

# Chieftek Precision Co., LTD.

## 2021 Annual Shareholders' Meeting Minutes

Meeting time : 9:00 a.m., August 25, 2021

Place : 2F.-1, No.26, Nanke 3rd Rd., Xinshi Dist., Tainan City 744, Taiwan, R.O.C. (Southern Science Park Industries)

Present : Total outstanding cpc shares is 80,742,549 shares (Treasury shares deducted) and shares held by shareholders present in person or by proxy is 55,673,032 shares (the number of shares attended through electronic means is 21,399,087 shares), and the percentage is 68.95%. The aggregate shareholding of shareholders present in person or by proxy constitute a quorum.

Chairman : Ms. Li Fen Chen, the Chairperson of the Board of Directors

Guest : Director Ming Che Hsu, Director Pi Hsia Wang Chen, Director Sheng Fang Zheng (Video), Independent Director Ming Tzu Ho, Independent Director Nai Chang Wei (Video), Independent Director Chung Jen Wu (Video), Accountant Yung Chih Lin

### A. Chairman's Address (omitted)

### B. Report Items

- I. To Report the Business of 2020 (see Appendix 1)
- II. Audit Committee's Audit Report on 2020 Financial Statements. (see Appendix 2)
- III. To Report 2020 Employees' Profit Sharing Bonus and Directors and Supervisors' Compensation. (see Appendix 3)
- IV. To Report on the Resolution and Implementation on Company's Shares Buyback.
- V. To Report the 2020 Endorsement and Guarantee.
- VI. To Report on 2019 Cash Distribution of Profit. (see Appendix 5)

### C. Proposed Resolutions

#### I. To accept 2020 Business Report and Financial Statements.

*Proposed by the Board of Directors*

Explanatory Notes:

- (1) The Company's 2020 Financial Statements, including the balance sheet, the statement of comprehensive income, the statement of changes in equity, and statement of cash flows, were audited by independent auditors, Mr. Lin, Yung-Chih and Ms. Lin, Tzu-Shu of PricewaterhouseCoopers (PwC), Taiwan. Also, Business Report and Financial Statements have been approved by the Board of Directors and examined by the supervisors of the Company.
- (2) The 2020 Business Report could be referred to the Attachment 1 of the Handbook for the 2021 Annual Shareholders' Meeting, independent auditors' audit report, and Financial Statements by PWC could be referred to Attachment 4 of the Handbook for the 2021 Annual Shareholders' Meeting.

Resolved :

Approved as proposed, voting results are as follows (including votes casted electronically):

Number of votes represented by attending shareholders	Votes in favor	Votes against	Invalid Votes	Abstaining votes/no votes
55,249,586	54,893,105	2,101	0	354,380
100.00%	99.35%	0.01%	0.00%	0.64%

## II. To Approve the Proposal for Distribution of 2020 Profit.

*Proposed by the Board of Directors*

Explanatory Notes :

- (1) The 2020 proposal for profit distribution was made in accordance with the Company Act and the Articles of Incorporation of the Company, and has been approved by board of director resolution on February 25, 2021, and therefore was sent to the audit committee for audit.
- (2) The Profit Distribution Report, please refer to the Attachment 5 in the Handbook of 2021 Annual Shareholders' Meeting.

Resolved :

Approved as proposed, voting results are as follows (including votes casted electronically):

Number of votes represented by attending shareholders	Votes in favor	Votes against	Invalid Votes	Abstaining votes/no votes
55,249,586	54,893,055	2,151	0	354,380
100.00%	99.35%	0.01%	0.00%	0.64%

## D. Discussion Items

### I. To Amendment to “Rules of Procedure for Shareholders Meetings”.

*Proposed by the Board of Directors*

Explanatory Notes :

- (1) The amendment was made in accordance with the relevant provisions of Chin Kuan Cheng Chiao Tzu, letter No.1090150567 issued on January 21, 2021 by Taiwan Stock Exchange and Decree Tai Cheng Chih Li Tzu No.11000014461 issued on January 28, 2021 by Taipei Exchange.
- (2) We proposed to amend “Rules of Procedure for Shareholders Meeting” to go with the issue way of the amended regulations, increasing the Company governance, and maintain shareholders' equity.
- (3) Please refer the Attachment 6 of the in the Handbook of 2021 Annual Shareholders' Meeting for the comparison table of the amendment of “Rules of Procedure for Shareholders Meeting”.

Resolved :

Approved as proposed, voting results are as follows (including votes casted electronically):

Number of votes represented by attending shareholders	Votes in favor	Votes against	Invalid Votes	Abstaining votes/no votes
55,249,586	53,378,758	2,352	0	1,868,476
100.00%	96.61%	0.01%	0.00%	3.38%

**II. To Amendment of part of regulations of “Procedures for Lending Funds to Other Parties” and “Guideline for Endorsement and Guarantee”.**

*Proposed by the Board of Directors*

Explanatory Notes :

- (1) The amendment was made in accordance with the relevant provision of Cheng Kuei Chien Tzu, letter No.1090201113 issued on July 21, 2020 by Taipei Exchange and “Questions and Answers of Regulations Governing Loaning of Funds and Making of Endorsement/Guarantee by Public Companies”.
- (2) To go with the amendments of relevant regulations in accordance with “Regulations Governing Loaning of Funds and Making of Endorsement/Guarantee by Public Companies”.
- (3) Please refer the Attachment 7 in the Handbook of 2021 Annual Shareholders’ Meeting for the comparison table of the amendment to “Procedures for Lending Funds to Others”. Please refer the Attachment 8 in the Handbook of the 2021 Annual Shareholders’ Meeting for the comparison table of the amendment to “Guideline for Endorsement and Guarantee”.

Resolved :

Approved as proposed, voting results are as follows (including votes casted electronically):

Number of votes represented by attending shareholders	Votes in favor	Votes against	Invalid Votes	Abstaining votes/no votes
55,249,586	53,381,613	2,245	0	1,865,728
100.00%	96.61%	0.01%	0.00%	3.38%

**E. Special Motion : No.**

**F. Adjourn : AM 10:20.**

## Chieftek Precision Co., Ltd.

### 2020 Business Report

Since the US-China trade war, it caused an enormous impact for the global economic systems, moreover, the outbreak of COVID-19 in 2020, it interfered a lot in global economic activities and the production paces, brought the collateral influences on the demand procrastination of capital expenditures in terminal markets. To confront the risk of global economic business cycle, Chieftek Precision relied on high quality products and increasing sales proportion of micro linear products which have high gross profits, and constantly strode towards the object of high flexibility system integration developer. The Company upheld the experiences in linear motion components market for years, researched and developed the products with more diversity, high precision and reliability to diversify the risk of economic business cycle.

The combined revenue of 2020 was NT\$1,381,885 thousand compared to 2019 of NT\$1,300,351 thousand, it increased by NT\$81,534 thousand with an increasing rate of 6.27%. The Income before Tax of 2020 was NT\$261,495 thousand compared to 2019 of NT\$222,227 thousand, it increased NT\$39,268 thousand with an increasing rate of 17.67%.

The 2020 Business Report is as following:

#### 1. The Result of Implement of Business Plan

##### (1) Consolidated Income Statement for the years ended December 31, 2020 and 2019.

Unit: NT\$ thousand

Items	2020	2019	Increase (Decrease) Amount
Sales Revenue	1,381,885	1,300,351	81,534
Operating Cost	(815,950)	(718,689)	(97,261)
Operating Margin	565,935	581,662	(15,727)
Operating Margin Rate	40.95%	44.73%	(3.78%)
Operating Expenses	(289,566)	(340,123)	(50,557)
Operating Profit	276,369	241,539	34,830
Non-Operating Income and Expenses	(14,874)	(19,312)	39,268
Profit Before Income Tax	261,495	222,227	(387,610)
Income Tax Expenses	(58,400)	(47,583)	(10,817)
Profit for the year	203,095	174,644	28,451
Other Comprehensive Income(loss)	(7,529)	(11,907)	(4,378)

Items	2020	2019	Increase (Decrease) Amount
Comprehensive Income for the year	195,566	162,737	32,829
Earnings per Share (NT\$)	2.51	2.15	0.36

According to the above table

### 1. Turnover

- (I) The combined net sales revenue for 2020 of NT\$1,381,885 thousand, which increased by NT\$81,534 thousand compared with 2019 of NT\$1,300,351 thousand, the growth rate was 6.27%.
- (II) If compared by regions, the sales by revenue increased 46.76% in Mainland, decreased 16.13% in European region, decreased 13.12% in the United States, increased 11.07% in the domestic sales of Taiwan and increased 4.17% in other regions.

### 2. Operating Margin Rate

Due to the influence of the epidemic in 2020, the demand of health care and semiconductor industries increased, it made sales ratio of micro linear products constantly increased, however machine tools related industries were extremely depressed, in addition, influenced by the appreciation of new Taiwan dollars, the combined operating margin rate of 2020 was 40.95%, compared with 2019 of 44.73%, decreased 3.78%.

### 3. Profits

- (I) Profit before tax was NT\$261,495 thousand in 2020, which increased by NT\$39,268 thousand with comparison of NT\$222,227 thousand in 2019. The increasing rate was 17.67%.
- (II) Basic earnings per share of 2020 was NT\$2.51, which increased NT\$0.36 compared with NT\$2.15 in 2019.

## (2) Parent Company Only Statement of Comprehensive Income for the years ended December 31, 2020 and 2019.

Unit: NT\$ thousand

Items	2020	2019	Increase (Decrease) Amount
Sales revenue	1,068,294	1,040,726	27,568
Operating costs	(703,276)	(652,831)	(50,445)
Gross profit	365,018	387,895	(22,880)
Unrealized gain from inter-affiliate accounts	(68,823)	(82,238)	(13,415)
Realized gain from inter-affiliate accounts	82,238	94,712	(12,474)
Net operating margin	378,433	400,369	(21,936)

Items	2020	2019	Increase (Decrease) Amount
Operating expenses	(174,751)	(185,417)	(10,666)
Operating profit	203,682	214,952	(11,270)
Non-operating income and expenses	44,064	(4,593)	48,657
Profit before income tax	247,746	210,359	37,387
Income tax expense	(44,651)	(35,715)	(8,936)
Profit for the year	203,095	174,644	28,451
Other comprehensive income (loss)	(7,529)	(11,907)	4,378
Comprehensive income for the year	195,566	162,737	32,829

**(3) Parent Company Only of Profitability Analysis for the 2020 and 2019**

Items	2020	2019
Return on Total Assets (%)	6.41%	5.87%
Return on Equity (%)	9.82%	8.82%
Operating Income to Paid-in Capital Ratio (%)	25.09%	26.48%
Pre-tax Income to Paid-in Capital Ratio (%)	30.52%	25.91%
Net Margin (%)	19.01%	16.78%
Basic Earnings Per Share (NT\$)	2.51	2.15

**(4) Consolidated Company Only of Profit ability Analysis for the 2020 and 2019**

Items	2020	2019
Return on Total Assets (%)	6.22%	5.66%
Return on Equity (%)	9.82%	8.82%
Operating Income to Paid-in Capital Ratio (%)	34.04%	29.75%
Pre-tax Income to Paid-in Capital Ratio (%)	32.21%	27.37%
Net Margin (%)	14.70%	13.43%
Basic Earnings Per Share (NT\$)	2.51	2.15

## 2. Enterprise Development

Chieftek invested in a large number of resources for innovating to research and develop precision linear motion elements to exploit constantly in the domain of high-end linear motion components, expanded the field of technology, and accumulated the threshold of in-house patents. We already established an excellent reputation with our private brand “cpc” to distribute all over the world in the precision machinery drive control market.

“cpc” devoted to providing mechatronics integration systems and services, and the development of control components with high added value in “liner/servomotor drivers”. Furthermore, we strode towards the development of micron linear motor modules and robotic arms; meanwhile, we developed in-house upper control platforms to expect to achieve own, intelligence technology in the factories, and increased the development of ball screw product line to meet the demand of automation equipment. We expected that we produced efficiently high quality products by means of new technologies and new manufacturing processes.

Ball screws, linear slides, linear motors and robotic arms plus drive control, they made the Company’s product line more complete, and coordinated the intelligent components and the intelligent machinery to exploit the complementing function. The products can be applied in vaster domains, and the developable market and customer groups will get enlarged in the future.

**Chieftek Precision Co., Ltd.**  
**2020 Audit Committee's Audit Report**

Hereby to approve,

The Board of Directors made the Operating Report, Consolidated and Standalone Financial Statements, Profit Distribution Proposal, etc. of the year of 2020. Consolidated and Independent Financial Statements were duly audited by PwC TW Mr. Lin, Yung-Chih and Ms. Lin, Tzu-Shu, they issued recorded unqualified opinion auditing report. The preceding Operating Report, Consolidated and Independent Financial Statements, Profit Distribution Proposal were audited by the Audit Committee, and verified that there was no discrepancy. Any discrepancies shall be reported to the superior in accordance with Securities and Exchange Act and the Company Law. Please examine.

**CHIEFTEK PRECISION CO., LTD.**

Convener of Audit Committee: Wei, Nai-Chang

February 25, 2021



**2020 Employees' Profit Sharing Bonus  
and Directors and Supervisors' Compensation**

1. Percentage or range of remuneration of employees, directors and supervisors specified in the articles of association:

According to paragraph 1, Article 21 of Articles of Incorporation of the revised articles of association, this company should distribute 3% to 15% of profit of current year to reward employees, and should distribute no more than 3% of profit of current year to reward directors and supervisors. But when the company has accumulated loss, it should be covered. The employee remuneration should be distributed in cash or stock, and those who are distributed with cash or stock should meet certain conditions of being affiliated to the company employees. These certain conditions should be formulated by the board of directors.

The current year's annual profit status refers to the pre-tax interest in the current year before the distribution of employee compensation and the benefits of directors and supervisors before compensation.

The distribution of employee compensation and the compensation of directors and supervisors shall be implemented by the board of directors with a resolution of more than two-thirds of the directors attending and one half and more of the attending directors agree, and report to the shareholders meeting.

2. The employees' compensation and the assignment of directors and supervisors in the year 2020 of the company were approved by the board of directors on February 5, 2021. The proposed distribution of the board of directors' approval is as follows:
  - (1) The remuneration for allotment of employees in cash is NT\$16,000,000, which is approximately 5.97% of the profit for the current year. The amount of employee compensation reported on the accounts is NT\$16,000,000, which is the same amount as the project is listed as annual profit of 2020.
  - (2) The distribution of directors by cash and the supervisor's remuneration is NT\$4,500,000 in cash, which is approximately 1.68% of the profit for the year. The remuneration of directors and supervisors listed in the accounts is NT\$4,500,000, which is the same amount as the project is listed as annual profit of 2020.
  - (3) The above-mentioned Employees' Profit Sharing Bonus and Directors and Supervisors' Compensation have been expensed in 2020.

**INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE**

To the Board of Directors and Shareholders of CHIEFTEK PRECISION CO., LTD.

**Opinion**

We have audited the accompanying parent company only balance sheets of CHIEFTEK PRECISION CO., LTD. (the "Company") as of December 31, 2020 and 2019, and the related parent company only 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, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

## **Adequacy of allowance for valuation loss on individually recognized obsolete or damaged inventories**

### Description

Refer to Note 4(9) for the accounting policy on inventory, Note 5 for the information on accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(3) for the details of inventory. As of December 31, 2020, the balances of inventories and allowance for inventory valuation losses were NT\$477,611 thousand and NT\$27,594 thousand, respectively.

The Company engages primarily in the manufacture and sales of linear guides and linear blocks. As the end-users require high-quality performances, there is a risk of inventory devaluation or obsolescence. The Company measures its inventories at the lower of cost and net realizable value. The net realizable value of the Company's inventories aged over a certain period is calculated based on the historical extent of inventory clearance and degree of price markdown. The allowance for valuation loss mainly arises from individually identified obsolete inventories, and the procedures of such identification involves subjective judgment, which might result in high degree of estimation uncertainty. Considering that the Company's inventory and the allowance for inventory valuation losses are material to the financial statements, we, considered the allowance for inventory valuation loss as one of the key audit matters.

### How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We obtained understanding of the Company's operations and its industry characteristics to assess the reasonableness of the Company's policies on and procedures for allowance for inventory valuation loss.
- B. We verified whether the dates used in the inventory aging reports that the Company applied to value inventories were accurate and complete. We recalculated and evaluated the reasonableness of allowance for inventory valuation losses in order to confirm whether the reported information was in line with the Company's policies.
- C. We selected samples from inventory items by each sequence number to verify its net realizable value and to evaluate the reasonableness of allowance for inventory valuation loss.

## **Authenticity of sales revenue**

### Description

Refer to Note 4(23) for the accounting policy on revenue recognition and Note 6(16) for the details of operating revenue.

The Company sells a variety of linear guides, ball screws and linear modules, and the target market reaches globally, including Taiwan, Asia, Europe, America and so forth. Since the customers are numerous and scattered, and the number of transactions is voluminous, it will take a longer time to verify their authenticity. Thus, we considered the authenticity of sales revenue as one of the key audit matters for the year.

### How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorizing procedures and collection processes. Also, we selected samples from different customers to evaluate the management's effectiveness of internal controls over sales revenue recognition.
- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.
- C. We tested the manual accounting entries recognized for sales revenue, including verifying the transactions nature of the relevant manual entries and checking the relevant supporting documents. For the same purpose, we also checked the relevant supporting documents and the rationality of the debit notes issued after the balance sheet date.

## **Responsibilities of management and those charged with governance for the parent company only financial statements**

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

In preparing the parent company only financial statements, management is responsible for assessing the 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 audit committee, are responsible for overseeing the Company's financial reporting process.

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

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

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the parent company only 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 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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yung-Chih

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

February 25, 2021

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

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

CHIEFTEK PRECISION CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 399,455	12	\$ 419,025	13
1150	Notes receivable, net	6(2)	15,480	1	18,984	1
1170	Accounts receivable, net	6(2) and 12	170,192	5	154,733	5
1180	Accounts receivable - related parties	6(2) and 7	210,545	6	267,370	8
1200	Other receivables	7	8,983	-	1,630	-
1220	Current income tax assets	6(23)	3,380	-	-	-
130X	Inventories	5 and 6(3)	450,017	13	509,433	16
1410	Prepayments		33,329	1	23,604	1
11XX	<b>Total current assets</b>		<u>1,291,381</u>	<u>38</u>	<u>1,394,779</u>	<u>44</u>
<b>Non-current assets</b>						
1550	Investments accounted for under equity method	6(4)	412,044	12	295,776	10
1600	Property, plant and equipment	6(5) and 8	1,361,380	40	1,105,943	35
1755	Right-of-use assets	6(6)	129,601	4	130,248	4
1780	Intangible assets	6(7)(8) and 7	101,250	3	120,143	4
1840	Deferred income tax assets	6(23)	25,160	1	26,060	1
1915	Prepayments for equipment	6(5)	48,474	2	57,161	2
1920	Guarantee deposits paid		3,237	-	2,135	-
1990	Other non-current assets		4,462	-	1,925	-
15XX	<b>Total non-current assets</b>		<u>2,085,608</u>	<u>62</u>	<u>1,739,391</u>	<u>56</u>
1XXX	<b>Total assets</b>		<u>\$ 3,376,989</u>	<u>100</u>	<u>\$ 3,134,170</u>	<u>100</u>

(Continued)

CHIEFTEK PRECISION CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9)(26)	\$ 358,000	11	\$ 220,000	7
2130	Current contract liabilities	6(16)	97	-	2,349	-
2150	Notes payable		77,992	2	79,155	3
2170	Accounts payable		47,725	1	17,045	1
2200	Other payables	6(10) and 7	94,979	3	119,496	4
2230	Current income tax liabilities	6(23)	-	-	15,109	-
2280	Current lease liabilities	6(6)(19)(26)	5,214	-	4,912	-
2320	Long-term liabilities, current portion	6(11)(26), 8 and 9	92,278	3	99,028	3
21XX	<b>Total current liabilities</b>		<u>676,285</u>	<u>20</u>	<u>557,094</u>	<u>18</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(11)(26), 8 and 9	434,924	13	402,202	13
2570	Deferred income tax liabilities	6(23)	18,973	-	4,211	-
2580	Non-current lease liabilities	6(6)(19)(26)	126,586	4	126,431	4
2640	Net defined benefit liabilities	6(12)	7,163	-	6,664	-
2670	Other non-current liabilities	6(4)	-	-	12,783	-
25XX	<b>Total non-current liabilities</b>		<u>587,646</u>	<u>17</u>	<u>552,291</u>	<u>17</u>
2XXX	<b>Total liabilities</b>		<u>1,263,931</u>	<u>37</u>	<u>1,109,385</u>	<u>35</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(13)(15)	811,876	24	811,876	26
Capital reserves						
3200	Capital surplus	6(14)	440,667	13	440,667	14
Retained earnings						
3310	Legal reserve	6(13)(15)	162,016	5	144,552	5
3320	Special reserve		29,394	1	17,047	1
3350	Unappropriated retained earnings		731,978	22	640,037	20
3400	Other equity interest		( 36,323)	( 1)	( 29,394)	( 1)
3500	Treasury stocks	6(13)	( 26,550)	( 1)	-	-
3XXX	<b>Total equity</b>		<u>2,113,058</u>	<u>63</u>	<u>2,024,785</u>	<u>65</u>
Significant Contingent Liabilities and Unrecognized Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,376,989</u>	<u>100</u>	<u>\$ 3,134,170</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.



**CHIEFTEK PRECISION CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16) and 7	\$ 1,068,294	100	\$ 1,040,726	100
5000 Operating costs	6(3)(12)(21)(22)	( 703,276)	( 66)	( 652,831)	( 62)
5900 Gross profit		365,018	34	387,895	38
5910 Unrealized gain from inter-affiliate accounts	6(4)	( 68,823)	( 7)	( 82,238)	( 8)
5920 Realized gain from inter-affiliate accounts	6(4)	82,238	8	94,712	9
5950 Net operating margin		378,433	35	400,369	39
Operating expenses	6(7)(12)(21)(22) and 7				
6100 Selling expenses		( 32,598)	( 3)	( 44,232)	( 4)
6200 General and administrative expenses		( 80,601)	( 7)	( 81,062)	( 8)
6300 Research and development expenses		( 61,232)	( 6)	( 59,576)	( 6)
6450 Expected credit impairment loss	12	( 320)	-	( 547)	-
6000 Total operating expenses		( 174,751)	( 16)	( 185,417)	( 18)
6900 Operating profit		203,682	19	214,952	21
Non-operating income and expenses					
7100 Interest income	6(17) and 7	473	-	2,575	-
7010 Other income	6(18)	8,667	1	4,904	1
7020 Other gains and losses	6(6)(7)(8)(19) and 12	( 32,061)	( 3)	( 18,081)	( 2)
7050 Finance costs	6(5)(6)(20)	( 7,077)	( 1)	( 9,131)	( 1)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	74,062	7	15,140	1
7000 Total non-operating income and expenses		44,064	4	( 4,593)	( 1)
7900 <b>Profit before income tax</b>		247,746	23	210,359	20
7950 Income tax expense	6(23)	( 44,651)	( 4)	( 35,715)	( 3)
8200 <b>Profit for the year</b>		\$ 203,095	19	\$ 174,644	17
<b>Other comprehensive income (loss)(Net)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311 Actuarial (loss) gain on defined benefit plan	6(12)	(\$ 750)	-	\$ 550	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	150	-	( 110)	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations	6(4)	( 6,929)	( 1)	( 12,347)	( 1)
8300 <b>Other comprehensive loss for the year</b>		(\$ 7,529)	( 1)	(\$ 11,907)	( 1)
8500 <b>Total comprehensive income for the year</b>		\$ 195,566	18	\$ 162,737	16
Earnings per share (in dollars)	6(24)				
9750 Basic		\$ 2.51		\$ 2.15	
9850 Diluted		\$ 2.51		\$ 2.14	

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity Interest	Treasury stocks	Total
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
2019									
Balance at January 1, 2019		\$ 738,069	\$ 440,667	\$ 97,280	\$ 12,367	\$ 664,519	(\$ 17,047 )	\$ -	\$ 1,935,855
Profit for the year		-	-	-	-	174,644	-	-	174,644
Other comprehensive income (loss) for the year	6(4)	-	-	-	-	440	( 12,347 )	-	( 11,907 )
Total comprehensive income (loss) for the year		-	-	-	-	175,084	( 12,347 )	-	162,737
Appropriations of 2018 earnings:									
Legal reserve		-	-	47,272	-	( 47,272 )	-	-	-
Special reserve	6(15)	-	-	-	4,680	( 4,680 )	-	-	-
Cash dividends	6(15)	-	-	-	-	( 73,807 )	-	-	( 73,807 )
Stock dividends	6(13)(15)	73,807	-	-	-	( 73,807 )	-	-	-
Balance at December 31, 2019		\$ 811,876	\$ 440,667	\$ 144,552	\$ 17,047	\$ 640,037	(\$ 29,394 )	\$ -	\$ 2,024,785
2020									
Balance at January 1, 2020		\$ 811,876	\$ 440,667	\$ 144,552	\$ 17,047	\$ 640,037	(\$ 29,394 )	\$ -	\$ 2,024,785
Profit for the year		-	-	-	-	203,095	-	-	203,095
Other comprehensive loss for the year	6(4)	-	-	-	-	( 600 )	( 6,929 )	-	( 7,529 )
Total comprehensive income (loss) for the year		-	-	-	-	202,495	( 6,929 )	-	195,566
Appropriations of 2019 earnings:									
Legal reserve		-	-	17,464	-	( 17,464 )	-	-	-
Special reserve	6(15)	-	-	-	12,347	( 12,347 )	-	-	-
Cash dividends	6(15)	-	-	-	-	( 80,743 )	-	-	( 80,743 )
Purchase of treasury stocks	6(13)	-	-	-	-	-	-	( 26,550 )	( 26,550 )
Balance at December 31, 2020		\$ 811,876	\$ 440,667	\$ 162,016	\$ 29,394	\$ 731,978	(\$ 36,323 )	(\$ 26,550 )	\$ 2,113,058

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 247,746	\$ 210,359
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	320	547
Loss on (reversal of) inventory market price decline	6(3)	15,354	( 1,561 )
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	( 74,062 )	( 15,140 )
Unrealized gain from inter-affiliate accounts	6(4)	68,823	82,238
Realized gain from inter-affiliate accounts	6(4)	( 82,238 )	( 94,712 )
Depreciation	6(5)(6)(21)	72,342	76,397
Gain arising from lease modifications	6(6)(19)	( 251 )	-
Amortization	6(7)(21)	10,627	2,334
Impairment loss	6(7)(8)(19)	9,049	-
Interest income	6(17)	( 473 )	( 2,575 )
Interest expense	6(20)	7,077	9,131
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		3,504	6,239
Accounts receivable		( 15,779 )	38,203
Accounts receivable - related parties		56,825	64,006
Other receivables		( 7,353 )	2,579
Inventories		44,062	40,232
Prepayments		( 9,725 )	( 10,003 )
Changes in operating liabilities			
Current contract liabilities		( 2,252 )	2,255
Notes payable		12,357	( 97,182 )
Accounts payable		30,680	( 50,565 )
Other payables		1,010	( 62,392 )
Net defined benefit liabilities		( 251 )	( 230 )
Cash inflow generated from operations		387,392	200,160
Dividends received	6(4)	-	121,770
Interest received		473	1,720
Interest paid		( 7,246 )	( 9,120 )
Income tax paid		( 47,328 )	( 123,189 )
Net cash flows from operating activities		<u>333,291</u>	<u>191,341</u>

(Continued)

The accompanying notes are an integral part of these parent company only financial statements.

#### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from borrowings and lending among related parties		\$	-	\$	855
Cash paid for acquisition of investments accounted for under equity method - subsidiaries	6(4)	(	48,503	(	18,623)
Cash paid for acquisition of property, plant and equipment	6(25)	(	299,522	(	176,768)
Interest paid for acquisition of property, plant and equipment	6(5)(20)(25)	(	5,627	(	3,326)
Acquisition of intangible assets	6(7)	(	783	(	21,031)
Increase in prepayments for equipment		(	46,597	(	114,417)
Increase in guarantee deposits paid		(	1,102	(	568)
Increase (decrease) in other non-current assets		(	<u>2,537</u>		<u>1,511</u>
Net cash flows used in investing activities		(	<u>404,671</u>	(	<u>332,367</u> )

#### CASH FLOWS FROM FINANCING ACTIVITIES

Increase in short-term borrowings	6(26)		138,000		100,000
Payments of lease liability	6(26)	(	4,869	(	4,825)
Increase in long-term borrowings	6(26)		400,000		200,000
Decrease in long-term borrowings	6(26)	(	374,028	(	175,020)
Payments of cash dividends	6(15)	(	80,743	(	73,807)
Buy-back of treasury shares	6(13)	(	<u>26,550</u>		<u>-</u>
Net cash flows from financing activities			<u>51,810</u>		<u>46,348</u>
Net decrease in cash and cash equivalents		(	<u>19,570</u>	(	<u>94,678</u> )
Cash and cash equivalents at beginning of year	6(1)		<u>419,025</u>		<u>513,703</u>
Cash and cash equivalents at end of year	6(1)	\$	<u>399,455</u>	\$	<u>419,025</u>

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of CHIEFTEK PRECISION CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and its subsidiaries (collectively referred herein as the “Group”) as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion there on, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

## **Adequacy of allowance for valuation loss on individually recognized obsolete or damaged inventories**

### Description

Refer to Note 4(11) for the accounting policy on inventory, Note 5 for the information on accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for the details of inventory. As of December 31, 2020, the balances of inventories and allowance for inventory valuation losses were NT\$623,820 thousand and NT\$66,877 thousand, respectively.

The Group engages primarily in the manufacture and sales of linear guides and linear blocks. As the end-users require high-quality performances, there is a risk of inventory devaluation or obsolescence. The Group measures its inventories at the lower of cost and net realizable value. The net realizable value of the Group's inventories aged over a certain period is calculated based on the historical extent of inventory clearance and degree of price markdown. The allowance for valuation loss mainly arises from individually identified obsolete inventories, and the procedures of such identification involves subjective judgment, which might result in high degree of estimation uncertainty. Considering that the Group's inventory and the allowance for inventory valuation losses are material to the financial statements, we considered the allowance for inventory valuation loss as one of the key audit matters.

### How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We obtained understanding of the Group's operations and its industry characteristic to assess the reasonableness of the Group's policies on and procedures for allowance for inventory valuation loss.
- B. We verified whether the dates used in the inventory aging reports that the Group applied to value inventories were accurate and complete. We recalculated and evaluated the reasonableness of allowance for inventory valuation losses in order to confirm whether the reported information was in line with the Group's policies.
- C. We selected samples from inventory items by each sequence number to verify its net realizable value and to evaluate the reasonableness of allowance for inventory valuation loss.

## **Authenticity of sales revenue**

### Description

Refer to Note 4(24) for the accounting policy on revenue recognition and Note 6(16) for the details of operating revenue.

The Group sells a variety of linear guides, ball screws and linear modules, and the target market reaches globally, including Taiwan, Asia, Europe, America and so forth. Since the customers are numerous and scattered, and the number of transactions is voluminous, it will take a longer time to verify their authenticity. Thus, we considered the authenticity of sales revenue as one of the key audit matters for the year.

### How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorizing procedures and collection processes. Also, we selected samples from different customers to evaluate the management's effectiveness of internal controls over sales revenue recognition.
- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.
- C. We tested the manual accounting entries recognized for sales revenue, including verifying the transactions nature of the relevant manual entries and checking the relevant supporting documents. For the same purpose, we also checked the relevant supporting documents and the rationality of the debit notes issued after the balance sheet date.

## **Other matter - Parent company only financial statements**

We have audited and expressed an unqualified opinion on the parent company only financial statements of CHIEFTEK PRECISION CO., LTD. as of and for the years ended December 31, 2020 and 2019.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- A. 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.



- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we

determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yung-Chih

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

February 25, 2021

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

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

**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 654,597	19	\$ 678,134	21
1136	Financial assets at amortized cost - current	6(2)	7,360	-	7,629	-
1150	Notes receivable, net	6(3)	27,767	1	27,559	1
1170	Accounts receivable, net	6(3) and 12	344,675	10	298,789	9
1200	Other receivables		9,515	-	3,252	-
1220	Current income tax assets	6(23)	20,398	-	2,992	-
130X	Inventories	5 and 6(4)	556,943	16	637,277	19
1410	Prepayments		36,049	1	28,538	1
11XX	<b>Total current assets</b>		<u>1,657,304</u>	<u>47</u>	<u>1,684,170</u>	<u>51</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(5) and 8	1,532,120	44	1,290,959	39
1755	Right-of-use assets	6(6)	129,601	4	130,248	4
1780	Intangible assets	6(7)(8)	101,595	3	120,990	3
1840	Deferred income tax assets	6(23)	25,160	1	26,060	1
1915	Prepayments for equipment	6(5)	48,474	1	57,161	2
1920	Guarantee deposits paid		9,775	-	7,700	-
1990	Other non-current assets		5,312	-	2,879	-
15XX	<b>Total non-current assets</b>		<u>1,852,037</u>	<u>53</u>	<u>1,635,997</u>	<u>49</u>
1XXX	<b>Total assets</b>		<u>\$ 3,509,341</u>	<u>100</u>	<u>\$ 3,320,167</u>	<u>100</u>

(Continued)

**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Liabilities</b>						
<b>Current liabilities</b>						
2100	Short-term borrowings	6(9)(26)	\$ 379,012	11	\$ 313,315	9
2130	Current contract liabilities	6(16)	4,807	-	3,964	-
2150	Notes payable		77,992	2	79,155	2
2170	Accounts payable		49,211	2	18,711	1
2200	Other payables	6(10)	110,835	3	135,507	4
2230	Current income tax liabilities	6(23)	3,848	-	18,700	1
2280	Current lease liabilities	6(6)(19)(26)	5,214	-	4,912	-
2310	Advance receipts		-	-	1,699	-
2320	Long-term liabilities, current portion	6(11)(26), 8 and 9	94,658	3	101,136	3
21XX	<b>Total current liabilities</b>		<u>725,577</u>	<u>21</u>	<u>677,099</u>	<u>20</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(11)(26), 8 and 9	517,984	15	480,977	15
2570	Deferred income tax liabilities	6(23)	18,973	-	4,211	-
2580	Non-current lease liabilities	6(6)(19)(26)	126,586	4	126,431	4
2640	Net defined benefit liabilities	6(12)	7,163	-	6,664	-
25XX	<b>Total non-current liabilities</b>		<u>670,706</u>	<u>19</u>	<u>618,283</u>	<u>19</u>
2XXX	<b>Total liabilities</b>		<u>1,396,283</u>	<u>40</u>	<u>1,295,382</u>	<u>39</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(13)(15)	811,876	23	811,876	25
Capital reserves						
3200	Capital surplus	6(14)	440,667	12	440,667	13
Retained earnings						
3310	Legal reserve	6(13)(15)	162,016	5	144,552	4
3320	Special reserve		29,394	1	17,047	1
3350	Unappropriated retained earnings		731,978	21	640,037	19
3400	Other equity interest		( 36,323)	( 1)	( 29,394)	( 1)
3500	Treasury stocks	6(13)	( 26,550)	( 1)	-	-
3XXX	<b>Total equity</b>		<u>2,113,058</u>	<u>60</u>	<u>2,024,785</u>	<u>61</u>
Significant Contingent Liabilities and Unrecognized Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,509,341</u>	<u>100</u>	<u>\$ 3,320,167</u>	<u>100</u>

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

**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16)	\$ 1,381,885	100	\$ 1,300,351	100
5000 Operating costs	6(4)(12)(21)(22)	( 815,950)	( 59)	( 718,689)	( 55)
5900 Net operating margin		<u>565,935</u>	<u>41</u>	<u>581,662</u>	<u>45</u>
Operating expenses	6(7)(12)(21)(22) and 7				
6100 Selling expenses		( 89,881)	( 7)	( 112,591)	( 9)
6200 General and administrative expenses		( 136,440)	( 10)	( 143,748)	( 11)
6300 Research and development expenses		( 61,232)	( 4)	( 72,112)	( 5)
6450 Expected credit impairment loss	12	( 2,013)	-	( 11,672)	( 1)
6000 Total operating expenses		<u>( 289,566)</u>	<u>( 21)</u>	<u>( 340,123)</u>	<u>( 26)</u>
6900 Operating profit		<u>276,369</u>	<u>20</u>	<u>241,539</u>	<u>19</u>
Non-operating income and expenses					
7100 Interest income	6(2)(17)	2,020	-	4,180	-
7010 Other income	6(18)	15,587	1	8,233	-
7020 Other gains and losses	6(6)(7)(8)(19) and 12	( 21,015)	( 1)	( 17,743)	( 1)
7050 Finance costs	6(5)(6)(20)	( 11,466)	( 1)	( 13,982)	( 1)
7000 Total non-operating income and expenses		<u>( 14,874)</u>	<u>( 1)</u>	<u>( 19,312)</u>	<u>( 2)</u>
7900 Profit before income tax		261,495	19	222,227	17
7950 Income tax expense	6(23)	( 58,400)	( 4)	( 47,583)	( 3)
8200 Profit for the year		<u>\$ 203,095</u>	<u>15</u>	<u>\$ 174,644</u>	<u>14</u>
<b>Other comprehensive income (loss) (Net)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311 Actuarial (loss) gain on defined benefit plans	6(12)	(\$ 750)	-	\$ 550	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	150	-	( 110)	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 6,929)	( 1)	( 12,347)	( 1)
8300 Total other comprehensive loss for the year		<u>(\$ 7,529)</u>	<u>( 1)</u>	<u>(\$ 11,907)</u>	<u>( 1)</u>
8500 Total comprehensive income for the year		<u>\$ 195,566</u>	<u>14</u>	<u>\$ 162,737</u>	<u>13</u>
Earnings per share (in dollars)	6(24)				
9750 Basic		<u>\$ 2.51</u>		<u>\$ 2.15</u>	
9850 Diluted		<u>\$ 2.51</u>		<u>\$ 2.14</u>	

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Unappropriated retained earnings
		Share capital - common stock	Capital reserve	Legal reserve	Special reserve	
2019						
Balance at January 1, 2019		\$ 738,069	\$ 440,667	\$ 97,280	\$ 12,367	\$ 664,5
Profit for the year		-	-	-	-	174,6
Other comprehensive income (loss) for the year		-	-	-	-	4
Total comprehensive income (loss) for the year		-	-	-	-	175,0
Appropriations of 2018 earnings:						
Legal reserve		-	-	47,272	-	( 47,2
Special reserve	6(15)	-	-	-	4,680	( 4,6
Cash dividends	6(15)	-	-	-	-	( 73,8
Stock dividends	6(13)(15)	73,807	-	-	-	( 73,8
Balance at December 31, 2019		<u>\$ 811,876</u>	<u>\$ 440,667</u>	<u>\$ 144,552</u>	<u>\$ 17,047</u>	<u>\$ 640,0</u>
2020						
Balance at January 1, 2020		<u>\$ 811,876</u>	<u>\$ 440,667</u>	<u>\$ 144,552</u>	<u>\$ 17,047</u>	<u>\$ 640,0</u>
Profit for the year		-	-	-	-	203,0
Other comprehensive loss for the year		-	-	-	-	( 6
Total comprehensive income (loss) for the year		-	-	-	-	202,4
Appropriations of 2019 earnings:						
Legal reserve		-	-	17,464	-	( 17,4
Special reserve	6(15)	-	-	-	12,347	( 12,3
Cash dividends	6(15)	-	-	-	-	( 80,7
Purchase of treasury stocks	6(13)	-	-	-	-	-
Balance at December 31, 2020		<u>\$ 811,876</u>	<u>\$ 440,667</u>	<u>\$ 162,016</u>	<u>\$ 29,394</u>	<u>\$ 731,9</u>

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

**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 261,495	\$ 222,227
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	2,013	11,672
Loss on (reversal of) inventory market price decline	6(4)	16,434	( 3,482 )
Depreciation	6(5)(6)(21)	79,316	89,222
Gain arising from lease modifications	6(6)(19)	( 251 )	-
Loss on disposal of property, plant and equipment	6(19)	-	25
Amortization	6(7)(21)	11,146	2,992
Impairment loss	6(7)(8)(19)	9,049	-
Interest income	6(17)	( 2,020 )	( 4,180 )
Interest expense	6(20)	11,466	13,982
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 208 )	23,163
Accounts receivable		( 48,454 )	122,959
Other receivables		( 6,263 )	9,119
Inventories		63,300	51,268
Prepayments		( 7,511 )	( 6,713 )
Changes in operating liabilities			
Current contract liabilities		843	2,136
Notes payable		12,357	( 97,182 )
Accounts payable		30,500	( 50,229 )
Other payables		928	( 75,773 )
Advance receipts		( 1,699 )	( 82 )
Net defined benefit liabilities		( 251 )	( 230 )
Cash inflow generated from operations		432,190	310,894
Interest received		2,020	4,180
Interest paid		( 11,718 )	( 14,556 )
Income tax paid		( 74,846 )	( 135,982 )
Net cash flows from operating activities		<u>347,646</u>	<u>164,536</u>

(Continued)

	Notes	For the years ended December 31	
		2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in financial assets at amortized cost - current		\$ 269	(\$ 7,629)
Cash paid for acquisition of property, plant and equipment	6(25)	( 300,388 )	( 192,792 )
Interest paid for acquisition of property, plant and equipment	6(5)(20)(25)	( 5,627 )	( 3,326 )
Acquisition of intangible assets	6(7)	( 783 )	( 119 )
Increase in prepayments for equipment		( 46,597 )	( 114,417 )
Increase in guarantee deposits paid		( 2,075 )	( 2,624 )
(Increase) decrease in other non-current assets		( 2,433 )	764
Net cash flows used in investing activities		( 357,634 )	( 320,143 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(26)	65,447	106,222
Payments of lease liability	6(26)	( 4,869 )	( 4,825 )
Increase in long-term borrowings	6(26)	488,590	200,000
Decrease in long-term borrowings	6(26)	( 453,697 )	( 177,102 )
Payments of cash dividends	6(15)	( 80,743 )	( 73,807 )
Purchase of treasury stocks	6(13)	( 26,550 )	-
Net cash flows (used in) from financing activities		( 11,822 )	50,488
Effect of foreign exchange rate changes on cash and cash equivalents		( 1,727 )	( 14,147 )
Net decrease in cash and cash equivalents		( 23,537 )	( 119,266 )
Cash and cash equivalents at beginning of year	6(1)	678,134	797,400
Cash and cash equivalents at end of year	6(1)	\$ 654,597	\$ 678,134



**Chieftek Precision Co., Ltd.**  
**2020 Profit Distribution Proposal**

Unit: NT\$ in dollar

Item	Amount	
	Subtotal	Total
Undistributed surplus balance at the beginning of the year		\$ 529,484,104
Less: Confirmation of actuarial losses of benefit plan		( 600,038)
Reserved surplus at the beginning of the period after adjustment		528,884,066
Distributable surplus available of this year		
Profit for the year	203,094,285	
Less: 10% Legal Reserve	( 20,249,425)	
Less: reverse special reserve	( 6,928,968)	
Profit in 2020 Available for Distribution		<u>175,915,892</u>
Cumulative distributable surplus		704,799,958
Distribution Item:		
- Cash Dividends (NT\$1.5 per share)	( 121,113,824)	
- Stock Dividends (NT\$0.0 per share)	0	
Subtotal of distributed amount		( <u>121,113,824</u> )
Undistributed surplus balance		<u>\$ 583,686,134</u>

## Notes:

- The surplus distribution for this time will give priority to distribution of 2020 surplus.
- The cash dividend shall be calculated according to the shareholding ratio of shareholders recorded in the shareholders ledger on the dividend distribution base date, until distributed to NT\$1 (neglecting all those less than NT\$1). After the above dividend distribution is passed by the general meeting of shareholders, the board of directors shall be authorized to further arrange the dividend distribution base date and designate special persons for handling all the cash dividend of less than NT\$1.
- 81,187,549 current capital shares minus 445,000 treasury shares = 80,742,549 outstanding preferred shares

**Chieftek Precision Co., Ltd.**

**The Comparison Table of the Amendment to “Rules of Procedure for Shareholders Meetings”**

Before Amendment	After Amendment	Explanation
<p>Article 3: Convening a Board meeting and meeting notice</p> <p>Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.</p> <p>This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p>	<p>Article 3: Convening a Board meeting and meeting notice</p> <p>Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.</p> <p>This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p>	<p>Revise in accordance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”.</p>

Before Amendment	After Amendment	Explanation
<p>The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p> <p>Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</p> <p>If re-election of the directors and independent directors and the date of appointment thereof are both stated clearly on the reasons for convening a shareholders' meeting, then the date of appointment shall not be changed by extempore motion or other means during the same meeting after the re-election of the Board is completed.</p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda.</p> <p>However, a shareholder proposal proposed for urging a company to promote public interests or fulfill its social responsibilities may still be</p>	<p>The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p> <p>Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act shall be set out and the essential contents thereof shall be explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>If re-election of the directors and independent directors and the date of appointment thereof are both stated clearly on the reasons for convening a shareholders' meeting, then the date of appointment shall not be changed by extempore motion or other means during the same meeting after the re-election of the Board is completed.</p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda.</p> <p>However, a shareholder proposal proposed for urging a company to promote public interests or fulfill its social responsibilities may still be</p>	

Before Amendment	After Amendment	Explanation
<p>included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p>	<p>included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p>	
<p>Article 9: The calculation of the numbers of attendant shares at shareholders meeting and the meeting. Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.</p> <p>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</p>	<p>Article 9: The calculation of the numbers of attendant shares at shareholders meeting and the meeting. Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.</p> <p>The chair shall call the meeting to order at the appointed meeting time; meanwhile, announce the related information of the numbers of no voting rights and attendant shares etc. However, when the attending shareholders do not represent a majority of the total number</p>	

Before Amendment	After Amendment	Explanation
<p>combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.</p> <p>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</p>	<p>of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.</p> <p>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month.</p> <p>When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.</p>	
<p>Article 14: Election items</p> <p>The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for</p>	<p>Article 14: Election items</p> <p>The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected, and the names of those unelected as directors and supervisors and the numbers of votes with which they were elected.</p> <p>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for</p>	

Before Amendment	After Amendment	Explanation
at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.	at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.	

**Chieftek Precision Co., Ltd.**

**The Comparison Table of the Amendment to “Procedures for Lending Funds to Other Parties”**

Before Amendment	After Amendment	Explanation
<p><b>Article 1: Purpose and Legal Basis</b> As the actual operational needs, the Company has to lend funds to companies (hereinafter to be referred as borrower), and shall all conduct in accordance with this procedure. This procedure was concluded in accordance with the regulations of the Company Act, Securities and Exchange Act and Regulations Governing Loaning of Funds and Making Endorsements/Guarantees by Public Companies issued by Securities and Futures Commission, Ministry of Finance.</p>	<p><b>Article 1: Purpose and Legal Basis</b> The Company coordinates the actual operational needs, has to lend funds to others (hereinafter to be referred as borrower). This procedure was provided in accordance with the regulations of the Company Law, Securities and Exchange Act and Regulations Governing Loaning of Funds and Making Endorsements/Guarantees by Public Companies issued by Securities and Futures Commission, Ministry of Finance, etc.</p>	Revise the textual description.
<p><b>Article 3: The Parties of Lending Funds and Evaluation Standard</b> According to the regulations of the Company Act, unless otherwise under any of the following circumstances, the capital of a company shall not be lent to any shareholder of the company or any other person:</p> <ol style="list-style-type: none"> <li>1. Where an inter-company or inter-firm business transaction calls for such lending arrangement; the business transactions in the preceding statement means the Company has the conducts of purchases or sales.</li> <li>2. Where an inter-company or inter-firm short-term financing facility is necessary;</li> </ol>	<p><b>Article 3: The Parties of Lending Funds and Evaluation Standard</b> According to the regulations of Article 15 in the Company Law, unless otherwise under any of the following circumstances, the capital of a company shall not be lent to any shareholder of the company or any other person:</p> <ol style="list-style-type: none"> <li>1. Where an inter-company or inter-firm business transaction calls for such lending arrangement; the business transactions in the preceding statement means the Company has the conducts of purchases or sales.</li> <li>2. Where an inter-company or inter-firm short-term financing facility is necessary;</li> </ol>	Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and no. 7 of Questions and Answers of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

Before Amendment	After Amendment	Explanation
<p>it means that the shareholding ratio of an inter-company or inter-firm exceeds over 50% for the business needs, and regards a short-term financing facility as necessary as restriction. The term “short-term” as used in the preceding paragraph means one year, or one operating cycle (the longer time as the standard) in accordance with the forward explanation of Ministry of Economic Affairs. The term “financing amount” means the cumulative balance of the Company's short-term financing.</p> <p>3. Lending funds to other parties approved by the Board of Directors of the Company.</p> <p>4. The restriction in paragraph 1, subparagraph 2 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 loans of fund to the public company by any overseas company in which the public company holds, directly or indirectly, 100% of the voting shares. However, the Public Company shall still prescribe limits on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the durations of such loans in accordance with Article 4 and 5.</p>	<p>it means that the shareholding ratio of an inter-company or inter-firm exceeds over 50% for the business needs, and which has the necessary of short-term financing facility as restriction. The term “short-term” as used in the preceding paragraph means one year, or one operating cycle (the longer time as the standard) in accordance with the forward explanation of Ministry of Economic Affairs. The term "financing amount" means the cumulative balance of the Company's short-term financing.</p> <p>3. The restriction in paragraph 1, subparagraph 2 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 loans of fund to the public company by any overseas company in which the public company holds, directly or indirectly, 100% of the voting shares. However, the Public Company shall still prescribe limits on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the durations of such loans in accordance with Article 4 and 5.</p>	
<p><b>Article 4: The Amount of Loaning Funds and The Limit Amount of others</b></p>	<p><b>Article 4: The Amount of Loaning Funds and The Limit Amount of others</b></p>	<p>Revise in accordance with no.11 of Questions and Answers of</p>



Before Amendment	After Amendment	Explanation
<p>1. Where an inter-company or inter-firm business transaction calls for a loan arrangement, financing amount shall not exceed 20 percent of the Company's net worth; independent financing about shall not exceed the business transaction amount of the latest year. The amount of business transactions in the preceding statement means the higher amount of purchases or sales between these two parties.</p> <p>2. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the Company's net worth; independent financing amount shall not exceed 40 percent of the Company's net worth.</p> <p>(Added)</p>	<p>1. Where an inter-company or inter-firm business transaction calls for a loan arrangement to the Company, financing amount shall not exceed 20 percent of the Company's net worth; independent financing about shall not exceed the amount of the business transaction for the last year. The amount of business transactions in the preceding statement means the higher amount of purchases or sales between these two parties.</p> <p>2. The Company lending funds to an inter-company or inter-firm short-term where financing facility is necessary, provided that the amount of such financing facility shall not exceed forty percent of the amount of the Company's most current financing statements; the amount of independent financing facility shall not exceed of the net value of the Company.</p> <p>3. Inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the public company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares, the total financing amount shall not exceed 40 percent of the net worth of the financing statements of the last year; independent financing amount shall not exceed 40 percent of</p>	<p>“Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

Before Amendment	After Amendment	Explanation
	<p>the lending company's net worth of the financing statements of the last year.</p> <p>4. The certain monetary limit on authorization for loans extended by the Company or any of its subsidiaries lending funds to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company.</p> <p>"Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>The determination of the net worth of the most current financial statements means that the subsidiary's most current financial statements audited (reviewed) by the accountants, or its subsidiaries incorporate into the most current consolidated financial report, after audited (reviewed) by the accountants (the most current) the new worth shall be a basis.</p>	
<b>Article 6: Procedures for loaning and reviewing</b>	<b>Article 6: Procedures for loaning and reviewing</b>	Revise the textual description.

Before Amendment	After Amendment	Explanation
<p>1. Procedures for application</p> <p>(1) The items of the Company lending funds, the borrower shall attach basic information first (including license issued by Ministry of Economic Affairs, Business Registration Certificate, the copy of the responsible person's ID), and the necessary finance information, apply by letter and make an accommodation to the Finance Department of the Company.</p> <p>(2) If making loans with relation to business transaction, the responsible personnel in the Financial Department of the Company shall evaluate the financing amount and the business transaction amount which are equivalent; where an inter-company or inter-firm short-term financing facility is necessary, shall enumerate the reason and the circumstances of lending funds, and make the credit investigation, after submitting a report with relevant information and the proposed loaning conditions to supervisors of Financial Department, and the general manager, and furthermore it shall be submitted to Board of Directors for resolution.</p>	<p>1. Procedures for application</p> <p>(1) The items of the Company lending funds, the borrower shall attach basic information first (including license issued by Ministry of Economic Affairs, Business Registration Certificate, the copy of the responsible person's ID. However, when the Company holds, directly or indirectly, 100% voting shares of the subsidiaries, this procedure shall not apply to), and the necessary finance information, apply by letter and make an accommodation to the Finance Department of the Company.</p> <p>(2) If making loans with relation to business transaction, the handling personnel in the Financial Department of the Company shall evaluate the financing amount and the amount of business transaction which are equivalent; where an inter-company or inter-firm short-term financing facility is necessary, shall enumerate the reason and the circumstances of lending funds, and make the credit investigation, submit a report with related information and the proposed loaning conditions to financial supervisors, the general manager, and after approved by the chairman, and furthermore shall be submitted for a resolution by the Board of Directors for resolutions.</p>	

Before Amendment	After Amendment	Explanation
<p>(3) Where the Company has appointed independent directors, when it lends funds to Others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting. Where the Company has established an audit committee, when it adopts or amends its Operational Procedures for Loaning Funds to Others, the procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply.</p> <p>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" in paragraph 4 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>		

Before Amendment	After Amendment	Explanation
<p>2. Credit Investigation</p> <p>(1) first-time borrower shall provide basic information and financial information to make a credit investigation.</p> <p>(2) when the borrower continuing to loan proposes to renew the loan, remaking the credit investigation in principal. If it's the important or urgent events, handling at any time as actual needs.</p> <p>(3) If the borrower's financial circumstances are good, and has appointed the accountant to apply for Certificate of Finance for the financial statements of the year, it shall continue to use the investigation report within one year, and the accountant's audit visa report of the year as a reference of loaning.</p> <p>(4) When the Company makes credit investigation for the borrower, it shall evaluate the Company's operating risk of loaning funds, financial circumstances and the influence of shareholders' equity at the same time</p> <p>3. Hierarchy of decision-making authority and delegation thereof The Company loaning funds and the items shall be approved by the resolutions of the Board of Directors first, and therefore it shall start to conduct. Where the Company has appointed independent directors, when it loaning funds to Others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically</p>	<p>2. Credit Investigation</p> <p>(1) first-time borrower shall provide basic information and financial information to make a credit investigation.</p> <p>(2) when the borrower continuing to loan applies for renewing the loan, remaking the credit investigation in principal. If it's the important or urgent events, handling at any time as actual needs.</p> <p>(3) If the borrower's financial circumstances are good, and already appointing the accountant to apply for the financing visa for the financial statements of the year, it shall continue to use the investigation report within one year, and the accountant's audit visa report of the year as a reference of loaning.</p> <p>(4) When the Company makes credit investigation for the borrower, shall evaluate the Company's operating risk of loaning funds, financial circumstances and the influence of shareholders' equity at the same time</p> <p>3. Hierarchy of decision-making authority and delegation thereof The Company loaning funds and the items shall be approved by the resolutions of the Board of Directors first, and therefore it shall conduct, it shall not authorize others to decide; When fund lending is contemplated between the Company and its parent company or when fund lending to Subsidiaries is contemplated by the Company, an approval from the Board of</p>	

Before Amendment	After Amendment	Explanation
<p>expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>(Added)</p> <p>When the Company's subsidiaries lend funds to others, it shall be submitted to the parent company's board of directors for the resolutions in accordance with the procedure.</p>	<p>Directors shall be obtained, and the Chairman shall be authorized to handle the matter within the specific amount of fund lending to the same party approved by the Board of Directors and the lending is authorized in installment or revolver within one year.</p> <p>Where the Company has appointed independent directors, when it loaning funds to Others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>Where the Company has established an audit committee, when it adopts or amends its Operational Procedures for Loaning Funds to Others, the procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee</p>	

Before Amendment	After Amendment	Explanation
<p>4. Loaning approval and notice</p> <p>(1) After making the credit investigation and evaluating, the loaning case was not approved by the resolution, the Company shall reply to the borrower with the refusing reason soon.</p> <p>(2) After making the credit investigation and evaluating, the loaning case has been agreed by the resolution, the Company shall notice the borrower by letter, and describe the Company's loaning conditions, including the amount, the decline, the rate, the collateral and the guarantor, etc., require the borrower to conduct the signing procedure within the period.</p> <p>5. Identity verification</p> <p>(1) Loaning case shall be drawn up the contract clauses by the responsible personnel, and approved by the supervisors and submitted to the manager and the chairman for approval, and therefore conduct the signing procedure.</p> <p>(2) The content of the contract shall comply with the</p>	<p>members" in paragraph 4 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions. When the Company's subsidiaries lend funds to others, it shall be submitted to the parent company's board of directors for the resolutions in accordance with the procedure.</p> <p>4. Loaning approval and notice</p> <p>(1) After making the credit investigation and evaluating, the loaning case was not approved by the resolution, the Company shall reply to the borrower with the refusing reason soon.</p> <p>(2) After making the credit investigation and evaluating, the loaning case has been agreed by the resolution, the Company shall notice the borrower by letter, and describe the Company's loaning conditions, including the amount, the decline, the rate, the collateral and the guarantor, etc., require the borrower to conduct the signing procedure within the period.</p> <p>5. Identity verification</p> <p>(1) Loaning case shall be drawn up the contract clauses by the responsible personnel, and approved by the supervisors and submitted to the manager and the chairman for approval, and therefore conduct the signing procedure.</p> <p>(2) The content of the contract shall comply with the</p>	

Before Amendment	After Amendment	Explanation
<p>approved loaning clauses, after the borrower and the joint guarantor signed on the contract, the identity verification procedure shall be conducted by the responsible personnel.</p> <p>6. The collateral's value evaluation and the right-setting borrower shall provide the same amount of guarantee voucher or the collateral, and conduct the pledge or the mortgage setting procedure to make sure the creditor's rights of the Company.</p> <p>7. Insurance</p> <p>(1) All collaterals, except the land and the securities, shall be insured against the fire or related events. The amount of insurance is not lower than the loan amount in principal, the names of the subjects, the quantity, the store location, the insurance conditions, the insurance endorsements, etc. described in the policy, shall comply with the original loan conditions of the Company.</p> <p>(2) The responsible personnel shall notice the borrower to continue to insure before the expiry of the insurance period.</p> <p>8. Appropriate funds</p> <p>The loan conditions shall be approved and after the borrower signed the contract, and registered the pledge (mortgage) setting for the collaterals. After verifying all the procedures, it shall apply for the expenditures to the Financial Department.</p>	<p>approved loaning clauses, after the borrower and the joint guarantor signed on the contract, the identity verification procedure shall be conducted by the responsible personnel.</p> <p>6. The collateral's value evaluation and the right-setting borrower shall provide the same amount of guarantee voucher or the collateral, and conduct the pledge or the mortgage setting procedure to make sure the creditor's rights of the Company.</p> <p>7. Insurance</p> <p>(1) All collaterals, except the land and the securities, shall be insured against the fire or related events. The amount of insurance is not lower than the loan amount in principal, the names of the subjects, the quantity, the store location, the insurance conditions, the insurance endorsements, etc. described in the policy, shall comply with the original loan conditions of the Company.</p> <p>(2) The responsible personnel shall notice the borrower to continue to insure before the expiry of the insurance period.</p> <p>8. Appropriate funds</p> <p>The loan conditions shall be approved and after the borrower signed the contract, and registered the pledge (mortgage) setting for the collaterals. After verifying all the procedures, it shall apply for the expenditures to the Financial Department.</p>	
<p><b>Article 7: Repayment</b></p> <p>After appropriating the loan, it shall often notice the borrower's and the guarantor's finance,</p>	<p><b>Article 7: Repayment</b></p> <p>After appropriating the loan, it shall often notice the borrower's and the guarantor's finance,</p>	<p>Revise the textual description.</p>



Before Amendment	After Amendment	Explanation
<p>business and credit conditions, etc. When the collateral was provided, it shall notice the collateral value has the alteration or not. It shall notify the borrower that it is the time to pay off the principal and interest by one month of the loaning expiry.</p> <p>(1) When the loan expires to repay, the borrower shall calculate the accrued interest payable first, after pay off the principal at the same time, it shall write off and return such the promissory note, the receipt for a loan and other certificates of repaying the debt to the borrower.</p> <p>(2) When the borrower applies to write off the mortgage, no loan balance shall be approved, and therefore the agreement of handling to write off the mortgage shall be decided.</p>	<p>business and credit conditions, etc. When the collateral was provided, it shall notice the collateral value has the alteration or not. Before the expiry of the loan, it shall notice the borrower that it is the time to pay off the principal and interest.</p> <p>(1) When the loan expires to repay, the borrower shall calculate the accrued interest payable first, after pay off the principal at the same time, it shall write off and return such the promissory note, the receipt for a loan and other certificates of creditor's rights to the borrower.</p> <p>(2) When the borrower applies to write off the mortgage, no loan balance shall be approved, and therefore the agreement of handling to write off the mortgage shall be decided.</p>	
<p><b>Article 8: The procedure for the following control and manage measures and overdue creditor's rights process of the loaning amount:</b></p> <p>1. Extend period Before the loan case expires, when there's a need, it shall apply to extend the period for renewing the contract before one month of the loan's expiry date, and one time in a year as restriction. The Company shall report to the Board of Directors for approval, and conducted the related procedures again.</p> <p>2. Case registration and safekeeping (1) When the Company conducts to loan funds and matters, it shall make "the</p>	<p><b>Article 8: The procedure for the following control and manage measures and overdue creditor's rights process of the loaning amount:</b></p> <p>1. Extend period Before the loan case expires, if the borrower has a need, shall apply to extend the period for renewing the contract before one month of the loan's expiry date, and one time in a year as restriction. The Company shall report to the Board of Directors for approval, and conducted the related procedures again.</p> <p>2. Case registration and safekeeping (1) When the Company conducts to loan funds and matters, it shall make "the</p>	<p>Revise to go with the establishment of the Audit Committee.</p>

Before Amendment	After Amendment	Explanation
<p>memorandum book” to describe in detail the loan object, the loan amount, the Board of Directors’ approval date, the loan date and the items which shall have the prudential assessment in accordance with the procedures.</p> <p>(2) After appropriating the loan, the responsible personnel of handling the case shall collate the contract, the promissory note and other certificates of creditor’s rights, and collateral certificate, the policy, the intercourse documents, and therefore put them in a safekeeping bag. After indicating the content of merchandise in custody and the customer’s name on the bag, it shall be submitted to the supervisor of the Financial Department for examination. When the examination is correct and the bag shall be sealed immediately, the two parties shall sign or stamp in the register of merchandise in custody and put it under the custody.</p> <p>(3) The Company’s internal auditor shall audit the procedures and the execution of loaning funds at least every quarter, and make a written record. When the important violation was found out, it shall be noticed every supervisor in written.</p>	<p>memorandum book” to describe in detail the loan object, the loan amount, the Board of Directors’ approval date, the loan date and the items which shall have the prudential assessment in accordance with the procedures.</p> <p>(2) After appropriating the loan, the responsible personnel of handling the case shall collate the contract, the promissory note and other certificates of creditor’s rights, and collateral certificate, the policy, the intercourse documents, and therefore put them in a safekeeping bag. After indicating the content of merchandise in custody and the customer’s name on the bag, it shall be submitted to the supervisor of the Financial Department for examination. When the examination is correct and the bag shall be sealed immediately, the two parties shall sign or stamp in the register of merchandise in custody and put it under the custody.</p> <p>(3) The Company’s internal auditor shall audit the procedures and the execution of loaning funds at least every quarter, and make a written record. When the important violation was found out, it shall be noticed to every independent director in written.</p>	

Before Amendment	After Amendment	Explanation
<p>(4) Due to the change of circumstances, the Company’s loan object is inconsistent with the regulation of the measure, or when the loan balance exceeds the limit, the Audit Department shall supervise and urge the Financial Department to set up the period for withdrawing the loaning funds which exceeds the limit, and send the improvement program to every supervisor.</p> <p>(5) The responsible personnel shall make “the balance sheet of loaning to others” of the last month on the fifth day of every month, and submit orderly for reviewing.</p>	<p>(4) Due to the change of circumstances, the Company’s loan object is inconsistent with the regulation of the procedure, or when the loan balance exceeds the limit, the Audit Department shall supervise and urge the Financial Department to set up the period for withdrawing the loaning funds which exceeds the limit, and send the improvement program to every independent director and the Audit Committee, and therefore reported to the Board of Directors, and finish to improve in accordance with the process of the program.</p> <p>(5) The responsible personnel shall make “the balance sheet of loaning to others” of the last month on the fifth day of every month.</p>	
<p><b>Article 9: The control and management procedure for the subsidiaries loan funds to others</b></p> <p>1. When the Company’s subsidiaries plan to loan funds to others, shall establish the procedure and conduct in accordance with the procedure; however, the net worth of the parent company shall be the calculation standard of the net worth.</p> <p>2. The subsidiaries shall make “the detailed statement of loaning funds to others” before the tenth day (not including) of every month, and submit to the</p>	<p><b>Article 9: The control and management procedure for the subsidiaries loan funds to others</b></p> <p>1. When the Company’s subsidiaries plan to loan funds to others, shall establish the procedure and conduct in accordance with the procedure; however, the net worth of the most current financial statements of the loaning industry shall be the calculation standard of the net worth.</p> <p>2. The subsidiaries shall make “the detailed statement of loaning funds” before the fifth day of every month, and submit to the Company for</p>	<p>Revise in accordance with no.11 of Questions and Answers of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

Before Amendment	After Amendment	Explanation
<p>Company for reviewing.</p> <p>3. The Company’s internal auditor shall audit the procedure and the execution of loaning funds to others at least every quarter, and make a written record. When the important violation was found out, it shall be noticed the Company’s Audit Department in written immediately, the Company’s Audit Department shall send the information in written to every supervisor.</p> <p>4. When the Company’s auditor audits the subsidiaries in accordance with the annual audit plan, shall comprehend the procedure and the execution of loaning funds to others at the same time. When the missing matter was found, it shall constantly follow up the improvement, and make a follow-up report to the chairman.</p>	<p>reviewing.</p> <p>3. When the Company’s auditor audits the subsidiaries in accordance with the annual audit plan, shall comprehend the procedure and the execution of loaning funds to others at the same time. When the missing item was found, it shall constantly follow up the improvement, and make a follow-up report to the chairman; when the important violation of landing funds to others was found, the Audit Department shall send the information in written to every independent director.</p>	
<p><b>Article 10: Information disclosure</b></p> <p>1. The Company shall upload the information about the Company and the subsidiaries loan funds and the balance of the last month to the Market Observation Post System (MOPS) before the tenth day of every month.</p> <p>2. When the Company’s loaning balance achieves one of the following standards, it shall be input to the Market</p>	<p><b>Article 10: Information disclosure</b></p> <p>1. The Company shall upload the information about the Company and the subsidiaries loan funds and the related information according to law of the last month to the Market Observation Post System (MOPS) before the tenth day of every month.</p> <p>2. When the Company’s loaning balance achieves one of the following standards, it shall be announced and declared to the</p>	<p>Revise the textual description.</p>

Before Amendment	After Amendment	Explanation
<p>Observation Post System (MOPS) before two days before the date of occurrence of the event:</p> <p>(1) When the balance of loaning funds to others achieves over 20% of the net worth of the Company's most current financial statement, or after handling the announcement and the declaration in accordance with the regulations of this clause, the balance increases every 2% of the net worth of the Company's most current financial statement.</p> <p>(2) The balance of loaning funds to one single industry achieves over 10% of the net worth of the Company's most current financial statement, or after handling the announcement and the declaration in accordance with the regulations of this clause, the balance increases every 2% of the net worth of the Company's most current financial statement.</p> <p>(3) The Company and its subsidiaries increase loaning amount to over NT\$ 10,000,000, and achieve over 2% of the net worth of the disclosed Company's most current financial statement.</p> <p>3. When the Company's subsidiary is not a domestic public company, the subsidiary has the items which shall be announced and declared in the preceding clauses, the items shall be conducted by the</p>	<p>Market Observation Post System (MOPS) before two days before the date of occurrence of the event:</p> <p>(1) When the balance of the Company and its subsidiaries loan funds to others achieves over 20% of the net worth of the Company's most current financial statement</p> <p>(2) The balance of the Company and its subsidiaries loan funds to one single industry achieves over 10% of the net worth of the Company's most current financial statement</p> <p>(3) The Company and its subsidiaries increase loaning amount to over NT\$ 10,000,000, and achieve over 2% of the net worth of the Company's most current financial statement.</p> <p>3. When the Company's subsidiary is not a domestic public company, the subsidiary has the items which shall be announced and declared in paragraph 3, clause 2 of this item, the items shall be</p>	

Before Amendment	After Amendment	Explanation
<p>Company. The proportion calculation of the Company’s loaning balance and the net worth in the preceding paragraph, shall be the subsidiary’s loaning balance occupies the Company’s net worth.</p> <p>4. The Company shall assess the loaning funds circumstances and make provision for a proper allowance for bad debts, properly disclose related information in the financial statement, and provide related information for the audit procedure when CPAs audit.</p> <p>5. The term "the date of occurrence of the event" as used in the measure, means date of contract signing, date of payment, date of a resolution of the board of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.</p>	<p>conducted by the Company.</p> <p>4. The Company shall assess the loaning funds circumstances and make provision for a proper allowance for bad debts, properly disclose related information in the financial statement, and provide related information for the audit procedure when CPAs audit.</p> <p>5. The term "the date of occurrence of the event" as used in the procedure, means date of contract signing, date of payment, date of a resolution of the board of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.</p>	
<p><b>Article 11: Penal Provisions</b></p> <p>When the Company’s manager and responsible personnel violated the procedure, it shall be reported to assess in accordance with the Company’s work rules, and give corresponding punishment according to the seriousness of the case.</p> <p>When the Company established independent directors, according</p>	<p><b>Article 11: Penal Provisions for manager and responsible personnel violated this provision or the procedure for the Company loaned funds to others</b></p> <p>When the Company’s manager and responsible personnel violated the procedure, it shall be reported to assess in accordance with the Company’s work rules, and give corresponding punishment according to the seriousness of the case; related improvement program shall be sent to every independent director, reported</p>	<p>Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” .</p>

Before Amendment	After Amendment	Explanation
<p>to the regulations of paragraph 2 of Article 15 or paragraph 2 of Article 18, it shall notice items to every supervisor, meanwhile, notice independent directors in written; according to the regulations of Article 16 or 20, the improvement program which sending to every supervisor, shall be sent to independent directors.</p> <p>When the Company established Audit Committee, the regulations of supervisor in Article 15, 16, 18 and 20, shall apply to the Audit Committee.</p>	<p>to Audit Committee and Board of Directors in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, and finished to improve in accordance with the program process.</p>	
<p><b>Article 12: Implementing and Amendment</b></p> <p>After the procedure was approved by the Board of Directors, it shall be sent to every supervisor and report to shareholders’ meeting for approval, and therefore implement. If a director expresses any dissent or reservation and makes the record or the written statement, the Company shall send the objection to every supervisor and report to shareholders’ meeting for discussion, the same process shall be conducted as amendment. (Added)</p>	<p><b>Article 12: Implementing and Amendment</b></p> <p>After the procedure was approved by the Board of Directors, it shall be approved by shareholders’ meeting and therefore implement. If a director expresses any dissent or reservation and makes the record or the written statement, the Company shall send the objection to every independent director and report to shareholders’ meeting for discussion, the same process shall be conduct as amendment.</p> <p>Where a public company has appointed independent directors, when it submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director’s opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting. Where the Company has established an audit</p>	<p>Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” .</p>

Before Amendment	After Amendment	Explanation
	<p>committee, when it adopts or amends its Operational Procedures for Loaning Funds to Others, the procedures or amended procedures shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply.</p> <p>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</p>	



**Chieftek Precision Co., Ltd.**

**The Comparison Table of the Amendment to “Procedures for Making of Endorsements/Guarantees”**

Before Amendment	After Amendment	Explanation
<p><b>Article 1: Propose and Legal Basis</b></p> <p>To make a reference for making endorsements or guarantees for others, improving financial management and decreasing operational risk for the Company, we specifically established the measure. The procedure was provided in accordance with the regulations of the Company Act, Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies issued by Securities and Futures Commission, Ministry of Finance.</p>	<p><b>Article 1: Propose and Legal Basis</b></p> <p>To make a reference for making endorsements or guarantees for others, improving financial management and decreasing operational risk for the Company. We established the procedure in accordance with the regulations of the Company Act, Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies issued by Securities and Futures Commission, Ministry of Finance specifically.</p>	Revise the textual description.
<p><b>Article 3: Applying Range</b></p> <p>The term “endorsements/guarantees as used in the measure, including:</p> <ol style="list-style-type: none"> <li>1. Financing endorsements/guarantees means bill discount financing makes an endorsement or guarantee to meet the financing needs of another company, and issues a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.</li> <li>2. Customs duty endorsement/guarantee means an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.</li> <li>3. Other endorsements/guarantees</li> </ol>	<p><b>Article 3: Applying Range</b></p> <p>The term “endorsements/guarantees as used in the procedure means the following items:</p> <ol style="list-style-type: none"> <li>1. Financing endorsements/guarantees means bill discount financing makes an endorsement or guarantee to meet the financing needs of another company, and issues a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.</li> <li>2. Customs duty endorsement/guarantee means an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.</li> </ol>	Revise the textual description.

Before Amendment	After Amendment	Explanation
<p>means endorsements or guarantees beyond the scope of the above two subparagraphs.</p> <p>4. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the regulations of the procedure. on the size of the company,</p>	<p>3. Other endorsements/guarantees means endorsements or guarantees beyond the scope of the above two subparagraphs.</p> <p>Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the regulations of the procedure. on the size of the company,</p>	
<p><b>Article 4: Endorsements/Guarantees Entity</b></p> <p>Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction, endorsements/guarantees shall be made for the following companies:</p> <ol style="list-style-type: none"> <li>1. A company with which it does business.</li> <li>2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.</li> <li>3. A company that directly and</li> </ol>	<p><b>Article 4: Endorsements/Guarantees Entity</b></p> <p>Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction, endorsements/guarantees shall be made for the following companies:</p> <ol style="list-style-type: none"> <li>1. A company with which it does business.</li> <li>2. The Company in which the public company directly and indirectly holds more than 50 percent of the voting shares.</li> <li>3. The Company that directly and</li> </ol>	<p>Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and no. 7 of Questions and Answers of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

Before Amendment	After Amendment	Explanation
<p>indirectly holds more than 50 percent of the voting shares in the public company.</p> <p>The term “funding” as used in the first paragraph, meaning the Company funds directly or companies which hold 100% voting shares fund.</p> <p>“Subsidiary” and “parent company” as referred to in the measure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>Where the Company’s financial reports are prepared according to the International Financial Reporting Standards, “net worth” in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>indirectly holds more than 50 percent of the voting shares in the public company.</p> <p>The term “funding” as used in the first paragraph, meaning the Company funds directly or companies which hold 100% voting shares fund.</p> <p>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’s most current financial statement.</p> <p>However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</p> <p>“Subsidiary” and “parent company” as referred to in the procedure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>The determination of the net worth of subsidiary’s most current financial statement, means subsidiary’s most current financial statement audited (reviewed) by the accountant, or the net worth of the subsidiary’s most current consolidated financial report was audited (reviewed) by the accountant as reference.</p>	
<p><b>Article 5: Amount limit of endorsements/guarantees</b></p> <p>1. The ceilings on the tall amounts the Company is permitted to make in</p>	<p><b>Article 5: Amount limit of endorsements/guarantees</b></p> <p>1. The ceilings on the amounts the Company is permitted to make in endorsements/guarantees is 50%</p>	<p>Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees</p>

Before Amendment	After Amendment	Explanation
<p>endorsements/guarantees is 50% of the net worth of the current period. The Company's amount of its endorsements/guarantees for any single entity is 20% of paid in capital as restriction. However, the Company holds, directly and indirectly, more than 50% of voting shares which shall not apply to the preceding amount restriction of endorsements/guarantees for one single industry.</p> <p>2. Where an inter-company or inter-firm business transaction calls for endorsements/guarantees with the Company, except the preceding regulations of amount limit, the amount of independent endorsements/guarantees shall not exceed the amount of business transaction between the two parties as restriction. The term "the amount of business transaction" means the higher amount of stock and sales between the two parties.</p>	<p>of the net worth of the most current financial statement. The Company's amount of its endorsements/guarantees for any single entity is 20% of the net worth of the most current financial statement as restriction.</p> <p>2. Where an inter-company or inter-firm business transaction calls for endorsements/guarantees with the Company, except the preceding regulations of amount limit, the amount of independent endorsements/guarantees shall not exceed the amount of business transaction of the last year between the two parties as restriction. The term "the amount of business transaction" means the higher amount of stock and sales between the two parties.</p> <p>3. Between the Company holds, directly and indirectly, 100% of any company's voting shares, the total amount of endorsements/guarantees shall not exceed 50% of the net worth of the most current financial statement of any industry which makes endorsements/guarantees for others as restriction. The amount of endorsements/guarantees for one single industry shall not exceed 20% of the net worth of the most current financial statement of any industry which makes endorsements/guarantees for others as restriction.</p>	<p>by Public Companies" and Questions and Answers of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".</p>

Before Amendment	After Amendment	Explanation
<p><b>Article 6: Hierarchy of decision-making authority and delegation</b></p> <p>1. When every department has to make guarantees or endorse bills for business requirements, it shall report to the Board of Directors for approval first. When independent directors have been appointed, it shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting. However, cooperating with aging, the Board of Directors shall authorize the chairman to conduct within one single amount of NT\$ 50,000,000 first in accordance with the regulations of the measure, afterward report to the Board of Directors for approval. (Added)</p>	<p><b>Article 6: Hierarchy of decision-making authority and delegation</b></p> <p>1. When the Company and its subsidiary have to make guarantees or endorse bills for business requirements, it shall report to the Board of Directors for approval first; cooperating with aging, the Board of Directors shall authorize the chairman to conduct within one single amount of NT\$ 50,000,000 first in accordance with the regulations of the procedure, afterward report to the most current Board of Directors for approval.</p> <p>Where the Company has appointed independent directors, when it makes endorsements or endorses bills for business requirements, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>Where the Company has established an audit committee, when it makes endorsements or endorses bills for business requirements, it shall require the approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational</p>	<p>Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and Questions and Answers of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

Before Amendment	After Amendment	Explanation
<p>2. Where the Company needs to exceed the limits set out in the measure for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the measure for Endorsements/Guarantees are complied with, 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 endorsement/guarantee. It shall also amend the measure 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 discharge the amount in excess within a given time limit.</p> <p>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</p>	<p>Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p> <p>2. The Company holds, directly or indirectly, 90% or more of the voting shares of the subsidiary in accordance with the regulations of paragraph 2 of Article 4, before making endorsements/guarantees, it shall be reported to the Company's board of directors for resolution, and therefore start to conduct. However, it shall not apply to endorsements/guarantees when the Company holds, directly or indirectly, 100% or more of the voting shares of any company.</p> <p>3. Where the Company needs to exceed the limits set out in the procedure for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the procedure for Endorsements/Guarantees are complied with, 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 endorsement/guarantee. It shall also amend the procedure for Endorsements/Guarantees accordingly and submit the same</p>	

Before Amendment	After Amendment	Explanation
<p>dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	<p>to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.</p> <p>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.</p> <p>4. Where the Company's subsidiary intends to make endorsements/guarantees for others, the Company shall report to the parent company's board of directors for resolution in accordance with these Regulations.</p>	
<p><b>Article 7: Operational Procedures</b></p> <p>1. When the endorsed/guaranteed industry has to use the amount of endorsement/guarantee within the amount limit, it shall provide basic information and financial information, and fill in the application form to submit for application for the Company's financial department. The financial department shall evaluate in detail, and make credit investigation. The evaluation items include: its necessary and rationality, the credit investigation and risk assessment of the endorsed/guaranteed object, operational risk, financial</p>	<p><b>Article 7: Operational Procedures</b></p> <p>1. When the endorsed/guaranteed industry has to use the amount of endorsement/guarantee within the amount limit, except the Company holds, directly and indirectly 100% of voting shares of the subsidiary, it shall provide basic information and financial information, and fill in the application form to submit for application for the Company's financial department. The financial department shall evaluate in detail, and make credit investigation. The evaluation items include: its necessary and</p>	<p>Revise in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies"</p>

Before Amendment	After Amendment	Explanation
<p>condition and the influence of shareholders' equity of the Company, and it shall assess to obtain the collateral and the collateral's value. Furthermore, the net worth of the endorsed/guaranteed object is lower than one second of paid-in capital of the subsidiary, the subsidiary shall provide the improvement program, and report to the board of directors. The board of directors shall make a resolution for continuing to make endorsements/guarantees or not.</p> <p>2. The memorandum book made by financial department shall be recorded in detail the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of the preceding article.</p> <p>3. When related certificates or bills of endorsement/guarantee renews and remove for paying off debts or extending the period, the endorsed/guaranteed entity shall provide a formal letter and send the original related certificates of endorsement/guarantee to the Company's financial department for stamping "write-off" and returning, the application letter shall be kept as reference.</p> <p>4. Financial department shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose</p>	<p>rationality, the credit investigation and risk assessment of the endorsed/guaranteed object, operational risk, financial condition and the influence of shareholders' equity of the Company, and it shall assess to obtain the collateral and the collateral's value. Furthermore, the net worth of the endorsed/guaranteed object is lower than one second of paid-in capital of the subsidiary, the subsidiary shall provide the improvement program, and report to the board of directors. The board of directors shall make a resolution for continuing to make endorsements/guarantees or not.</p> <p>2. The memorandum book made by financial department shall be recorded in detail the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of the preceding article.</p> <p>3. When related certificates or bills of endorsement/guarantee renews and remove for paying off debts or extending the period, the related certificates of endorsement/guarantee shall be stamped "write-off", and therefore kept as reference.</p> <p>4. Financial department shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose</p>	



Before Amendment	After Amendment	Explanation
<p>information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures, and providing a proper audit report.</p> <p>5. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the first clause of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.</p>	<p>information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures, and providing a proper audit report.</p> <p>5. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the first clause, the sum of the share capital plus paid-in capital in excess of par shall be substituted.</p> <p>6. The responsible personnel shall make a balance statement of endorsements/guarantees of the last month before the fifth day of every month.</p>	
<p>Article 8: Procedures and custody of corporate chops</p> <p>The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The stamp shall be kept in the custody of a designated person approved by the board of directors; when making endorsements/guarantees, may be used to seal or issue negotiable instruments only in prescribed procedures; when making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.</p>	<p>Article 8: Procedures and custody of corporate chops</p> <p>The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the board of directors; when making endorsements/guarantees, may be used to seal or issue negotiable instruments only in prescribed procedures; when making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.</p>	<p>Revise the textual description.</p>
<p>Article 9: Precautions of controlling and managing endorsements/guarantees</p>	<p>Article 9: Precautions of controlling and managing endorsements/guarantees</p>	<p>Revise in accordance with the establishment of the audit committee.</p>

Before Amendment	After Amendment	Explanation
<p>1. The Company's internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found.</p> <p>2. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, 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, and report to board of directors.</p>	<p>1. The Company's internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all independent directors in writing of any material violation found.</p> <p>2. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, a public company shall adopt rectification plans and submit the rectification plans to all independent directors and the audit committee, and report to board of directors, and shall complete the rectification according to the timeframe set out in the plan.</p>	
<p>Article 10: Time and content of announcing and reporting</p> <p>1. The Company shall announce and report the previous month's endorsements/guarantees balances of its head office and subsidiaries by the 10th day of each month.</p> <p>2. The Company whose endorsements/guarantees balances reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p>	<p>Article 10: Time and content of announcing and reporting</p> <p>1. The Company shall upload the previous month's endorsements/guarantees relevant information of its head office and subsidiaries to the Market Observation Post System (MOPS) in accordance with the regulations before the 10th day of each month.</p> <p>2. The Company whose endorsements/guarantees balances reach one of the following levels shall announce and report such event to the Market Observation Post System (MOPS) within two days commencing immediately from the date of occurrence:</p>	<p>Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”</p>

Before Amendment	After Amendment	Explanation
<p>(1) The balance of endorsement/guarantee reaches 50 percent or more of the net worth of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The balance of endorsement/guarantee for one single industry reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting in accordance with the regulations of the measure, the balance increases every 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) 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 Company's net worth as stated in its latest financial statement.</p> <p>3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to</p>	<p>(1) The endorsements/guarantees balances of the Company and its subsidiary reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The endorsement/guarantee balance of the Company and its subsidiary for one single industry reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements/guarantees for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement, or after announcing and reporting in accordance with the regulations of the procedure, the balance increases every 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) 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 Company's net worth as stated in its latest financial statement.</p> <p>3. The public company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4, clause 2 of the article.</p>	

Before Amendment	After Amendment	Explanation
<p>every subparagraph of the preceding paragraph.</p> <p>4. “Date of occurrence” in the measure means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counter party and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.</p>	<p>4. “Date of occurrence” in the procedure means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counter party and monetary amount of the loan of funds or endorsement/guarantee, whichever date is earlier.</p>	
<p><b>Article 11: Procedures for controlling and managing endorsements/guarantees by subsidiaries</b></p> <p>1. Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Operational Procedures for Endorsements/Guarantees in compliance with these Regulations, and it shall comply with the Procedures when making endorsements/guarantees; however, the net worth shall be calculated by the net worth of the parent company as standard.</p> <p>2. The subsidiary shall make the balance statement of endorsements/guarantees for others of the previous month by the 10th day (not including) of each month, and report to the Company.</p> <p>3. The subsidiary's internal auditors shall audit the Operational Procedures for Endorsements/Guarantees and the implementation thereof no less frequently than quarterly and prepare written records</p>	<p><b>Article 11: Procedures for controlling and managing endorsements/guarantees by subsidiaries</b></p> <p>1. Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Operational Procedures for Endorsements/Guarantees in compliance with these Regulations, and it shall comply with the Procedures when making endorsements/guarantees; however, the net worth shall be calculated by the net worth as stated in the latest financial statement of the industry which makes endorsements/guarantees for others as standard.</p> <p>2. The subsidiary shall make “the balance statement of endorsements/guarantees” of the previous month by the 5th day of each month, and report to the Company.</p> <p>3. The Company's internal auditors shall audit the Operational Procedures for Endorsements/Guarantees of the subsidiary in accordance with the annual audit program, and comprehend the implementation of Procedures for</p>	<p>Revise in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and no. 11 of Questions and Answers of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

Before Amendment	After Amendment	Explanation
<p>accordingly. They shall promptly notify the Company's audit department in writing of any material violation found. The Company's audit department shall send the written information to all the supervisors.</p>	<p>Endorsements/Guarantees for others. When the deficient matters were found, the Company shall continue to follow up the implementation of improvement and make a follow-up report for reporting to the chairman; they shall promptly notify all the independent directors in writing of any material violation of endorsement/guarantee found.</p>	
<p>Article 12: Penalty for violation of the Operational Procedures by managers or personnel in charge</p> <p>When the Company's managers and personnel in charge violate the operational procedure, it shall be reported for appraisal in accordance with the Company's personnel management measures and work rules, and punished in accordance with the seriousness of the case.</p> <p>Where a public company has appointed independent directors, when there is any matter of which it is required to notify the supervisors under Article 15, paragraph 2 or Article 18, paragraph 2, it shall at the same time also give written notice to the independent directors. When it submits a rectification plan to the supervisors under Article 16</p>	<p>Article 12: Penalty for violation of the Operational Procedures by managers or personnel in charge</p> <p>When the Company's managers and personnel in charge violate the operational procedure, it shall be reported for appraisal in accordance with the Company's personnel management measures and work rules, and punished in accordance with the seriousness of the case; the Company shall send the relevant rectification plans to all the independent directors in accordance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies , and report to audit committee and board of directors, and shall complete the rectification according to the time frame set out in the plan.</p>	<p>Revise in accordance with the establishment of the audit committee.</p>

Before Amendment	After Amendment	Explanation
<p>or 20, it shall at the same time also submit the rectification plan to the independent directors. Where a public company has established an audit committee, the provisions of Articles 15, 16, 18, and 20 regarding supervisors shall apply mutatis mutandis to the audit committee.</p>		
<p><b>Article 13: Procedures for implementation</b></p> <p>After the procedure was approved by the board of directors, shall be sent to each supervisor and reported to shareholders' meeting for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p>The Operational Procedures for Loaning Funds to Others according to the preceding regulation for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</p> <p>Where the Company has established an audit committee, when it adopts or amends its Operational Procedures for Loaning Funds to Others, the procedures or amended procedures shall require the</p>	<p><b>Article 13: Procedures for implementation</b></p> <p>After the procedure was approved by the board of directors, shall be reported to shareholders' meeting for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each independent director and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p>The Operational Procedures for endorsements/guarantees according to the preceding regulation for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</p> <p>Where the Company has established an audit committee, when it adopts or amends its Operational Procedures for endorsements/guarantees, the procedures or amended procedures shall require the approval of one-half or more of</p>	<p>Revise in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies"</p>

Before Amendment	After Amendment	Explanation
<p>approval of one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, and the provisions of paragraph 2 shall not apply. If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	

**Chieftek Precision Co., Ltd.**  
**Rules of Procedure for Shareholders Meetings**  
**(Before Amendment)**

Article 1: Establishment basis

To establish a strong governance system and sound supervisory capabilities for this Corporation's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 2: Scope of the rules

The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 3: Convening a Board meeting and meeting notice

Convening a Board meeting and meeting notice

Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.

This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more



than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

**Article 4: Director's attendance by proxy in shareholders' meeting and authorization thereof**

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

**Article 5: Principles determining the time and place of a shareholders meeting**

The venue for a shareholders meeting shall be the premises of this Corporation, 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. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

**Article 6: Preparation of signature book and other documents**

This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation may not arbitrarily add requirements for other documents beyond those

showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

This Corporation 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.

This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

**Article 7: The chair and non-voting participants of a shareholders meeting**

If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; 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 chairperson 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 chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

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

It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

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 mutually select a chair from among themselves.

This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

**Article 8: Documentation of a shareholders meeting by audio or video**

This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

**Article 9: Calculation of number of shares in attendance and meeting**

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

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 and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

#### Article 10: Discussion on Agenda

If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

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

#### Article 11: Shareholder speech

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 chair.

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

Except with the consent of the chair, 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 chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

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.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

**Article 12: Calculation of voting shares**

Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

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, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

**Article 13: Vote on Agenda and Scrutinizing Ballots and How Ballots are Counted**

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When this Corporation holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means (in accordance with the proviso of Article 177-1 of the Company Act regarding companies that shall adopt electronic voting: When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence). When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by

which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, 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, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

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.

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 this Corporation.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

#### Article 14: Election of directors and supervisors

The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 15: Meeting minutes and signature

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of this Corporation.

**Article 16: Public disclosure**

On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

**Article 17: Maintaining order at the meeting place**

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.

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.

**Article 18: Recess and resumption of a shareholders meeting**

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

**Article 19: Supplementary Provisions**

These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

## Appendix 2

### Chieftek Precision Co., Ltd. Articles of Incorporation

#### Chapter 1 General Provisions

Article 1: According to the Company Acts, the company is naming as Chieftek Precision Co., Ltd, and the English version will be named as CHIEFTEK PRECISION CO., LTD.

Article 2: The Company's scope of services is set out hereunder:

- (i) CB01990 Other Machinery Manufacturing;
- (ii) F401010 International Trading.

Products which are researched, developed and marketed are as follows:

- (a) Miniature linear guide;
- (b) Miniature ball screw;
- (c) Miniature linear modules;
- (d) Photoelectric and semi-conductor machinery equipment; (e) International trading relating to aforesaid products.

Article 2.1: In the event that the Company becomes a shareholder of limited liability in other companies, the amount of investment thereof shall not be bound by article 13 of the Company Act relating to the total reinvestment amount restriction.

Article 3: The head office of the company established in Tainan Science-based Industrial Park, the Board of Directors will resolute to establish branches at home and abroad if necessary.

Article 4: The Company's public announcements are published in accordance with article 28 of the Company Act.

Article 4.1: The Company is entitled to offer guarantees to externally.

#### Chapter 2 Shares

Article 5: The amount of capital of the company is NT\$1,500,000,000, which be divided into 150,000,000 shares. The denomination of each share is NT\$10, and is authorized to be distributed by the Board of Directors. The former amount of capital retains NT\$30,000,000 for the issuance of employee's equity certificates, taking into account 3 million shares, and each denomination of per share is NT\$10, it is authorized to be distributed by the Board of Directors.

In the event that the Company intends to issue shares at a buyback value that is lower than that of the employee's ordinary share subscription warrants on the closing day, the aforesaid shares shall only be issued under the circumstances that a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares.

Article 6: The company may issue registered shares and be signed or stamped by the directors representing the company, and shall, by law, act as a bank visa for the issuer of the shares. When the company issues new shares, its shares shall be printed or be free of printed shares in respect of the total number of such offerings. However, it shall be kept or logged in with the centralized custody institutions of the securities. The shares of the company have to be issued without physical distribution, and so do the other securities.

Article 7: Assignment/transfer of change-of-name shares shall be proceeded in accordance with article 165 of the Company Act.

Article 7.1: The company shall buy shares in accordance with the provisions of company law, the object of its transfer, the object of the employee's equity voucher, the employees who acquire the issuance of new shares, and the object of issuing new shares restricting the rights of employees, including employees of subordinate companies who meet certain conditions.

### Chapter 3 Shareholders Meeting

Article 8: There are two types of shareholders meeting, namely, regular meeting and special meeting. The regular meeting shall be convened within six months after close of each fiscal year. Whereas, special meetings are held in accordance with law, when necessary.

Article 8.1: The Notice of Shareholders Meeting shall be done electronically with the consent of the shareholders.

Article 8.2: In accordance with Articles 193-1 of Company Act, the Company will electronically be listed as one of the exercise of voting rights. The elections for directors of the Company shall proceed with the candidate nomination system; the shareholders shall elect the directors from among the nominees listed in the roster of candidates.

Article 9: When a shareholder is unable to attend the shareholders meeting for whatever reason, that shareholder shall appoint a proxy to attend by offering company issued solicitation document stipulating the extent of the authorization with signature or company seal thereon.

Article 10: A shareholder, unless otherwise provided for in article 179 of the Company Act relating to the circumstances of certain shares having no voting right, shall have one voting right in respect of each share in his/her/its possession.

Article 11: A resolution is passed at the shareholders meeting by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares.

Article 12: Resolutions adopted at a shareholders meeting shall be recorded in the minutes of the meeting. The preparation, distribution, and safekeeping thereof must be proceeded in accordance with article 183 of the Company Act.

### Chapter 4 Directors and Supervisors

Article 13: The Company shall appoint five to nine directors and two to three supervisors, and a three-year term and may be re-elected after the term.

The Company shall by law purchase liability insurance in order to cover liability that may arise from the directors and supervisors exercising their duties during their term.

The appointed number of the aforesaid director shall have no less than two independent directors and the same shall not be less than one fifth of the total number of directors of the Company. The appointment of independent director is by electing from among the nominated candidates by the shareholders. The professional qualification, shareholding, part-time job restrictions, nominations, means of election as well as other relevant issues are proceeded in accordance with the regulations of the competent authority.

The Company shall subject to the Securities and Exchange Act establish an audit committee. The members of the committee are composed of the entire number of independent directors. It shall not be less than three persons in number and at least one thereof shall have accounting or financial expertise. The provisions of relevant regulations or Company's Articles of Incorporation shall apply mutatis mutandis to the exercise of power, committee charter, as well as other applicable matters of the audit committee. Upon the establishment of the audit committee, the supervisor shall be



released from duty. The provisions regarding supervisor in this Articles of Incorporation shall be void with immediate effect.

The Company shall establish committees to carry out various functions in order to fortify its strategic objectives and strengthen management mechanisms. Each committee charter shall be resolved by the Board of Directors.

Article 13.1: The cumulative voting method shall be used for election of the directors and supervisors of this 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 14: The Board of Directors shall be organized by the directors, who shall be represented by more than two-thirds of the directors and the consent of a majority of the directors to be represented by the Chairman, who represents the company externally. The notice of the convening of the Board of Directors shall be dealt with in accordance with Article 204 of acts and by written, e-mail, facsimile and any other electronic means. The resolution of the Board of Directors shall, except as otherwise provided by law, be attended by a majority of the directors and be represented by a majority of the directors.

Article 15: In case the Managing Director is on leave or unable to exercise his/her duties for whatever reasons, his/her proxy shall act in accordance with article 208 of the Company Act.

Article 16: The Board of Director is authorized to determine the amount of compensation relating to transportation and remuneration to the directors and supervisors of the Company based on standard terms in the industry and subject to concerned director and supervisor's level of operational participation as well as value of the contribution thereof.

Article 17: The director shall present the solicitation document and assign another director to attend the meeting of the Board of Directors in order to exercise his/her voting right.

The director that is assigned to represent another director can only accept one such assignment.

The participants are deemed present by taking part of the meeting of the Board of Directors using video conference facility when the meeting is conducted by way of video conference.

Article 18: The Board of Directors is composed of all directors. Wherefore, the scope of duties is set out hereunder:

- (i) Draft operational plans;
- (ii) Offer proposals relating to appropriation of profit and remedy in the event of loss;
- (iii) Resolve whether the Company should increase or reduce capital;
- (iv) Review and finalize important provisions of the Articles of Incorporation or contracts;
- (v) Elect and discharge the General Manager of the Company;
- (vi) Establish and close branch offices;
- (vii) Review and approve budget as well as balanced budget;
- (viii) Other duties vested by virtue of the Company Act and resolutions adopted at the meeting of the Board of Directors.

#### Chapter 5 Managerial Personnel

Article 19: The Company shall have managerial personnel. Appointment, discharge and the remuneration thereto shall be subject to article 29 of the Company Act.

## Chapter 6 Accounting

Article 20: The Company shall, at the end of each fiscal year, submit to its shareholders for their ratification of (i) the annual business report, (ii) the financial statements, and (iii) the appropriation of profit and remedy in the event of loss proposal.

Article 21: The general annual accounts of the company will be assigned as following if there is a surplus:

(i) Withholding Tax

(ii) Covering the deficit

(iii) The deposit of 10% is the legal surplus reserve. However, if the statutory surplus reserve has reached the amount of capital received, it would be an exception.

(iv) If necessary, providing for the listing of rotation of the special surplus reserve by order of law or by the competent authority.

(v) After deducting the balance of the preceding paragraphs 1-4, and with the undistributed surplus of the previous year, the Board shall subject to the operational requirements, propose an allocation motion to be submitted to the shareholders' meeting for the allocation of dividends or reservations to shareholders. However, the dividend distribution amount shall not be less than 20% of the remaining amount after the annual return is deducted according to the amount specified in paragraph 1 to 4.

In order to continuously expand the scale of operation, enhance competitive strength, modify with the company's long term business development, and the needs of capital as well as long-term financial planning, the company's dividend issuance policy is based on stock dividend and matching part of cash dividend, the total amount of cash dividend should not be less than 10% of the total shareholder dividend to be issued.

The Board of Directors of the company shall be represented by more than two-thirds directors and shall attend a resolution of a majority of the directors. Also, shall assign all or part of the reserve of dividends, bonus, capital reserve or legal reserve to the payment of cash, and report to the shareholders' meeting. It is not applicable to the provisions of the preceding resolution of the shareholders' meeting.

Article 21.1: The Company shall subject to its business performance for that year retain between three to Fifteen percent of the profit for the use of employee remuneration. Further, the Company shall subject to its business performance for that year retain no higher than three percent for the use of director and supervisor remuneration. In the event that the Company still suffers a loss, that loss shall be made up.

Employee remuneration shall be paid by way of cash or share. The recipient of the cash or share shall include employees of the subordinate companies that fulfill the necessary criteria determined by the Board of Directors.

The business performance for that year referred to in the preceding paragraph means its profit before tax without the deductions of employee, director and supervisor's remuneration therefrom.

Article 21.2: The company may, in accordance with acts, make a surplus allocation or loss-making supplement after the end of each half of the fiscal year. When allocating surplus, the company should initially estimate and retain taxable contributions, make up for losses in accordance with the law and bring up legal reserve. However, if legal reserve reached the amount of capital received, it would be an exception. If the retained earnings are issued in cash, it shall be handled by resolution of the Board of Directors.

When the issuance of new shares is issued, it shall be governed by a resolution of the shareholders' meeting in accordance with the provisions.

#### Chapter 7 Supplementary Provisions

Article 22: Any unspecified matters in this Articles of Incorporation shall be dealt in accordance with the Company Act.

Article 23: The article was established on October 14, 1998.

First amended on January 6, 1999.

The second amendment was on October 14, 1999.

The third amendment was on January 1, 2000.

The fourth amendment was on June 22, 2000.

The fifth amendment was on April 4, 2001.

The sixth amendment was on May 15, 2001.

The seventh amendment was on April 3, 2002.

The eighth amendment was on June 6, 2002.

The ninth amendment was on June 20, 2003.

The tenth amendment was on August 25, 2003.

The eleventh amendment was on November 25, 2003.

The twelfth amendment was on April 15, 2004.

The thirteenth amendment was on December 30, 2004.

The fourteenth amendment was on November 17, 2006.

The fifteenth amendment was on June 29, 2007.

The sixteenth amendment was on June 30, 2008.

The seventeenth amendment was on November 12, 2010.

The eighteenth amendment was on June 17, 2011.

The nineteenth amendment was on June 20, 2012.

The twentieth amendment was on June 27, 2013.

The twenty-first amendment was on June 6, 2014.

The twenty-second amendment was on June 25, 2015.

The twenty-third amendment was on June 26, 2016.

The twenty-fourth amendment was on June 22, 2017.

The twenty-fifth amendment was on May 28, 2018.

The twenty-sixth amendment was on June 12, 2019.

Chieftek Precision Co., Ltd

Chairman: Li-fen Chen

## Appendix 3

### Directors and Supervisors' Shareholdings

- I. As of the book closure date for the shareholders' meeting on March 30, 2021, the paid-in capital of the Company is NT\$811,875,490 and the total number of issued shares is 81,187,549 shares.
- II. In accordance with Article 26 of Securities and Exchange Act and Article 2 of Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the minimum numbers of shares required to be held by the entire bodies of directors is 6,495,004 shares.
- III. As of March 30, 2021, the shareholdings of all directors and supervisors:

Position	Name	Date of Election	Term of Office (year)	Shareholdings recorded on the shareholders roster as of the book closure date for the shareholders' meeting	Shareholding ratio %
Chairman	CHEN LI-FEN	109.06.08	3	3,653,107	4.50%
Director	HSU MING-CHE	109.06.08	3	5,579,338	6.87%
Director	CHENG SHENG -FEN	109.06.08	3	554,736	0.68%
Director	WANG CHEN PI-HSIA	109.06.08	3	557,355	0.69%
Director	Anne Li	109.06.08	3	1,075,290	1.32%
Independent director	WU CHUNG - JEN	109.06.08	3	29,403	0.04%
Independent director	WEI NAICHANG	109.06.08	3	0	0.00%
Independent director	Ming Tzu Ho	109.06.08	3	0	0.00%
<b>Total shares of the entire bodies of directors</b>				<b>11,449,229</b>	<b>14.10%</b>

Note: The shareholdings of independent directors elected by a public company shall not be counted in the total referred to in the preceding paragraph; if a public company has elected two or more independent directors, all directors and supervisors other than the independent directors and shall be decreased by 20 percent.

- IV. The shareholdings of the entire bodies of directors satisfied "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".

## **Appendix 4**

### **The Impact of Bonus Shares on the Company's Business Performances, Earnings per Share and Shareholders' Return on Investment**

The Company has passed Proposal for Distribution of 2020 Profit on February 25, 2021. Hence, there is no bonus shares distributed and this part is not applicable.

## **Appendix 5**

### **Other Explanation Matter**

The explanation for shareholders' proposal during the regular shareholders' meeting.

Explanation:

- I. In accordance with Article 172-1 of the Company Act, a shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only and limited to 300 words.
- II. The Company handles the submission of proposals for the shareholders' meeting. The period of submission is from March 29, 2021 to April 7, 2021. The information has been announced on the Market Observation Post System.
- III. The Company has not received any proposals from the shareholders.