shall be used for election of the directors and supervisors at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Article 5. The directors and supervisors of the Company shall be appointed by the board of shareholders from competent candidates. The number of directors will be as specified in the Company's Articles of Incorporation. Those receiving ballots representing the highest numbers of voting rights will be elected as independent and non-independent directors or supervisors sequentially and respectively according to the ballots statistical result. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any absent person.
- Where a person is concurrently elected as a director or supervisor in accordance with Paragraph 1, he/she shall decide on his own whether to be a director or supervisor. Or where the personal data of a director or supervisor are verified to be inconsistent, or the election is invalid according to relevant laws and regulations, the vacancy shall be filled by the candidate with second highest numbers of voting rights during the original election, which shall be declared at the same shareholders' meeting.
- Article 6. The votes of directors shall be elected together with that of independent directors, with vote counting respectively. Directors and independent directors shall be elected separately.
- Article 7. Before the election begins, the chair shall appoint a number of persons as monitoring and counting personnel to perform their respective duties. However, the scrutineer shall have the status of a shareholder.
- Article 8. The ballot boxes used for the election shall be prepared by the Company and shall be publicly checked by the scrutineer before voting commences.
- Article 9. If a candidate is a shareholder, a voter must place the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall place the candidate's full name and identity card number.

However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be placed in the column for the candidate's account name on the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be placed. When there are multiple representatives, the name of each respective representative shall be entered.

- Article 10. A ballot is invalid under any of the following circumstances:
- (I) The ballot has not been put into the ballot boxes.
 - (II) The ballot was not prepared by the board of directors.
 - (III) A blank ballot not filled in by any candidate.
 - (IV) The candidate whose name is on the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is on the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
 - (V) Other words or symbols are placed in addition to the candidate's account name (or name) or shareholder account number (or identity card number) and the number of voting rights allotted.
 - (VI) The writing is unclear and indecipherable or has been altered.
 - (VII) Any of the candidate's account name (or name) or shareholder account number (or identity card number) and the number of voting rights has been altered.
 - (VIII) The account name or name of the candidate on the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided on the ballot to identify such individual.
 - (IX) Names of two or more candidates are placed on the same ballot.
- Article 11. Where the Company has set up an audit committee, it shall not hold election for supervisors.
- Article 12. Article 12: The election shall be invalid if it fails to comply with Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act.
- Article 13. Article 13: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation shall be announced by the chair or the designated person on the site.
- Article 14. Article 14: The Company shall issue notifications to the persons elected as directors or supervisors.
- Article 15. Article 15: These Procedures, and any amendments hereto, shall be implemented after adoption by shareholders meetings.
- Article 16. Article 16: The establishment of these Procedures were adopted by the shareholders' meeting on June 25, 2013.
- Article 17. The first amendment to these Procedures was adopted by the shareholders' meeting on June 12, 2014.

APAQ TECHNOLOGY CO., LTD.
Shareholding of Directors and Supervisors

- I. As of the book closure date of the shareholders' meeting (April 19, 2020), the total number of shares issued by the Company: 84,524,751 shares.
- II. The minimum numbers of shares required to be held by all directors: 6,761,980 shares.
- III. The minimum numbers of shares required to be held by all supervisors: 676,198 shares.
- IV. As of the book closure date of the shareholders' meeting (April 19, 2020), the number of shares held by individuals and all directors and supervisors in the shareholders register is as follows:

Title	Name	The Number of Shares Held in the Shareholders Register as of the Book Closure Date (April 19, 2020)	Shareholding Ratio (%)
Chairman	INPAQ Technology Co., Ltd Representative: Tun-Jen Cheng	4,776,329	5.65
Director	Ching-Feng Lin	1,002,000	1.19
Director	Hsi-Tung Lin	420,990	0.50
Director	Hua Cheng Venture Capital Co., Ltd. Representative: Hsien-Yueh Hsu	10,668,012	12.62
Director	Walsin Technology Corporation Representative: Jui-Tsung Chang	2,960,000	3.50
Independent Director	Nai-Ming Liu	0	0
Independent Director	Shu-Chien Liang	0	0
Total	Seven directors	19,827,331	23.46
Supervisor	Chin-Chang Yang	155,813	0.18
Supervisor	Chang-Chia Wu	527,445	0.62
Supervisor	Fu-Tsan Tsai	0	0
Total	Three supervisors	683,258	0.81
Total	All Directors and Supervisors	20,510,589	24.27

APAQ TECHNOLOGY CO., LTD.
Other Explanatory Materials

- I. The impact of bonus share issuance on business performance, EPS, and shareholders' return rate:
There is no proposed bonus share issuance at this shareholders' regular meeting of the Company; thus it is not applicable.

II. Acceptance of Shareholders Proposal:

(I) In accordance with Article 172-1 of the Company Act, Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares may propose to the company a proposal for discussion at a regular shareholders' meeting in writing, provided that only one proposal is allowed, which is limited to 300 words.

(II) The period in which the Company accepts shareholder proposals is from March 31, 2020 to April 10, 2020, which is published on the Market Observation Post System in accordance with the regulations.

(III) The Company has not accepted any shareholder proposal.