

Stock code : 2349



Anniversary since 1988



2019 Annual General Meeting Meeting Agenda

June 19, 2019

No. 12, Kuangfu N. Rd., Hsinchu Industrial Park,
Huko Township, Hsinchu County

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RITEK Corporation

2019 Shareholders' Meeting Procedure

I. Call meeting to Order

II. Chairman in Place

III. Chairman's Address

IV. Report Items

V. Acceptance Items

VI. Discussion Items

VII. Special Motions

VIII. Adjournment

RITEK Corporation

2019 Shareholders' Meeting Agenda

Time: Wednesday , June 19, 2019 at 9:00 a.m.

Location: No. 12, Kuangfu N. Rd., Hsinchu Industrial Park, Huko Township, Hsinchu County

I. Call meeting to order (report total shares presented by shareholders present in person or by proxy)

II. Chairman in place

III. Chairman's Address

IV. Report Items

1. 2018 Business Report
2. 2018 Audit Committee's Review Report
3. Report of endorsement/guarantee management
4. Reinvestment Report
5. The management of capital reduction plan to offset company losses and the implementation of solid operation plan

V. Acceptance

Proposal 1: Adoption of the 2018 Business Report and Financial Statements

Proposal 2: Proposal for the loss covering in 2018

VI. Discussions

Proposal 1: Amendment to the Procedures for Acquisition and Disposal of Assets

Proposal 2: Amendment to the Procedures for Endorsements and Guarantees

Proposal 3: Amendment to the Procedures for Lending Funds to Others

Proposal 4: Proposal for cash offering by oversea depositary receipt or private placement based on the market condition

VII. Special Motions

VIII. Adjournment

Report Items

I. 2018 Business Report

2018 Business Report, please refer to Attachment 1 on page 13.

II. 2018 Audit Committee's Review Report

2018 Audit Committee's Review Report, please refer to Attachment 2 on page 16.

III. Report of endorsement/guarantee management

According to the procedures for endorsement/guarantee of the company, the endorsement/guarantee amount shall not exceed fifty percent current net worth of the company (note 1) and the endorsement/guarantee amount to single enterprise shall not exceed thirty percent current net worth of the company (note 2). As of March 31, 2019, the total endorsement/guarantee amount of the company was NT\$801,184,000, which did not exceed the limit.

The endorsement/guarantee amounts were as follows:

Subject	Endorsement/Guarantee Amount
Ritek Vietnam CO.,Ltd	NT\$ 270,758,000
PRORIT CORPORATION	NT\$ 200,000,000
Chung Yuan Venture Capital & Investment International Inc.	NT\$ 150,000,000
Chung Fu Investment Ltd.	NT\$ 100,000,000
RITFAST CORPORATION	NT\$ 309,600,000

Note 1: 50% net worth of audited financial report as of December 31, 2018 was NT\$ 4,584,875,000

Note 2: 30% net worth of audited financial report as of December 31, 2018 was NT\$ 2,750,925,000

IV. Reinvestment Report

The income improvement regarding the reinvestment improvement plan proposed by the company has achieved slight success and is now undergoing.

V. The management of capital reduction plan to offset company losses and the implementation of solid operation plan

(1) With approval letter FSC Security Issuance No. 1050026135 of Financial Supervisory Commission dated on July 18, 2016, the capital reduction ratio was 32.382656%, and 846,135,294 shares were cancelled. The new shares after capital reduction was listed on September 30, 2016 and the company had completed capital reduction related matters.

Plan

	2016	2017	2018	2019
Sales revenue	10,110,657	10,742,483	10,884,543	10,998,127
Cost of goods sold	9,233,508	9,290,875	9,317,921	9,247,059
Gross margin	877,149	1,451,608	1,566,622	1,751,068
GM%	9%	14%	14%	16%
SG&A	1,678,800	1,662,748	1,541,940	1,518,994
Net operating loss	(801,651)	(211,140)	24,682	232,074
Interest expenses	190,300	182,204	181,708	182,208
Non-operating expenses (income)	190,210	142,735	80,870	21,311
Net loss before income tax	(1,182,161)	(536,079)	(237,896)	28,555

Financial Statement

	2016	2017	2018	2019
Sales revenue	10,483,997	9,797,109	9,358,661	
Cost of goods sold	9,998,901	9,484,981	8,811,059	
Gross margin	485,096	312,128	547,602	
GM%	5%	3%	6%	
SG&A	1,647,566	1,688,636	1,579,361	
Net operating loss	(1,162,470)	(1,376,508)	(1,031,759)	
Interest expenses	187,700	143,084	153,131	
Non-operating expenses (income)	922,497	420,849	(131,752)	
Net loss before income tax	(2,272,667)	(1,940,441)	(1,053,138)	

Achievement Rate

	2016	2017	2018	2019
Sales revenue	104%	91%	86%	
Cost of goods sold	108%	102%	95%	
Gross margin	55%	22%	35%	
GM%	53%	23%	42%	
SG&A	98%	102%	102%	
Net operating loss	145%	652%	(4,180)%	
Interest expenses	99%	79%	84%	
Non-operating expenses (income)	485%	295%	(163)%	

Net loss before income tax	192%	362%	443%
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(2) With approval letter FSC Security Issuance No. 1070323958 of Financial Supervisory Commission dated on July 10, 2018, the capital reduction ratio was 27.316979%, and 482,634,230 shares were cancelled. The new shares after capital reduction was listed on September 17, 2018 and the company had completed capital reduction related matters.

Plan

	2018	2019	2020	2021
Sales revenue	11,025,797	10,717,958	10,556,270	10,440,464
Cost of goods sold	10,008,110	9,303,730	9,065,725	8,819,521
Gross margin	1,017,687	1,414,228	1,490,545	1,620,943
GM%	9%	13%	14%	16%
SG&A	1,614,712	1,596,352	1,567,936	1,542,564
Net operating loss	(597,025)	(182,124)	(77,391)	78,379
Interest expenses	147,538	153,396	147,184	139,564
Non-operating expenses (income)	(17,991)	(77,688)	(85,740)	(90,348)
Net loss before income tax	(726,572)	(257,832)	(138,835)	29,163

Financial Statement

	2018	2019	2020	2021
Sales revenue	9,358,661			
Cost of goods sold	8,811,059			
Gross margin	547,602			
GM%	6%			
SG&A	1,579,361			
Net operating loss	(1,031,759)			
Interest expenses	153,131			
Non-operating expenses (income)	(131,752)			
Net loss before income tax	(1,053,138)			

Achievement Rate

	2018
Sales revenue	85%
Cost of goods sold	88%
Gross margin	54%
GM%	65%
SG&A	98%
Net operating loss	173%
Interest expenses	104%
Non-operating expenses (income)	732%
Net loss before income tax	145%

Acceptance

Proposal 1 (proposed by the BOD)

Proposal: Adoption of the 2018 Business report and Financial Statements

Explanation: 1. The Corporation's individual and consolidated financial statements were audited by independent auditors, Chang, Chi-Ming and Hsu, Jung-Huang of Ernst & Young Taiwan. Also Business Report and Financial Statements have been examined by the Audit Review Committee, which were considered as sufficient to present the financial conditions as of December 31, 2018 and operational results of 2018. (Please refer to Attachment 1 on page 11 and Attachment 3 on page 17).

2. It is hereby proposed for acceptance

Resolution:

Proposal 2 (proposed by the BOD)

Proposal: Adoption of the proposal for covering 2018 losses

Explanation: 1. As of December 31, 2018, the total losses of the company to be covered was 3,583,955,370. The proposal for covering 2018 losses is as follows:

RITEK Corporation

Proposal for 2018 Loss Covering

2018.01.01 Loss to be covered	\$ (4,826,342,395)
Retrospective application and effects of retrospective restatement	<u>74,721,027</u>
2018.01.01 Loss to be covered after restatement	<u>(4,751,621,368)</u>
Add (minus)	
Capital reduction to offset loss	4,826,342,300
Change in ownership to related parties	<u>(558,690)</u>
Selling financial assets at fair value through profit and loss	(103,025,271)
Treasury stocks transaction of subsidiary	<u>(2,261,828,558)</u>
Other comprehensive income (actuarial income under defined benefit plan)	(440,957)
2018 net loss after tax	<u>(1,292,822,826)</u>
2018.12.31 Loss to be covered	<u>(3,583,955,370)</u>

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Accountant: Shih, Gu-Fu

2. It is hereby proposed for acceptance.

Resolution:

Discussions

Proposal 1 (proposed by the BOD)

Proposal: Amendment to the Procedures for Acquisition and Disposal of Assets

Explanation: 1. To conform with statutory regulations and the needs of operation, it is hereby proposed to amend the “Procedures for Acquisition and Disposal of Assets”. Please refer to Attachment 4 on page 40.

2. It is hereby propose for resolution

Resolution:

Proposal 2 (proposed by the BOD)

Proposal: Amendment to the Procedures for Endorsements and Guarantees

Explanation: 1. To conform with statutory regulations and the needs of operation, it is hereby proposed to amend the “Procedures for Endorsements and Guarantees”. Please refer to Attachment 5 on page 68.

2. It is hereby propose for resolution

Resolution:

Proposal 3 (proposed by the BOD)

Proposal: Amendment to the Procedures for Lending Funds to Others

Explanation: 1. To conform with statutory regulations and the needs of operation, it is hereby proposed to amend the “Procedures for Lending Funds to Others”. Please refer to Attachment 6 on page 73.

2. It is hereby propose for resolution

Resolution:

Proposal 4 (proposed by the BOD)

Proposal: Proposal for cash offering by oversea depositary receipt or private placement based on the market condition.

Explanation:

I. To correspond with overall environmental change in the future, working capital demand and debts repayment strengthening financial health of the company and oversea material purchase demand, it is proposed to issue new shares by oversea depositary receipt or private placement (including common shares or new shares issued via oversea depositary receipt or oversea or domestic convertible corporate bond) for fund raising. The total issuance amount is up to US\$50 million or New Taiwan Dollar or other currencies in equivalent value, which is managed by either method abovementioned or combination.

The major content is as follows:

(1) Cash offering of new shares by oversea depositary receipt

1. This cash offering of new shares by overseas depositary receipt is issued at par NT\$10 per share and all registered common shares. It is proposed to authorize the Board of Directors for the determination of issuance method and issuance amount adjustment, which may be managed once based on market conditions. Except for 15% shares reserved for the subscription of employees in accordance with article 267 of the Company Act, original shareholders waive the rights to priority subscription and all remaining 85% shares are to be publicly offered in accordance with article 28-1 of the Securities and Exchange Act, which will be the original securities of overseas depositary receipt issued. The chairman is authorized to consult specific persons to subscribe the part of subscription waived by employees or deficient subscription or may include the shares in original securities of overseas depositary receipt issued.
2. The price of this cash offering of new shares by overseas depositary receipt shall not be lower than the closing price of common share as of the pricing date or 90% of average share price calculated by simple arithmetic mean of closing prices of either one, three or five consecutive business days prior to the pricing date deducted by distribution of stock or cash dividend of stock grants (or capital reduction). Seeing that domestic stock price may usually have dramatic fluctuation in short period, therefore the chairman or person appointed by him is authorized to consult securities underwriter for actual issuance price within preceding scope based on international practice as well as referring to the condition of international capital market and domestic market price in order to increase the acceptance of overseas investors. However, where there is provision aiming at actual issuance price provided by relevant laws in force at pricing, the chairman or person appointed by him is authorized to adjust actual issuance price according to the laws then.
3. The board of directors is authorized to determine the important content of capital increment plan, including the issuance price, total shares issued, issuance conditions, sources of fund, plan items, amount to be raised, schedule and expected benefits and relevant matters determination, including necessary revision upon the instruction of competent authority or operational evaluation or market conditions.
4. The new shares of cash offering by overseas depositary receipt shall have rights and obligations equal to original common shares.
5. To cooperate with the issuance of shares by overseas depositary receipt, the chairman or person appointed by him is authorized to manage matters as follows:
 - (1) Prepare, approve and sign on prospectus of selling overseas depositary receipt.
 - (2) Represent the Corporation to sign contracts regarding the issuance of overseas depositary receipt with foreign depositary institution, lead securities underwriter and other associate underwriters.
6. Upon the approval of this capital increment by competent authority, the board of directors is authorized to manage new shares issuance related matters.
 - (2) The issuance of common shares by private placement or new shares by overseas depositary

receipt or domestic convertible corporate bond will be managed within one year from the resolution date of shareholders' meeting. It is proposed to authorize the board of directors for issuance method depending on future conditions. For provisional issuance procedures and conditions of overseas or domestic unsecured convertible corporate bond, please refer to Attachment 7 on page 80.

1. The basis and rationality of private placement price:

The reference price of price placement shares is based on (A) simple arithmetical average closing price of the common shares of the Corporation for either one, three or five consecutive business days before pricing date deducted by any distribution of stock dividends, cash dividends and added by reverse of ex-right of capital deduction or (B) simple arithmetical average closing price of the common shares of the Corporation for thirty consecutive business days before pricing date deducted by any distribution of stock dividends, cash dividends and added by reverse of ex-right of capital deduction, the higher one of either (A) or (B). This issuance price shall be no less than 80% of the reference price. It is proposed to authorize the board of directors to determine actual pricing date pursuant to laws and regulations and market conditions.

The pricing of private placement or domestic or overseas convertible corporate bond shall be no less than 80% of theoretical price. The board of directors is authorized to determine actual issuance price no less than the percentage resolved by the shareholders' meeting depending on the condition of specific person and market conditions. This price is reasonable as referring to the operational performance of the company, future outlook and recent stock price and the three-year transfer restriction on private placement, which would not affect the equity of shareholders. The reason and rationality of issuance price lower than par value to correspond with market variation instead of other fund raising methods: mainly in consideration of stable operation of the company and financial structure safety, the equity related fund raising tools are more appropriate as comparing to other debts. In addition to free of interest expense reducing financial risks of the company, the cash offering of new shares by overseas depository receipt, capital increment by cash and cash increment by private placement may also improve financial structure and financial distribution flexibility of the company immediately. Meanwhile, if the investors convert the bond to shares from overseas or domestic corporate bond via private placement, the financial structure of the company could be improved and facilitate long-term development of the company. Therefore, this equity related fund raising tools is reasonable.

2. Specific person selection:

It is managed in accordance with article 43-6 of Securities and Exchange Act. No subscriber is consulted by now.

3. The reason, amount, purpose and expected benefit of private placement:

- (1). The reason that public offering is not adopted: the company needs the contribution of working capital now. It may be uneasy to acquire necessary capital smoothly if the fund is raised via securities issuance. Accordingly, it is planned to raise the fund from specific persons via private placement to avoid affecting normal operation of the company.
 - (2). The amount, purpose and expected benefit of private placement: the board of directors will be authorized to manage once within one year depending on actual need of operation. The amount, purpose and expected benefit of private placement are explained as follows: expand economic scale to correspond with change of operational environment, settle long-term debts strengthening financial health and oversea material purchase demand. The expected benefits are to reinforce the operation and financial health of the company.
4. In principle, the rights and obligations of common shares via private placement (including common shares converted from convertible corporate bond) or new shares by oversea depositary receipt are equal to common shares issued by the Corporation. However, the common shares listed on market and sold again shall be managed in accordance with Securities and Exchange Act. For oversea convertible corporate bond, following matters shall be specified in the private placement contract according to the letter FSC Security (I) No. 09700513881 dated on October 21, 2008:
- (1). The subscription and transfer of oversea convertible corporate bond via private placement are taken place abroad and shall be governed by local laws and regulations regarding private placement. Afterward, the conversion of oversea convertible corporate bond to shares shall be managed in accordance with article 43-8 of the Securities and Exchange Act.
 - (2). Regarding the common shares converted from this oversea convertible corporate bond via private placement and shares distributed from earning or capital surplus afterward, the application for the approval letter with regard to the satisfaction of listing standards issued by Taiwan Stock Exchange Corporation supplementary shall be managed with relevant documents enclosed and the filing of public offering shall be made up with FSC after said corporate bond has been delivered for three years before filing to list on market with Taiwan Securities Exchange.
- II. The issuance method, amount, conditions, timing, fund application, fund application progress, expected benefits and other relevant matters are proposed to shareholders' meeting for giving authorization to the board of directors in term of management based on the laws and regulations of competent authorizes depending on the situation.
- III. To the extent of actual issuance regulations, issuance conditions, issuance amount, capital application plan, schedule, expected benefits, agent, agency for repayment and interest

payment, conversion institution and other related details and the actual price of private placement is no less than the percentage resolved by the shareholders' meeting, it is proposed to authorize the board of directors to make necessary change as considering the situation and the laws and regulations of competent authorities as well as referring to expert opinions and change of objective environmental factor and manage all issuance related matters accordingly.

- IV. To cooperate with the issuance of oversea or domestic convertible corporate bond by private placement, it is proposed to authorize chairman or person appointed by him to approve and sign for all documents and contracts regarding domestic or oversea convertible corporate bond via private placement and manage all matters as required for the issuance of domestic or oversea convertible corporate bond via private placement.
- V. If the revision is necessary due to change of laws, opinions of competent authority or change of objective environment, it is proposed to authorize the board of directors for duly management.
- VI. It is hereby proposed for resolution

Resolution:

Special Motions

Meeting Adjourned

BUSINESS REPORT

To all shareholders,

The consumer storage disc product market has been gradually improved from price competition due to shuffling of demand and supply.

As to B to B disc, US network giant Facebook announced to adopt archive disc storage system developed by Japanese Disc Company in 2016 Consumer Electronic Show (CES), which was a shot in the arm to the disc on database storage development in the future. It has further established the position and dawn of disc in future archive backup market.

In addition, with effort devoted to the investee RiTdisplay over years, it delivered remarkable performance of EPS about 7 dollars last year. RITEK will aggressively integrate core technologies and resources of the group and introduce high-end materials and components development in the future, allowing RITEK head to more diversified and solid operation.

2018 operation overview and 2019 outlook are as follows.

I. 2018 operation overview

- (1). The results of business plan implementation are as follows

The 2018 annual turnover was NT\$ 9,358,661,000, net loss NT\$ 1,234,502,000.

- (2). Financial status and profitability analysis:

1. Financial status: the net loss of the Corporation was 1,234,502,000 in 2018, and the net cash inflow of operating activities was NT\$ 295,219,000, net cash inflow of investing activities was NT\$ 1,310,461,000 and net cash outflow of financing activities was NT\$ 1,236,097,000. The cash and cash equivalent was increased NT\$ 387,317,000. The cash and cash equivalent was NT\$ 3,497,738,000 at the end.

2. Profitability analysis:

Analytical items		Year	
		2017	2018
Financial Structure	Debt ratio (%)	37.96	44.26
	Long-term capital to property, plant and equipment ratio	149.72	143.24
Liquidity Ratios	Current ratio (%)	157.55	146.93
	Acid test ratio (%)	113.47	97.26
	Interest coverage ratio(times)	(12.56)	(5.28)
Profitability Ratios	Return on assets ratio (%)	(8.67)	(4.71)
	Return on equity ratio (%)	(14.41)	(8.89)
	EBIT to paid-in capital ratio %	(10.98)	(8.20)
	Net income ratio (%)	(23.46)	(13.19)
	EPS (dollar)	(1.40)	(1.01)

- (3). Research and development conditions:

The research and development of the Corporation are oriented to blue disc trend and following product developments are successively completed.

- Double layer blue ray 4X BD-R disc
- Double layer blue ray 6X BD-R disc
- Organic blue ray 4X BD-R disc
- Organic blue ray 6X BD-R disc
- Archival disc
- USB 2.0 Drive OD6B、OD9、OD9A、OD10、OD11、OD12、OD13、OD14、OD15、OD16、SD9、SD10、SD11 development
- USB 3.0 Drive HD9、HD12、HD13、HM1 development
- Lightning USB3.0 Drive OA2
- microSDXC 256GB U3I, SDXC 256GB U3I development
- Bluetooth Smart bracelet
- SSD 2.5”SATA III 6Gb/s development
- mSATA SSD 8GB/16GB/32GB/64GB development
- M.2 SSD(NGFF) 64GB/128GB/256GB development
- PCIE M.2 NVMe SSD External USD3.1 Gen 2 240GB/480GB development
- OTG USB Drive /OTG card reader development
- Continuous secure digital memory card development
- Continuous secure USB development
- iPhone/Smart phone related applications development
- Tablet related applications development
- All value added software and system development

II. 2019 business plan overview

(1) Operational guidelines

1. Aggressively devote in higher capacity and longer life disc technology development
2. Aggressively research OLED lighting products
3. Aggressively devote in upstream high-end and high barrier material development and introduce mass production
4. Continue to expand the Group's resource synergy and seize the market demand of smart network and smart car.

(2) Expected sales volume and basis

According to the report of Japanese research institute Fujiwara-Rothchild, Ltd., 2019 the demand of disc for storage at business end will be 14.3EB, which is 59% growth as comparing to 2018. The high-end blue ray disc and professional database filing disc is the high-end product combination to be develop by the Company in 2019.

(3) Production and sales policies:

1. Aggressively devotes in high capacity data storage filing disc technology for the use of business.
2. Adjust the product of weight consumer market and B2B market based on the change in market demand.
3. Reinforce group technology and introduce high-end parts and material development as facing the time of cloud and smart generation.

III. Future development strategies

1. Develop next generation disc productivity with ultra-high capacity and economic life to correspond with database filing demand.
2. Reinforce market competitiveness of products through resources integration under strategic alliances.
3. Vitalize group resources and reinforce B2B market operation ability.

IV. Effects of external competition environment, legal environment and macro operational environment

1. External competition environment:

As facing variable material costs, how to adjust the product and customers combination prudentially, develop high-end market, reinforce operational profitability are still very challenging goals of RITEK this year.

2. Legal environment:

Both the product and quality system of the company are satisfactory to international regulations and certifications are acquired successively, they are all positive to the company's operation.

3. Macro operational environment:

Although the disc industry is facing the challenge of decreasing market demand by years, however, the demand of Archive Disc "AD filing disc" developed for safe and long-term storage aiming at large (cloud) data is growing quickly. RITEK must be more aggressive to increase the weight of B2B database and backup filing disc products to improve the operational momentum in respect of media business development. RITEK has launched AD filing disc mass production since July 2018 and the productivity will be expanded successively. It is expected to lead positive operation surge through the increasing shipment of AD filing disc.

Chairman: Yeh, Chwei-Jing Manager: Yeh, Chwei-Jing Chief Account: Shih, Gu-Fu

**RITEK Corporation
Audit Committee's Review Report**

The Board of Directors has prepared the Corporation's 2018 Business Report, Financial Statements, and proposal for loss covering. The CPA Chang, Chi-Ming and Hsu, Jung-Huang of Ernst & Young was retained to audit Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and loss covering proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to article 14-4 of the Securities and Exchange Act and article 219 of the Company Law, we hereby submit this report.

To

RITEK Corporation
2019 Annual Shareholders' Meeting

RITEK Corporation

Convener of Audit Committee: Lin, Zu-Chia

March 29, 2019

Independent Auditor's Report

The Board of Directors and Shareholders:
RITEK Corporation

Opinion

We have audited the accompanying balance sheets of RITEK Corporation as of December 31, 2018 and 2017, and the related statements of comprehensive income, changes in stockholders' equity, cash flows and notes to individual financial statements (including the summary of significant accounting policies) for the period from January 1 to December 31, 2018 and 2017. These financial statements are the responsibility of the Company's management.

In our opinion, based on our audit results and audit reports of other independent auditors (please refer to other matters section), the individual financial statements referred to first paragraph present fairly, in all material respects, the financial position of RITEK Corporation as of December 31, 2018 and 2017, and the results of its financial performance and its cash flows for the years then ended in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We planned and conducted our audits in accordance with 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 Company in accordance 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 consolidated financial statements for the year ended December 31, 2018. These matters were address in the context of our audit

of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. °

Impairment of non-financial assets

The amount of consolidated property, plant and equipment of RITEK Corporation was NT\$ 3,068,645,000 as of December 31, 2018, accounting for around 21% of total assets. Since RITEK Corporation and its subsidiaries had operation loss in 2018, showing that the assets may have impairment. With features of highly hypothesis and estimation of impairment over non-financial assets, we decide to take impairment of non-financial assets as key audit matter.

Our audit procedures include (but not limitation to) following audit procedures: evaluate the sign of impairment on cash generation unit identified by of management, measure recoverable amount of assets or cash generation unit, the higher one of fair value deducted by disposition costs and its use value as recoverable amount, refer to the Company's historical information and other external industrial analysis, evaluate the reasonableness of major assumptions and discount rates as basis of such impairment tests, evaluate the key assumptions made by the management for the cash flow forecast (including the revenue growth and gross margin by products) in the future.

We also evaluate the disclosure of RITEK Corporation regarding the impairment loss of non-financial assets. Please refer to note 4 and 5 of individual financial statements.

Revenue recognition

RITEK Corporation recognized revenue NT\$4,994,319,000 in 2018. The major sources of income were manufacturing and sales of disc and green energy products (solar power module/LED/ battery related products) such optical information services and products. The build to order was adopted for transactions. Different terms of transactions were involved due to industrial features and customer demands. Therefore, the judgment is required to determine performance obligations and the criteria of satisfaction. Accordingly, the identification of revenue recognition is the key audit matter.

Our audit procedures include (but not limitation to) following audit procedures: evaluate the appropriateness of accounting policies made by management aiming at revenue recognition, understand the transaction flow of revenue recognition procedures against the performance obligations identified, test the effectiveness of

internal control design and implementation in related with the revenue recognition as satisfactory to the performance obligations, conduct analytical procedures aiming at the sales price, sales volume, costs and gross margin and implement analytical procedures aiming at top ten customers, select sample for tests of transaction details and review the trading conditions and related sales receipts in the order to ensure the appropriateness of revenue recognition as satisfactory to performance obligations, conduct revenue cutoff test in certain period before and after the balance sheet date and check relevant certificates to ensure that the revenue is recognized in period as appropriate, review huge sales return after the balance sheet date to investigate and understand its reason and nature, carry out ordinary journal tests.

We also evaluate the disclosure of RITEK Corporation and its subsidiaries regarding revenue recognition. Please refer to note 4 and 6 of individual financial statements.

Other matters- referring to the audit of other certified public accountant

The financial statements of some investees included in the individual financial statements of RITEK Corporation were audited by other certified public accountants. Therefore, in our opinions of preceding individual financial statements, the amounts listed in the financial statements of such investees were based on the audit reports of other CPAs. The investment on investees under equity method as of December 31, 2018 and 2017 were NT\$933,001,000 and NT\$759,753,000 respectively, accounting for 6% and 5% of total assets. The profit and loss of subsidiaries, affiliates and venture capital recognized under equity method in the period from January 1 to December 31, 2018 and 2017 were NT\$ 36,953,000 and NT\$ 96,935,000 respectively, accounting for 3% and 5 % of consolidated net loss before income tax. The other comprehensive income of subsidiaries, affiliates and venture capital recognized under equity method in the period from January 1 to December 31, 2018 and 2017 were NT\$ 34,887,000 and NT\$ 66,912,000 respectively, accounting for 26% and 21% of net other comprehensive income.

Responsibilities of Management and those Charged With Governance for The Individual 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 for such internal control as management determines is necessary to enable the preparation of individual 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 ability of RITEK Corporation 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 RITEK Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of RITEK Corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of RITEK Corporation 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

individual 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 RITEK Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual 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 (including 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 individual financial statements of RITEK Corporation for the year ended December 31, 2018 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.

Earnest & Young

Financial Report of Public Company as Approved by
Competent Authority

Audit File No.: (91) Tai-Tsai-Cheng (6) No. 144183

(93) Jing-Guan-Cheng VI No. 0930133943

Chang, Chi-Ming



CPA :

張志銘

許孝煜



Hsu, Jung-Huang

March 29, 2019



HTK Technology Co., Ltd.
Balance Sheet
December 31, 2018 and December 31, 2017

Unit: NT\$1000

Assets			December 31, 2018		December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	VI.1	\$585,551	4	\$797,157	5
1110	Financial assets at fair value through profit or loss-current	VI.2	42,512	-	41,651	-
1136	Financial assets measured at amortized cost-current		53,674	-	-	-
1147	Debt instruments investment-Flow in non-active market-current	VI.6 and VIII	-	-	54,605	-
1150	Net notes receivable	VI.7 and VI.23	2,840	-	12,489	-
1170	Net accounts receivable	VI.8, VI.23 and VIII	608,428	4	557,543	4
1180	Net accounts receivable-related parties	VI.8, VI.23 and VII	781,368	5	264,365	2
1200	Other receivables	VI.23	12,680	-	21,499	-
1210	Other receivables-related parties	VII	5,938	-	7,816	-
130x	Inventory	VI.9	1,282,485	9	1,281,043	8
1410	Advance payment		12,810	-	32,070	-
1470	Other current assets	6.22 and 7	5,409	-	2,439	-
11xx	Total current assets		<u>3,393,695</u>	<u>22</u>	<u>3,072,677</u>	<u>19</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive profit and loss-Non-current	VI.3 and VIII	67,496	-	-	-
1523	Available-for-sale financial assets-noncurrent	VI.4 and VIII	-	-	156,047	1
1550	Investments accounted for using equity method	VI.10 and VIII	8,118,881	54	8,634,253	55
1600	Property, plant and equipment	VI.11 and VIII	3,068,645	21	3,351,126	21
1760	Net investment property	VI.12 and VIII	53,600	-	56,598	-
1780	Intangible assets	VI.13	16,295	-	24,159	-
1840	Deferred tax assets	VI.28	60,414	1	218,541	2
1900	Other non-current assets	VI.14	44,675	-	56,271	-
1942	Long-term receivables-related parties	VII	276,630	2	289,761	2
1970	Other long-term investments		189	-	189	-
15xx	Total non-current assets		<u>11,706,825</u>	<u>78</u>	<u>12,786,945</u>	<u>81</u>
1xxx	Total assets		<u>\$15,100,520</u>	<u>100</u>	<u>\$15,859,622</u>	<u>100</u>

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

Unit: NT\$1000

Liabilities and Equity			December 31, 2018		December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	VI.15 and VIII	\$1,402,136	9	\$948,479	6
2110	Short-term notes and bills payable	VI.16	224,827	1	249,785	2
2120	Financial liabilities at fair value through profit or loss-current	VI.17	-	-	5,192	-
2150	Notes payable		64,484	-	69,048	-
2160	Notes payable-related parties	VII	234,044	2	262,771	2
2170	Accounts payable		454,916	3	539,787	3
2180	Accounts payable-related parties	VII	35,907	-	41,721	-
2200	Other payables	VII	701,959	5	426,299	3
2300	Other current liabilities	VI.22 and VII	117,650	1	167,566	1
2320	Long-term liabilities maturing within one year or one operating cycle	VI.18 and VIII	784,531	5	564,481	3
2355	Lease payable-current	VI.19 and VII	11,032	-	11,009	-
21xx	Total current liabilities		4,031,486	26	3,286,138	20
Non-current liabilities						
2540	Long-term loans	VI.18 and VIII	1,663,669	11	1,907,714	12
2570	Deferred tax liabilities	VI.28	5,915	-	-	-
2613	Lease payable-noncurrent	VI.19 and VII	110,223	1	121,256	1
2640	Net defined benefit liabilities-noncurrent	VI.20	116,354	1	125,016	1
2670	Other non-current liabilities		3,123	-	2,654	-
25xx	Total non-current liabilities		1,899,284	13	2,156,640	14
2xxx	Total liabilities		5,930,770	39	5,442,778	34
Owner's equity						
3100	Capital stock	VI.21				
3110	Common stock		12,841,579	85	17,667,921	111
3200	Capital surplus	VI.21	950,835	7	937,005	6
3300	Retained earnings	VI.21				
3350	Loss to be made up		(3,583,955)	(24)	(4,826,342)	(30)
3400	Other owner's equity		(1,038,709)	(7)	(932,826)	(6)
3500	Treasury shares	VI.21	-	-	(2,428,914)	(15)
3xxx	Total owner's equity		9,169,750	61	10,416,844	66
	Total liabilities and owner's equity		\$15,100,520	100	\$15,859,622	100

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu


 RISE Technology Co., Ltd.
 Statement of Comprehensive Income
 From January 1 to December 31, 2018 and 2017

Unit: NTS1000

Code	Accounts	Notes	The year of 2018		The year of 2017	
			Amount	%	Amount	%
4000	Operating income	VI.22 and VII	\$4,994,319	100	\$5,222,080	100
5000	Operating costs	VI.9,VI.25 and VII	5,105,590	102	5,687,017	109
5900	Operating gross loss		(111,271)	(2)	(464,937)	(9)
5920	Realized sales benefit (loss)		(31,777)	(1)	15,662	-
5950	Net operating gross loss		(143,048)	(3)	(449,275)	(9)
6000	Operating expenses	VI.25 and VII				
6100	Selling expenses		209,599	4	235,537	4
6200	General and administration expenses		133,737	3	132,195	2
6300	Research and development expenses		92,996	2	84,671	2
6450	Expected credit impairment benefits	VI.23	(12,331)	-	-	-
	Total operating expenses		424,001	9	452,403	8
6900	Operating loss		(567,049)	(12)	(901,678)	(17)
7000	Non-operating income and expenditure	VI.26				
7010	Other income	VI.24	48,715	1	58,819	1
7020	Other profit and loss		22,786	1	(85,329)	(1)
7050	Financial costs		(89,032)	(2)	(86,886)	(2)
7055	Expected credit impairment loss	VI.23	(10)	-	-	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI.10	(544,191)	(11)	(1,092,973)	(21)
	Total non-operating income and expenditure		(561,732)	(11)	(1,206,369)	(23)
7900	Net loss before tax		(1,128,781)	(23)	(2,108,047)	(40)
7950	Income tax expense	VI.28	(164,042)	(3)	(322,408)	(6)
8200	Net loss for the year		(1,292,823)	(26)	(2,430,455)	(46)
8300	Other comprehensive gain and loss	VI.27				
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		(848)	-	(13,673)	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive gain(loss)		(45,139)	(1)	-	-
8330	Share of other comprehensive gain(loss) of subsidiary, associates and joint ventures accounted for using equity method-items that will not be reclassified subsequently to profit or loss		(53,514)	(1)	(5,056)	-
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss		-	-	-	-
8360	Items that may be reclassified subsequently to profit or loss					
8362	Unrealized gain(loss) on available-for-sale financial assets		-	-	(10,519)	-
8380	Share of other comprehensive gain(loss) of subsidiary, associates and joint ventures accounted for using equity method-items that may be reclassified subsequently to profit or loss	VI.10	(34,316)	(1)	(292,551)	(6)
8399	Income tax relating to the items that may be reclassified subsequently to profit or loss	VI.28	-	-	-	-
	Other comprehensive income for the year (net of income tax)		(133,817)	(3)	(321,799)	(6)
8500	Total comprehensive income for the year		\$(1,426,640)	(29)	\$(2,752,254)	(52)
	Loss per share (NT\$)	VI.29				
9750	Basic loss per share		\$(1.01)		\$(1.92)	
	Net loss for the year					

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu



Unit: NTS1000

From January 1, 2017 to December 31, 2018 and 2017

Item	Capital stock	Capital surplus	Loss to be covered	Difference on translation of financial statements of foreign operations	Other equity			Treasury shares	Total equity
					Unrealized gains/losses on financial assets at fair value through other comprehensive income	Unrealized gains/losses on available-for-sale financial assets	Treasury shares		
Balance at January 1, 2017	3100 \$17,667,921	3200 \$894,545	3550 \$(2,240,938)	3410 \$(384,708)	3425 \$(245,048)	3500 \$(2,588,828)	3XXX \$13,102,944		
Other changes in capital surplus									
Changes in associated and joint ventures accounted for using equity method	-	-	(275)	-	-	-	(275)		
Net loss for the year ended December 31, 2017	-	-	(2,430,455)	-	-	-	(2,430,455)		
Other comprehensive income/loss for the year ended December 31, 2017	-	-	(18,729)	(210,011)	(93,059)	-	(321,799)		
Total comprehensive income/loss for the year ended December 31, 2017	-	-	(2,449,184)	(210,011)	(93,059)	-	(2,752,254)		
Disposal of the parent company's shares by subsidiary, as treasury shares	-	(16,455)	(135,945)	-	-	159,914	7,514		
Actual acquisition or disposal of shares in subsidiaries	-	114,052	-	-	-	-	114,052		
Changes in equity to subsidiary	-	(55,137)	-	-	-	-	(55,137)		
Balance at December 31, 2017	\$17,667,921	\$937,005	\$(4,826,342)	\$(894,719)	\$(338,107)	\$(2,428,914)	\$10,416,844		
Balance at January 1, 2018	\$17,667,921	\$937,005	\$(4,826,342)	\$(894,719)	\$(338,107)	\$(2,428,914)	\$10,416,844		
Effect of retrospective application and retrospective restatement	-	-	74,721	-	338,107	-	(810)		
Balance at January 1, 2018 as restated	17,667,921	937,005	(4,751,621)	(594,719)	(413,638)	(2,428,914)	10,416,034		
Other changes in capital surplus									
Changes in associated and joint ventures accounted for using equity method	-	-	(559)	-	-	-	(559)		
Net loss for 2018	-	-	(1,292,823)	-	-	-	(1,292,823)		
Other comprehensive income/loss for 2018	-	-	(441)	(34,316)	(99,060)	-	(133,817)		
Total comprehensive income/loss for 2018	-	-	(1,293,264)	(34,316)	(99,060)	-	(1,426,640)		
Capital reduction to cover losses	(4,826,342)	-	4,826,342	-	-	-	-		
Disposal of the parent company's shares by subsidiary, as treasury shares	-	-	(2,261,829)	-	-	2,428,914	167,085		
Actual acquisition or disposal of shares in subsidiaries	-	13,083	-	-	-	-	13,083		
Changes in equity to subsidiary	-	747	-	-	-	-	747		
Dispose of equity instruments measured at fair value through other comprehensive profit/loss	-	-	(103,024)	-	103,024	-	-		
Balance at December 31, 2018	\$12,841,579	\$950,835	\$(3,883,955)	\$(629,035)	\$(409,674)	-\$	\$9,169,750		

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chweh-Jing

Manager: Yeh, Chweh-Jing

Chief Account: Shih, Cu-Fu



Unit: NT\$1,000

Item	From January 1, 2018 to December 31, 2018		From January 1, 2017 to December 31, 2017	
	2018 Amount	Item	2018 Amount	2017 Amount
Cash flow from operating activities:		Cash flow from investment activities:		
Net loss before income tax for this year	\$(1,128,781)		\$31,924	\$-
Adjustments:		Dispose of financial assets at fair value through other comprehensive gain (loss)	931	-
Items of gains, expenses and losses:		Disposal of financial assets at amortization cost	-	(4,420)
Depreciation expenses and other losses	464,362	Acquisition of debt investments with no active market	(61,466)	(154,958)
Amortization expenses and other expenses	51,404	Acquisition of equity-method investments	78,397	18,041
Interest expenses	89,032	Cash returned of capital reduction of invested company accounted for using equity method	-	830,000
Interest revenue	(7,078)	Disposal of non-current available-for-sale assets	(186,389)	(163,477)
Dividend income	(4,600)	Acquisition of real estate, plant and equipment	7,437	18,227
Share of loss/profit of subsidiaries, associates and joint ventures accounted for using equity method	544,191	Disposal of real estate, plant and equipment	13,131	194,173
Gain on disposal of scrapped real estate, plant and equipment and non-current assets to be sold	(16,092)	Decrease of long-term receivables-related parties	(31,944)	(41,134)
Realized sales loss/profit	31,777	Increase of other non-current assets	46,438	20,154
Changes in operating assets and liabilities:		Dividends received	(101,541)	716,606
Increase of available-for-sale financial assets	-	Net cash inflow/outflow from investment activities		
Increase of financial assets mandatorily measured at fair value through profit or loss	(6,053)			
Decrease/increase of notes receivable	9,649			
Decrease/increase of accounts receivable	(567,888)			
Decrease of other receivables	10,195	Cash flow from financing activities:		
Decrease/increase of inventory	(1,442)	Increase in short-term borrowings	453,657	29,673
Decrease/increase of advance payment	19,260	Increase/decrease in short-term bills payable	(24,958)	19,841
Increase of other current assets	(2,978)	Repayments of long-term borrowings	(23,995)	(773,176)
Decrease of notes payable	(33,291)	Increase/decrease of other non-current liabilities	469	(4,560)
Increase/decrease of accounts payable	(90,685)	Net cash inflow/outflow from financing activities	405,173	(728,222)
Increase/decrease of other payables	258,596	Decrease in cash and cash equivalents	(211,606)	(310,624)
Decrease of other current liabilities	(49,916)	Cash and cash equivalents at the beginning of the year	797,157	1,107,781
Decrease of net defined benefit liabilities	(9,510)	YEAR		
Cash outflow from operating activities	(439,848)	Cash and cash equivalents at the end of the year	\$585,551	\$797,157
Interest received	7,086			
Interest paid	(82,978)			
Income tax refunded/paid	502			
Net cash outflow from operating activities	(515,238)			

(Please refer to the notes to individual financial statements)

Chairman: Yeh, Chwei-Jing Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

Independent Auditor's Report

The Board of Directors and Shareholders:
RITEK Corporation

Opinion

We have audited the accompanying balance sheets of RITEK Corporation as of December 31, 2017 and 2018, and the related statements of comprehensive income, changes in stockholders' equity, cash flows, and notes to consolidate financial statements (including the summary of significant accounting policies) for the period from January 1 to December 31, 2017 and 2018. These financial statements are the responsibility of the Company's management.

In our opinion, based on our audit results and the audit reports of other independent auditors (please refer to the other matters section), the financial statements referred to in the first paragraph accurately present, in all material respects, the financial position of RITEK Corporation and its subsidiaries as of December 31, 2017 and 2018, and the results of its financial performance and its cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Accounting Standards, International Financial Reporting Standards, and IFRIC Interpretations as approved by the Financial Supervisory Commission.

Basis for Opinion

We planned and 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 Consolidated Financial Statements section of this report. We are independent of the Company, 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 pursuant to these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ending December 31, 2018. These matters are addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon;

we do not provide a separate opinion on these matters.

Judgment on consolidated entities

According to IFRS 10, regardless of the nature of an investment, the investor shall determine if it is the parent company by examining whether it controls the investee. Since RITEK Corporation and its subsidiaries hold the shares of partial consolidated entities less than 50%, the material judgment of RITEK Corporation toward the control over such consolidated entities in the consolidated financial statements would affect the presentation and preparation results of its consolidated financial statements. Therefore, we have determined the judgment on the control power over consolidated entities with less than 50% shareholding as the key audit matter.

Our audit procedures include but are not limited to the following audit procedures: reviewing the group investment structure, checking the change in total shareholding of subsidiaries, evaluating the number and percentage of leading posts in the Board of Directors, verifying proxies with majority votes held directly and indirectly and the evidences of physical strength to influence significant activities, including major managers, etc., to ensure that RITEK Corporation and its subsidiaries have control power over all consolidated entities.

We also evaluate the disclosure of consolidation between RITEK Corporation and its subsidiaries. Please refer to notes 4 and 5 of the consolidated financial statements.

Impairment of non-financial assets

The amount of consolidated property, plants, and equipment of RITEK Corporation and its subsidiaries was NT\$12,509,656,000 as of December 31, 2018. Since RITEK Corporation and its subsidiaries had operation loss in 2018, the assets may have impairment. With significant hypothesis and estimation of impairment of non-financial assets, we decided to consider impairment of non-financial assets as a key audit matter.

Our audit procedures include but are not limited to the following audit procedures: evaluating signs of impairment on cash generation units identified by management, measuring recoverable amounts of assets or cash generation units, with the higher fair value deducted by disposition costs and its usage value as a recoverable amount, referring to the Company's historical information and other external industrial analysis, evaluating the reasonableness of major assumptions and

discount rates as the basis for such impairment tests, and evaluating the key assumptions made by the management for the cash flow forecast (including the revenue growth and gross margin by products) in the future.

We also evaluate the disclosure of RITEK Corporation and its subsidiaries regarding the impairment loss of non-financial assets. Please refer to notes 4 and 5 of the consolidated financial statements.

Revenue recognition

RITEK Corporation and its subsidiaries recognized a consolidated revenue of NT\$9,358,661,000 in 2018. The major sources of income were manufacturing and sales of disc, OLED, ITO glass, and green energy products (solar power module/LED/ battery related products), as well as optical information services and products. The build to order method was adopted for transactions. Different transactions terms were involved due to industrial features and customer demands. Therefore, a judgment is required to determine the performance obligations and satisfaction criteria. Therefore, the identification of revenue recognition is a key audit matter.

Our audit procedures include but are not limited to the following: evaluating the appropriateness of the accounting policies made by management aimed at revenue recognition, understanding the transaction flow of revenue recognition procedures against the performance obligations identified, testing the effectiveness of the internal control design and implementation in relation with revenue recognition as satisfactory to the performance obligations, conducting analytical procedures aimed at the sales price, sales volume, costs, and gross margin and implementing analytical procedures aimed at the top ten customers, selecting samples for testing transaction details and reviewing the trading conditions and related sales receipts in order to ensure the appropriateness of revenue recognition as satisfactory to performance obligations, conducting revenue cutoff tests in certain periods before and after the balance sheet date and checking relevant certificates to ensure that the revenue is recognized in the appropriate period, reviewing huge sales returns after the balance sheet date to investigate and understand its reason and nature, and carrying out ordinary journal tests.

We also evaluate the disclosure of RITEK Corporation and its subsidiaries regarding revenue recognition. Please refer to notes 4 and 6 of the consolidated financial statements.

Other matters referring to the audit of other certified public accountants

The financial statements of some subsidiaries included in the consolidated financial statements of RITEK Corporation and its subsidiaries were audited by other

certified public accountants. Therefore, in our opinions of the preceding consolidated financial statements, the amounts listed in the financial statements of such subsidiaries were based on the audit reports of other CPAs. The total assets of such subsidiaries as of December 31, 2018 and December 31, 2017 were NT\$3,493,747,000 and NT\$3,316,549,000, respectively, accounting for 15% and 14% of the total consolidated assets. The sales revenues in the period from January 1 to December 31, 2018 and 2017 were NT\$982,059,000 and NT\$1,049,254,000, respectively, accounting for 10% and 11% of the consolidated sales revenue. Meanwhile, among the investees in the preceding consolidated financial statements, the financial statements of some investees were audited by other certified public accountants. Therefore, in our opinions of the preceding consolidated financial statements, the amounts listed in the financial statements of such investees were based on the audit reports of other CPAs. The investment amounts on such investees under the equity method as of December 31, 2018 and 2017 were NT\$139,788,000 and NT\$117,162,000, respectively, accounting for 1% and 0% of the total consolidated assets. The profit and loss of affiliates and venture capital recognized under the equity method in the period from January 1 to December 31, 2018 and 2017 were NT\$ 5,150,000 and NT\$ 20,830,000, respectively, accounting for 0% and 1 % of the consolidated net loss before income tax. The other comprehensive income of affiliates and venture capital recognized under the equity method in the period from January 1 to December 31, 2018 and 2017 was NT\$ 844,000 and NT\$ 2,164,000, respectively, accounting for 0% and 1% of the consolidated net other comprehensive income.

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

Management is responsible for preparing and fairly presenting the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, as well as for such internal control that it deems 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 ability of RITEK Corporation and its subsidiaries to continue as an ongoing concern, disclosing matters related to ongoing concerns as necessary and using the ongoing concern basis of accounting unless management either intends to liquidate RITEK Corporation and its subsidiaries or cease operations or has no realistic alternative but to do so.

Those charged with the governance of RITEK Corporation and its subsidiaries are responsible for overseeing the financial reporting process.

Auditors' Responsibilities for Auditing 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 refers to a high level of assurance but does not 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 one exists. Misstatements can arise from fraud or error and are considered material if, individually or combined, they can reasonably be expected to influence the economic decisions of users made based on these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of RITEK Corporation and its subsidiaries.
3. Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
4. Draw conclusions about the appropriateness of the management's use of the ongoing 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 ability of RITEK Corporation and its subsidiaries to continue as an ongoing 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 RITEK Corporation and its subsidiaries

to cease to continue as an ongoing concern.

5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes) and whether the consolidated financial statements represent the underlying transactions and events in a fair manner.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control identified during our audit), among other matters.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to influence our independence (including relevant safeguards).

From the matters communicated with those charged with governance, we determined those matters that were of the greatest significance in the audit of the consolidated financial statements of RITEK Corporation and its subsidiaries for the year ending December 31, 2018 as the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude 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.

Others

RITEK Corporation has prepared the 2018 and 2017 individual financial statements, and we have issued the unqualified auditor's report, including other matters for your reference.

Earnest & Young
Financial Report of Public Company as Approved by

Competent Authority

Audit File No.: (91) Tai-Tsai-Cheng (6) No. 144183

(93) Jing-Guan-Cheng VI No. 0930133943

Chang, Chi-Ming



CPA : 張志銘

徐孝煜



Hsu, Jung-Huang

March 29, 2019

Unit: NT\$1,000

Code	Liabilities and Equity Accounts	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
2100	Current liabilities				
2110	Short-term borrowings	\$2,119,882	9	\$1,500,535	6
2120	Short-term notes and bills payable	250,979	1	249,785	1
2150	Financial liabilities at fair value through profit or loss-current	-	-	5,192	-
2160	Notes payable	73,061	-	109,176	-
2170	Notes payable-related parties	2,837	-	12,377	-
2180	Accounts payable	1,046,412	5	1,302,044	6
2200	Accounts payable-related parties	7,574	-	3,927	-
2230	Other payables	795,930	3	848,182	4
2300	Current income tax liability	25,507	-	42,377	-
2320	Other current liabilities	85,059	-	127,371	1
218x	Long-term liabilities maturing within one year or one operating cycle	1,368,912	6	1,145,394	5
218xx	Total current liabilities	5,776,153	24	5,346,360	23
2540	Non-current liabilities				
2570	Long-term loans	4,465,060	19	3,358,091	14
2640	Deferred tax liabilities	36,336	-	-	-
2670	Net defined benefit liabilities-noncurrent	154,278	1	163,305	1
25xx	Other non-current liabilities	55,484	-	48,852	-
2xxx	Total non-current liabilities	4,711,158	20	3,570,248	15
3100	Total liabilities	10,487,311	44	8,916,608	38
31xx	Equity attributable to owners of the parent				
3100	Capital stock				
3110	Common stock	12,841,579	54	17,667,921	75
3200	Capital surplus	950,835	4	937,005	4
3300	Retained earnings				
3350	Loss to be made up	(3,883,955)	(15)	(4,826,342)	(21)
3400	Other owner's equity	(1,038,709)	(4)	(932,826)	(4)
3500	Treasury shares	-	-	(2,428,914)	(10)
36xx	Non-controlling interests	4,037,714	17	4,154,110	18
3xxx	Total owner's equity	13,207,464	56	14,570,954	62
	Total liabilities and owner's equity	\$23,694,775	100	\$23,487,562	100

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu



RITEK Technology Co., Ltd. and Its Subsidiaries
 Consolidated Statements of Comprehensive Income
 From January 1 to December 31, 2018 and 2017

Unit: NT\$1000

Code	Accounts	Notes	December 31, 2018		December 31, 2017	
			Amount	%	Amount	%
4000	Operating income	VI.22 and VII	\$9,358,661	100	\$9,797,109	100
5000	Operating costs	VI.10, 25 and VII	8,811,059	94	9,484,981	97
5900	Operating gross profit		547,602	6	312,128	3
6000	Operating expenses	VI.25				
6100	Selling expenses		597,718	6	619,796	6
6200	General and administration expenses		814,855	9	905,137	9
6300	Research and development expenses		180,177	2	163,703	2
6450	Expected credit impairment benefits	VI.23	(13,389)	-	-	-
	Total operating expenses		1,579,361	17	1,688,636	17
6900	Operating loss		(1,031,759)	(11)	(1,376,508)	(14)
7000	Non-operating income and expenditure	VI.26				
7010	Other income	VI.24	258,092	3	244,626	2
7020	Other profit and loss		(121,180)	(1)	(644,645)	(7)
7050	Financial costs		(153,131)	(2)	(143,084)	(1)
7055	Expected credit impairment loss	VI.23	(10)	-	-	-
7060	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	VI.11	(5,150)	-	(20,830)	-
			(21,379)	-	(563,933)	(6)
7900	Total non-operating income and expenditure		(1,053,138)	(11)	(1,940,441)	(20)
7950	Net loss before tax	VI.28	(181,364)	(2)	(357,704)	(4)
8200	Income tax expense		(1,234,502)	(13)	(2,298,145)	(24)
8300	Net loss for the year	VI.27				
8310	Other comprehensive gain and loss					
8311	Remeasurements of defined benefit plans		(317)	-	(18,729)	-
8316	Unrealized loss on equity instrument investment at fair value through other comprehensive gain(loss)		(146,994)	(2)	-	-
8349	Income tax relating to the items that will not be reclassified subsequently to profit or loss	VI.28	-	-	-	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange difference on translation of financial statements of foreign operations		(48,330)	-	(215,975)	(2)
8362	Unrealized gain(loss) on available-for-sale financial assets		-	-	(174,485)	(2)
8370	Share of other comprehensive gain(loss) of associates and joint ventures	VI.11				
	Share of (loss) -items that may be reclassified subsequently to profit or loss		844	-	(2,164)	-
8399	Income tax relating to the items that may be reclassified subsequently to profit or loss	VI.28	2,312	-	(1,375)	-
	Other comprehensive income for the year (net of income tax)		(192,485)	(2)	(412,728)	(4)
8500	Total comprehensive income for the year		\$ (1,426,987)	(15)	\$ (2,710,873)	(28)
8600	Net profit (loss) attributable to :					
8610	Owners of parent company		\$ (1,292,823)		\$ (2,430,455)	
8620	Non-controlling interests		58,321		132,310	
			\$ (1,234,502)		\$ (2,298,145)	
8700	The total comprehensive profit(loss) attributable to :					
8710	Owners of parent company		\$ (1,426,640)		\$ (2,752,254)	
8720	Non-controlling interests		(347)		41,381	
			\$ (1,426,987)		\$ (2,710,873)	
	Loss per share (NT\$)	VI.29				
9750	Basic loss per share					
	Net loss for the year		\$ (1.01)		\$ (1.92)	

(Please refer to the notes to the Consolidated Financial Statements)



RITE Fresh Food Co., Ltd.
 瑞泰生鲜食品股份有限公司
 Consolidated Statement of Equity

From 1/1/2017 to 12/31/2018
 From 1/1/2017 to 12/31/2018

Unit: NT\$1,000

Item	Capital stock	Capital surplus	Loss to be covered	Other equity			Treasury shares	Total	Non-controlling interest	Total equity
				Exchange difference on translation of financial statements of foreign operations	Unrealized gains/(losses) on financial assets at fair value through other comprehensive income	Unrealized gains/(losses) on available-for-sale financial assets				
Balance at January 1, 2017	3100 \$17,667,921	3200 \$894,545	3130 \$2,240,938	3410 \$3,947,108	3420 \$	3425 \$2,453,048	3500 \$2,388,828	31XX \$13,102,944	36XX \$4,233,226	3XXX \$17,336,270
Other changes in capital surplus	-	-	(275)	-	-	-	-	(275)	-	(275)
Changes in associated and joint ventures accounted for using equity method	-	-	(2,430,455)	-	-	-	-	(2,430,455)	132,310	(2,298,145)
Net loss of the year of 2017	-	-	(18,729)	(2,10,111)	-	(93,059)	-	(321,799)	(90,929)	(412,728)
Other comprehensive income/(loss) for the year ended December 31, 2017	-	-	(2,449,184)	(2,10,111)	-	(93,059)	-	(2,592,254)	41,381	(2,710,873)
Total comprehensive income/(loss) for the year ended December 31, 2017	-	-	(16,455)	(135,945)	-	-	159,914	7,514	-	7,514
Disposal of the parent company's shares by subsidiary, as treasury shares	-	114,052	-	-	-	-	-	114,052	(123,541)	(9,489)
Difference between the actual price of acquisition or disposal of subsidiary equity and book value	-	(55,137)	-	-	-	-	-	(55,137)	89,908	34,771
Changes in equity to subsidiary	-	-	-	-	-	-	-	-	(86,964)	(86,964)
Non-controlling interests	-	-	-	-	-	-	-	-	\$4,154,110	\$4,154,110
Balance at December 31, 2017	\$17,667,921	\$937,085	\$4,826,342	\$5,947,119	\$	\$338,107	\$2,428,914	\$10,416,844	\$4,154,110	\$14,570,954
Balance at January 1, 2018	\$17,667,921	\$937,085	\$4,826,342	\$5,947,119	\$	\$338,107	\$2,428,914	\$10,416,844	\$4,154,110	\$14,570,954
Effect of retrospective application and retrospective restatement	-	-	74,721	-	(413,638)	338,107	-	(8,100)	(4,955)	(5,765)
Balance at January 1, 2018 as restated	17,667,921	937,085	(4,751,621)	(594,719)	(413,638)	-	(2,428,914)	10,416,034	4,149,155	14,565,189
Other changes in capital surplus	-	-	(539)	-	-	-	-	(539)	-	(539)
Changes in associated and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	-	-
Net loss of the year of 2018	-	-	(1,292,823)	-	-	-	-	(1,292,823)	58,321	(1,234,502)
Other comprehensive income/(loss) for the year ended December 31, 2018	-	-	(441)	(34,316)	(99,060)	-	-	(133,817)	(58,668)	(192,485)
Total comprehensive income/(loss) for the year ended December 31, 2018	-	-	(1,293,264)	(34,316)	(99,060)	-	-	(1,426,640)	(347)	(1,426,987)
Capital reduction to cover losses	(4,826,342)	-	4,826,342	-	-	-	-	-	-	-
Disposal of the parent company's shares by subsidiary, as treasury shares	-	13,083	(2,261,829)	-	-	-	2,428,914	167,085	-	167,085
Actual acquisition or disposal of shares in subsidiaries	-	-	-	-	-	-	-	13,083	(25,253)	(12,170)
Changes in equity to subsidiary	-	747	(103,024)	-	103,024	-	-	747	(747)	-
Dispose of equity instruments measured at fair value through other comprehensive profit/(loss)	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(85,094)	(85,094)
Balance at December 31, 2018	\$12,841,579	\$950,835	\$3,583,955	\$6,293,335	\$409,674	\$	\$	\$9,169,750	\$4,037,714	\$13,207,464

(Please refer to the notes to the Consolidated Financial Statements)

Chairman: Yeh, Chwei-Jing

Manager: Yeh, Chwei-Jing

Chief Account: Shih, Gu-Fu

RITEK Corporation

Comparison Table for the Procedures for Acquisition and Disposal of Assets Before and After Revision

Article	Article after Revision	Article before Revision	Explanation
Article 2	<p>The scope of assets:</p> <ol style="list-style-type: none"> 1. Stocks, bonds, corporate bonds, bank indentures, fund securities, depository receipts, guarantees, beneficiary securities, asset-based securities, etc.; 2. Real estate (including land, plants and buildings, investment properties, and right to use land) and equipment; 3. Membership; 4. Patents, copyrights, trademarks, charter rights, and other such intangible assets; 5. <u>Right-of-use assets</u> 6. Derivatives products; 7. Assets acquired or disposed through merger, spin-off, acquisition, or share transfer. 	<p>The scope of assets:</p> <ol style="list-style-type: none"> 1. Stocks, bonds, corporate bonds, bank indentures, fund securities, depository receipts, guarantees, beneficiary securities, asset-based securities, etc.; 2. Real estate (including land, plants and buildings, investment properties, and right to use land) and equipment; 3. Membership; 4. Patents, copyrights, trademarks, charter rights, and other such intangible assets; 5. Derivatives products; 6. Assets acquired or disposed through merger, spin-off, acquisition, or share transfer. 	<p>This amendment has been managed in accordance with Article 3 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
Article 3	<p>Evaluation procedures:</p> <p>(1) In addition to complying with the laws and procedures for asset management of the Corporation, the acquisition and disposal of the Corporation's assets shall comply with these procedures. The CEO's Office and investment department or other related units shall conduct relevant benefit analysis and appraise possible investment risks regarding the acquisition or disposal of long-term and short-term</p>	<p>Evaluation procedures:</p> <p>(1) In addition to complying with the laws and procedures for asset management of the Corporation, the acquisition and disposal of the Corporation's assets shall comply with these procedures. The CEO's Office and investment department or other related units shall conduct relevant benefit analysis and appraise possible investment risks regarding the acquisition or disposal of long-term and short-term securities. For the</p>	<p>This amendment has been managed in accordance with Articles 3 and 9 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p>securities. For the acquisition or disposal of real estate or equipment, each unit shall prepare a capital expenditure plan and conduct feasibility assessment aimed at the purpose and expected benefits of the acquisition or disposal before submitting it to the financial unit for capital expenditure budget preparation and implement and control the budget according to the plan's content.</p> <p>(2) Prior to the Date of the Event of the acquisition or disposal of securities, the latest financial statements of the object company audited or reviewed by a certified public accountant should be obtained to assess and serve as a reference for the transaction price. If the transaction price reaches 20% of this Corporation's paid-in capital or NT\$300 million, opinions regarding a rational transaction price shall be sought from a certified public accountant prior to the Date of the Event of the subject acquisition or disposal of securities. If the certified public accountant engaged needs to use an expert's report as evidence, such certified public accountant shall do so in accordance with the provisions of Auditing Standard No. 20; however, these requirements shall not apply if such securities have a public price from an active</p>	<p>acquisition or disposal of real estate or equipment, each unit shall prepare a capital expenditure plan and conduct feasibility assessment aimed at the purpose and expected benefits of acquisition or disposal before submitting it to the financial unit for capital expenditure budget preparation and implement and control the budget according to the plan's content.</p> <p>(2) Prior to the Date of the Event of the acquisition or disposal of securities, the latest financial statements of the object company audited or reviewed by a certified public accountant should be obtained to assess and serve as a reference for the transaction price. If the transaction price reaches 20% of this Corporation's paid-in capital or NT\$300 million, opinions regarding a rational transaction price shall be sought from a certified public accountant prior to the Date of the Event of the subject acquisition or disposal of securities. If the certified public accountant engaged needs to use an expert's report as evidence, such certified public accountant shall do so in accordance with the provisions of Auditing Standard No. 20; however, these requirements shall not apply if such securities have a public price from an active market or if the regulatory authorities otherwise require.</p> <p>(3) Except for transactions with</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>market or if the regulatory authorities otherwise require.</p> <p>(3) Except for transactions with <u>domestic</u> government institutions, contracting third parties to construct on land owned or rented by this Corporation, or acquisition of equipment <u>or its right-of-use assets</u> for operation purpose, for the acquisition or disposal of real estate, <u>equipment, or its right-of-use assets</u> by this Corporation, the amount of which reaches 20% of the Corporation's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event, and the following provisions should be follower.</p> <p>(4) If this Corporation's acquisition or disposal of intangible assets, <u>its right-of-use assets, or</u> membership reaches 20% of this Corporation's paid-in capital or NT\$300 million, excluding transactions with <u>domestic</u> government agency(ies), opinions regarding a rational transaction price shall be sought from a certified public accountant prior to the Date of the Event of the subject acquisition or disposal of assets. A certified public accountant shall handle the matter pursuant to the provisions of Auditing Standard No. 20.</p> <p>(5) For a merger, spin-off,</p>	<p>government institutions, contracting third parties to construct on land owned or rented by this Corporation, or acquisition of equipment for operation purpose, for the acquisition or disposal of real estate or equipment by this Corporation, the amount of which reaches 20% of the Corporation's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event, and the following provisions should be followed.</p> <p>(4) If this Corporation's acquisition or disposal of membership or intangible assets reaches 20% of this Corporation's paid-in capital or NT\$300 million, excluding transactions with government agency(ies), opinions regarding a rational transaction price shall be sought from a certified public accountant prior to the Date of the Event of the subject acquisition or disposal of assets. A certified public accountant shall handle the matter pursuant to the provisions of Auditing Standard No. 20.</p> <p>(5) For a merger, spin-off, acquisition, or share transfer by this Corporation, opinions regarding a rational transaction price shall be sought from a certified public accountant, lawyer, or securities underwriter aimed at the share swap ratio, acquisition price, or cash or other properties distributed</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>acquisition, or share transfer by this Corporation, opinions regarding a rational transaction price shall be sought from a certified public accountant, lawyer, or securities underwriter aimed at the share swap ratio, acquisition price, or cash or other properties distributed to shareholders before convening the Board meeting for resolution. However, the merger of the Corporation with subsidiaries with 100% shares issued or total capital held by the Corporation, directly or indirectly, or the merger among subsidiaries with 100% shares issued or total capital held by the Corporation, directly or indirectly shall be exempted from opinions regarding a rational transaction issued by the aforementioned experts.</p> <p>(6) In addition to the preceding professional estimate and opinions of such experts as a certified public accountant, the price determination and referential basis regarding the acquisition and disposal of the Corporation's assets shall also be managed as follows:</p> <ol style="list-style-type: none"> 1. Securities acquired or disposed on a centralized transaction market or Taipei Exchange market shall be determined on the share or bond price at that time. 2. Securities not acquired or 	<p>to shareholders before convening the Board meeting for resolution. However, the merger of the Corporation with subsidiaries with 100% shares issued or total capital held by the Corporation, directly or indirectly, or the merger among subsidiaries with 100% shares issued or total capital held by the Corporation, directly or indirectly shall be exempted from opinions regarding a rational transaction issued by the aforementioned experts.</p> <p>(6) In addition to the preceding professional estimate and opinions of such experts as a certified public accountant, the price determination and referential basis regarding the acquisition and disposal of the Corporation's assets shall also be managed as follows:</p> <ol style="list-style-type: none"> 1. Securities acquired or disposed on a centralized transaction market or Taipei Exchange market shall be determined on the share or bond price at that time. 2. Securities not acquired or disposed on a centralized transaction market or securities companies Taipei Exchange market shall be determined in consideration of net worth per share, technology and profitability, potential of future development, market interest rate, bond coupon rate, and credit of debtor, as well as the 	

Article	Article after Revision	Article before Revision	Explanation
	<p>disposed on a centralized transaction market or securities companies Taipei Exchange market shall be determined in consideration of net worth per share, technology and profitability, potential of future development, market interest rate, bond coupon rate, and credit of debtor, as well as the latest closing price.</p> <p>3. The price of membership acquired or disposed shall be determined in considering its possible benefits and referring to the latest closing price. The patent, copyright, trademark, charter, and other such intangible assets acquired or disposed shall be determined by referring to international or market practice, economic life and effects to technology, and businesses of the Corporation.</p> <p>4. The real estate, equipment, <u>or right-of-use assets</u> acquired or disposed shall be determined by referring to the announced current value, assessed present value, actual closing price or book value of nearby real estate, and the supplier's quotation.</p> <p>5. The transaction of derivative instruments shall refer to transactions of the future market and exchange rate and interest rate trends.</p> <p>6. The management of a merger, spin-off, acquisition, or shares</p>	<p>latest closing price.</p> <p>3. The price of membership acquired or disposed shall be determined in considering its possible benefits and referring to the latest closing price. The patent, copyright, trademark, charter, and other such intangible assets acquired or disposed shall be determined by referring to international or market practice, economic life and effects to technology, and businesses of the Corporation.</p> <p>4. The real estate and equipment acquired or disposed shall be determined by referring to the announced current value, assessed present value, actual closing price or book value of nearby real estate, and the supplier's quotation.</p> <p>5. The transaction of derivative instruments shall refer to transactions of the future market and exchange rate and interest rate trends.</p> <p>6. The management of a merger, spin-off, acquisition, or shares transfer shall consider business nature, net value per share, asset value, technology and profitability, capacity, and future growth potential.</p> <p>The calculation of the transaction amount referred to in the preceding paragraphs 2, 3 and 4 shall be managed in accordance with paragraph 1 of Article 5. "Within</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>transfer shall consider business nature, net value per share, asset value, technology and profitability, capacity, and future growth potential.</p> <p>The calculation of the transaction amount referred to in the preceding paragraphs 2, 3, and 4 shall be managed in accordance with paragraph 1 of Article 5.</p> <p>"Within one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions with an appraisal report issued by a professional appraiser or the opinions of a certified public accountant obtained in accordance with the Procedures should be excluded.</p> <p>However, a certificate issued by the court may replace the appraisal report or the opinions of certified public accounts for assets acquired or disposed through court auction procedures.</p>	<p>one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions with an appraisal report issued by a professional appraiser or opinions of a certified public accountant obtained in accordance with the Procedures should be excluded.</p> <p>However, a certificate issued by the court may replace the appraisal report or the opinions of certified public accounts for assets acquired or disposed through court auction procedures.</p>	
Article 4	<p>Operational procedures:</p> <p>(1) Authorization limit and level</p> <p>1. Securities, real estate, and equipment <u>or their right-of-use assets,</u> other fixed assets, membership, or intangible assets: The CEO is authorized to make the transaction with the limit stipulated in Article 6 of these procedures. If the transaction satisfies the announcement standards set forth in Article 5, it</p>	<p>Operational procedures:</p> <p>(1) Authorization limit and level</p> <p>1. Securities, real estate, equipment, other fixed assets, membership, or intangible assets: The CEO is authorized to make the transaction with the limit stipulated in Article 6 of these procedures. If the transaction satisfies the announcement standards set forth in Article 5, it must be submitted to the Chairman for record on the next</p>	<p>This amendment has been managed in accordance with Article 3 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

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	<p>must be submitted to the Chairman for record on the next day and submitted to the next Board meeting to be ratified. However, if the stocks, corporate bonds, and securities by private placement are not acquired or disposed on the centralized transaction market or Taipei Exchange and the transaction amount reaches the announcement standard, the transaction shall not be made unless it has been resolved by a Board meeting. Meanwhile, investments in mainland China shall not be conducted unless approved by the Board of Directors and Investment Commission, MOEA.</p> <p>2. Derivative instrument transaction</p> <p>(1) The Chairman shall appoint a financial manager to deal with single hedge transaction with amounts less than US\$10million (including currency with an equivalent value) and accumulated amounts less than US\$30 million (including currency with an equivalent value). Single transaction amounts more than US\$10 million and accumulated transaction amounts more than US\$30 million shall be submitted to the CEO for approval in advance. Other derivative instrument transactions shall be</p>	<p>day and submitted to the next Board meeting to be ratified. However, if the stocks, corporate bonds, and securities by private placement are not acquired or disposed on the centralized transaction market or Taipei Exchange and the transaction amount reaches the announcement standard, the transaction shall not be made unless it has been resolved by a Board meeting. Meanwhile, investments in mainland China shall not be conducted unless it is approved by the Board of Directors and Investment Commission, MOEA.</p> <p>2. Derivative instrument transaction</p> <p>(1) The Chairman shall appoint a financial manager to deal with single hedge transaction with amounts less than US\$10million (including currency with an equivalent value) and accumulated amounts less than US\$30 million (including currency with an equivalent value). Single transaction amounts more than US\$10 million and accumulated transaction amounts more than US\$30 million shall be submitted to the CEO for approval in advance. Other derivative instrument transactions shall be executed according to the limitations authorized by the Board of Directors.</p> <p>(2) To ensure that the</p>	

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	<p>executed according to the limitations authorized by the Board of Directors.</p> <p>(2) To ensure that the Corporation’s authorization corresponds with the bank, the bank shall be informed of the authorized transaction personnel.</p> <p>(3) The derivative instrument transaction based on the preceding authorization shall be submitted to the next Board meeting after the event.</p> <p>Merger, spin-off, acquisition, or shares transfer: Related procedures and information preparation shall be managed in accordance with Chapter 4 of these Procedures. Of those, a merger, spin-off, or acquisition shall not be conducted unless approved by a Shareholders’ Meeting, except for those exempt from the approval of a Shareholders’ Meeting pursuant to other laws. Meanwhile, the transfer of shares shall not be implemented unless approved by a Board Meeting.</p> <p>2) Responsible units and transaction procedures</p> <p>For the acquisition or disposal of long/short-term security investments, the responsible departments should include the CEO’s Office, Finance Division, and Investment Unit. For the acquisition or disposal of real estate, equipment, <u>right-of-use</u></p>	<p>Corporation’s authorization corresponds with the bank, the bank shall be informed of the authorized transaction personnel.</p> <p>(3) The derivative instrument transaction based on the preceding authorization shall be submitted to the next Board meeting after the event.</p> <p>Merger, spin-off, acquisition, or shares transfer: Related procedures and information preparation shall be managed in accordance with Chapter 4 of these Procedures. Of those, a merger, spin-off, or acquisition shall not be conducted unless approved by a Shareholders’ Meeting, except for those exempt from the approval of a Shareholders’ Meeting pursuant to other laws. Meanwhile, the transfer of shares shall not be implemented unless approved by a Board Meeting.</p> <p>(2) Responsible units and transaction procedures</p> <p>For the acquisition or disposal of long/short-term security investments, the responsible departments should be the CEO’s Office, Finance Division, and Investment Unit. For the acquisition or disposal of real estate, equipment, membership, and intangible assets, the responsible departments should include the User Unit and related departments. For the acquisition or disposal of derivative instruments,</p>	

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	<p>assets, membership, and intangible assets, the responsible departments should include the User Unit and related departments. For the acquisition or disposal of derivative instruments, the responsible departments should include the Finance Division and personnel designated by the Chairman. For merger, spin-off, acquisition, or shares transfer, the Chairman shall appoint a responsible unit. After the acquisition or disposal of assets are appraised and approved according to regulations, the responsible department shall then engage in such transaction procedures as contract conclusion, payment and collection, and delivery and acceptance and manage related procedures based on the internal control system depending on the nature of the assets.</p> <p>The Corporation shall keep related contracts, meeting minutes, memorandum books, appraisal reports, and opinions of certified public accountants, lawyers, or securities underwriters regarding the acquisition or disposal of assets within the Corporation. Unless a provision is otherwise provided by law, these documents shall be retained for at least five years.</p>	<p>the responsible departments should include the Finance Division and personnel designated by the Chairman. For merger, spin-off, acquisition, or shares transfer, the Chairman shall appoint a responsible unit. After the acquisition or disposal of assets are appraised and approved according to regulations, the responsible department shall then engage in such transaction procedures as contract conclusion, payment and collection, and delivery and acceptance and manage related procedures based on the internal control system depending on the nature of the assets.</p> <p>The Corporation shall keep related contracts, meeting minutes, memorandum books, appraisal reports, and opinions of certified public accountants, lawyers, or securities underwriters regarding the acquisition or disposal of assets within the Corporation. Unless a provision is otherwise provided by law, these documents shall be retained for at least five years.</p>	
Article 5	Announcement and filing procedures:	Announcement and filing procedures:	This amendment has been managed

Article	Article after Revision	Article before Revision	Explanation
	<p>(I) If any of the following conditions relate to the Company's acquisition or disposal of assets, filing and public announcement shall be made according to the relevant regulations within two days from the Date of the Event:</p> <p>1. Acquisition or disposal of real estate <u>or its right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real estate or <u>its right-of-use assets</u> from or to a related party where the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million; however, this shall not apply to the buying or selling of <u>domestic</u> government bonds property or bonds under repurchase, and resale agreements, nor the subscription or redemption of domestic money market funds issued by securities investment trusts;</p> <p>2. Merger, spin-off, acquisition, or share transfer;</p> <p>3. The loss on transaction of derivative instruments reaches the limit of all or individual contract losses stipulated in the handling procedures;</p> <p>4. Acquisition or disposal of operation-purpose equipment <u>or its right-of-use assets</u> with non-related parties in an amount</p>	<p>(I) If any of the following conditions relate to the Company's acquisition or disposal of assets, filing and public announcement shall be made according to the relevant regulations within two days from the Date of the Event:</p> <p>1. Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million; however, this shall not apply to the buying or selling of government bonds property or bonds under repurchase and resale agreements, nor the subscription or redemption of domestic money market funds issued by securities investment trusts;</p> <p>2. Merger, spin-off, acquisition, or share transfer;</p> <p>3. The loss on transaction of derivative instruments reaches the limit of all or individual contract losses stipulated in the handling procedures;</p> <p>4. Acquisition or disposal of operation-purpose equipment with non-related parties in an amount exceeding NT\$ 1 billion;</p> <p>5. Acquisition of real estate by way of contracting third parties to construct on land owned or rented by this Company, distribution of</p>	<p>in accordance with Article 3, Article 9, and Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p>exceeding NT\$ 1 billion;</p> <p>5. Acquisition of real estate by way of contracting third parties to construct on land owned or rented by this Company, distribution of buildings under joint construction projects, distribution of profits under joint construction projects, or selling buildings under joint construction projects, <u>and the trading counterparty is not a related party</u> with the anticipated transaction amount exceeding NT\$ 500 million;</p> <p>6. The acquisition or disposal of assets other than the preceding five paragraphs where the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$300 million. However, the following situations should not be subject to the above filing/announcement requirements:</p> <p>(1) Buying or selling <u>domestic</u> government bonds;</p> <p>(2) Buying or selling bonds under repurchase and resale agreements, or subscribing or redeeming domestic money market funds issued by domestic securities investment trusts;</p> <p>7. The “transaction amount” referred to above shall be calculated as follows:</p> <p>(1). Each transaction amount</p> <p>(2). The accumulated amount of several transactions with the same party for the acquisition or</p>	<p>buildings under joint construction projects, distribution of profits under joint construction projects, or selling buildings under joint construction projects, and the amount of the transaction exceeds NT\$ 500 million;</p> <p>6. The acquisition or disposal of assets other than the preceding five paragraphs where the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$300 million. However, the following situations should not be subject to the above filing/announcement requirements:</p> <p>(1) Buying or selling government bonds;</p> <p>(2) Buying or selling bonds under repurchase and resale agreements, or subscribing or redeeming domestic money market funds issued by domestic securities investment trusts;</p> <p>7. The “transaction amount” referred to above shall be calculated as follows:</p> <p>(1). Each transaction amount</p> <p>(2). The accumulated amount of several transactions with the same party for the acquisition or disposal of the same kind of assets within one year;</p> <p>(3). The accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of real estate under the same development project within one year;</p> <p>(4). The accumulated amount for acquisition or disposal</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>disposal of the same kind of assets within one year;</p> <p>(3). The accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of real estate <u>or its right-of-use assets</u> under the same development project within one year;</p> <p>(4). The accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of the same security within one year.</p> <p>8. "Within one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been previously published in accordance with the Procedures should be excluded.</p> <p>(II) The Corporation shall enter the derivative instrument transactions managed by the Corporation and domestic non-public offered subsidiaries in the information filing website appointed by the competent securities authority before the 10th day of every month.</p> <p>(III) All items should be published again within two days from the date that the Company becomes aware of any erroneous or missing information therein.</p> <p>(IV) Should any of the following conditions occur after the filing</p>	<p>(acquisition and disposal should be cumulated separately) of the same security within one year.</p> <p>8. "Within one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been previously published in accordance with the Procedures should be excluded.</p> <p>(II) The Corporation shall enter the derivative instrument transactions managed by the Corporation and domestic non-public offered subsidiaries in the information filing website appointed by the competent securities authority before the 10th day of every month.</p> <p>(III) All items should be published again within two days from the date the Company becomes aware of any erroneous or missing information therein.</p> <p>(IV) Should any of the following conditions occur after the filing and public announcement of transactions, this Company must file and make public announcement accordingly within two days from the Date of the Event:</p> <ol style="list-style-type: none"> 1. Amendment, termination, or cancellation of the original agreement; 2. Merger, spin-off, acquisition, or share transfer not completed as scheduled in the agreement; 3. Change to the originally publicly announced and reported 	

Article	Article after Revision	Article before Revision	Explanation
	<p>and public announcement of transactions, this Company must file and make public announcement accordingly within two days from the Date of the Event:</p> <ol style="list-style-type: none"> 1. Amendment, termination or cancellation of the original agreement; 2. Merger, spin-off, acquisition, or share transfer not completed as scheduled in the agreement; 3. Change to the originally publicly announced and reported information. 	<p>information.</p>	
<p>Article 6</p>	<p>Investment scope and limit: In addition to the acquisition of assets for operational use, the Corporation and subsidiaries may also invest real estate <u>or its right-of-use assets</u> and securities for non-operating purposes, and the limits of such amounts are as follows: (1) The acquisition of real estate <u>or its right-of-use assets</u> by this Corporation for non-operating purposes should not exceed 50% of this Company's net worth. The acquisition of real estate <u>or its right-of-use assets</u> for non-operating purposes by each Subsidiary of this Corporation should not exceed 50% of this Company's net worth deducted by the total amount of real estate <u>or its right-of-use assets</u> purchased by other subsidiaries for non-operating purposes.</p>	<p>Investment scope and limit: In addition to the acquisition of assets for operational use, the Corporation and subsidiaries may also invest real estate and securities for non-operating purposes, and the limits of such amounts are as follows: (1) The acquisition of real estate by this Corporation for non-operating purposes should not exceed 50% of this Company's net worth. The acquisition of real estate for non-operating purposes by each Subsidiary of this Corporation should not exceed 50% of this Company's net worth deducted by the total amount of real estate purchased by other subsidiaries for non-operating purposes. (2) The total amount of all security investments by this Corporation should not exceed this Corporation's net worth. The total</p>	<p>This amendment has been managed in accordance with Article 3 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p>(2) The total amount of all security investments by this Corporation should not exceed this Corporation's net worth. The total amount of all long/short-term security investments by each Subsidiary of this Company should not exceed this Corporation's net worth deducted by the total of securities invested by the Corporation and other subsidiaries.</p> <p>(3) The amount of investment by this Corporation in each respective security should not exceed 30% of this Corporation's net worth. The amount of investment by each Subsidiary of this Corporation in each respective security should not exceed 30% of this Corporation's net worth deducted by the total of individual security invested by the Corporation and other subsidiaries.</p>	<p>amount of all long/short-term security investments by each Subsidiary of this Company should not exceed this Corporation's net worth deducted by the total of securities invested by the Corporation and other subsidiaries.</p> <p>(3) The amount of investment by this Corporation in each respective security should not exceed 30% of this Corporation's net worth. The amount of investment by each Subsidiary of this Corporation in each respective security should not exceed 30% of this Corporation's net worth deducted by the total of individual security invested by the Corporation and other subsidiaries.</p>	
Article 9	<p>Assets appraisal procedures: Except for transactions with <u>domestic</u> government institutions, contracting third parties to construct on land owned or rented by this Corporation, or acquisition of equipment for operational purposes, for the acquisition or disposal of real estate, equipment, <u>or right-of-use assets</u> by this Corporation whose amount reaches 20% of the Corporation's paid-in capital or NT\$300</p>	<p>Assets appraisal procedures: Except for transactions with government institutions, contracting third parties to construct on land owned or rented by this Corporation, or acquisition of equipment for operational purposes, for the acquisition or disposal of real estate or equipment by this Corporation whose amount reaches 20% of the Corporation's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be</p>	<p>This amendment has been managed in accordance with Article 3, Article 5, and Article 9 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p>million, an appraisal report issued by Professional Appraiser shall be obtained prior to the Date of the Event, and the following provisions should be complied with:</p> <p>(1) If, for any special reason, a restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction should be approved by the Board in advance. <u>The above procedures should also be followed if the transaction terms are subsequently changed.</u></p> <p>(2) If the transaction price is greater than NT\$ 1 billion, this Corporation should retain at least two Professional Appraisers to perform the appraisal.</p> <p>(3) Unless all the appraisal results for the assets to be acquired are higher than the transaction price or all the appraisal results for the assets to be disposed of are lower than the transaction price, this Corporation should request a certified public accountant to handle the matter in accordance with the provision of Auditing Standard No. 20 and Article 13 herein and comment on the reason for the discrepancy and the fairness of the transaction price. The discrepancy between the appraisal result and the transaction price should be calculated based on the</p>	<p>obtained prior to the Date of the Event, and the following provisions should be complied with:</p> <p>(1) If, for any special reason, a restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction should be approved by the Board in advance.</p> <p>(2) If the transaction price is greater than NT\$ 1 billion, this Corporation should retain at least two Professional Appraisers to perform the appraisal.</p> <p>(3) Unless all the appraisal results for the assets to be acquired are higher than the transaction price or all the appraisal results for the assets to be disposed of are lower than the transaction price, this Corporation should request a certified public accountant to handle the matter in accordance with the provisions of Auditing Standard No. 20 and Article 13 herein and comment on the reason for the discrepancy and the fairness of the transaction price. The discrepancy between the appraisal result and the transaction price should be calculated based on the transaction price:</p> <ol style="list-style-type: none"> 1. If the discrepancy between the results of the appraisal report and the transaction price exceeds 20%; 2. In case the discrepancy between the two appraisal reports is greater than 10% of the transaction price. <p>(4) The appraisal report should be</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>transaction price:</p> <p>1. If the discrepancy between the results of the appraisal report and the transaction price exceeds 20%;</p> <p>2. In case the discrepancy between the two appraisal reports is greater than 10% of the transaction price.</p> <p>(4) The appraisal report should be issued within 3 months before the contract date; however, if the object's publicly announced value is still the same, and the appraisal report was issued no longer than 6 months ago, the original Professional Appraiser may offer supplemental opinions.</p> <p><u>(5) Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</u></p> <p><u>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Company Act, the Banking Act of the Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act,</u></p>	<p>issued within 3 months before the contract date; however, if the object's publicly announced value is still the same, and the appraisal report was issued no longer than 6 months ago, the original Professional Appraiser may offer supplemental opinions.</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p><u>or for fraud, breach of trust, embezzlement, document forgery, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of serving the sentence, expiration of a suspended sentence period, or receiving a pardon.</u></p> <p><u>2. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>(6) When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, prudently assess their own professional capabilities, practical experience, and impartiality.</u></p> <p><u>2. When examining a case, appropriately plan and execute adequate working procedures to obtain a conclusion that is used as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall</u></p>		

Article	Article after Revision	Article before Revision	Explanation
	<p><u>be fully and accurately specified in the case working papers.</u></p> <p><u>3. Undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the data sources used, the parameters, and the information as the basis for issuing the appraisal report or opinion.</u></p> <p><u>4. Issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, as well as that they have evaluated and found that the information used is reasonable and accurate and that they have complied with the applicable laws and regulations.</u></p>		
Article 10	<p>Determination basis:</p> <p>When this Corporation engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the determination procedures and appraisal of the rationality of transaction conditions comply with these procedures, if the transaction amount reaches 10% of this Corporation's total assets, this Corporation shall also obtain an appraisal report from a professional appraiser or an opinion by a certified public accountant in accordance with the preceding chapter. A total of 10% of this Corporation's total assets</p>	<p>Determination basis:</p> <p>When this Corporation engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the determination procedures and appraisal of the rationality of transaction conditions comply with these procedures, if the transaction amount reaches 10% of this Corporation's total assets, this Corporation shall also obtain an appraisal report from a professional appraiser or an opinion by a certified public accountant in accordance with the preceding chapter. A total of 10% of this Corporation's total assets shall be</p>	Adjustment of a quoted article

Article	Article after Revision	Article before Revision	Explanation
	<p>shall be calculated by the total assets amount in the most recent individual or consolidated financial statements in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>The preceding transaction amount shall be calculated in accordance with Article 3.</p> <p>When determining whether the transaction subject is a related party, both the legal form and the substantive relationship shall be considered.</p>	<p>calculated by the total assets amount in the most recent individual or consolidated financial statements in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>The preceding transaction amount shall be calculated in accordance with paragraph 2 of Article 3.</p> <p>When determining whether the transaction subject is a related party, both the legal form and the substantive relationship shall be considered.</p>	
Article 11	<p>Determination procedures:</p> <p>If this Company intends to acquire or dispose of real estate <u>or its right-of-use assets</u> from or to a related party, or when it intends to acquire or dispose of assets other than real estate <u>or its right-of-use assets</u> from or to a related party and the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million, except for when buying or selling <u>domestic</u> government bonds or bonds under repurchase and resale agreements and when subscribing or redeeming domestic money market funds issued by securities investment trusts, this Company may not enter into a transaction contract or make a payment until the following matters have been</p>	<p>Determination procedures:</p> <p>If this Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million, except for when buying or selling government bonds or bonds under repurchase and resale agreements and when subscribing or redeeming domestic money market funds issued by securities investment trusts, this Company may not enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for resolution:</p>	<p>This amendment has been managed in accordance with Article 3 and Article 9 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p>approved by the Audit Committee and then submitted to the Board for resolution:</p> <p>(1) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real estate <u>or right-of-use assets</u> from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.</p> <p>(4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to this Corporation and the related party.</p> <p>(5) Monthly cash flow forecasts for the year starting from the anticipated month of signing of the contract and evaluation of the necessity of the transaction and reasonableness of funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or an opinion by a certified public accountant obtained in compliance with the preceding subparagraph.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction</p>	<p>(1) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real estate from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.</p> <p>(4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to this Corporation and the related party.</p> <p>(5) Monthly cash flow forecasts for the year starting from the anticipated month of signing of the contract and evaluation of the necessity of the transaction and reasonableness of funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or an opinion by a certified public accountant obtained in compliance with the preceding subparagraph.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be managed in accordance with paragraph 1 of Article 5. "Within one year" as used in the preceding paragraph refers to</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>amount referred to in the preceding paragraph shall be managed in accordance with paragraph 1 of Article 5. "Within one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been submitted to the Audit Committee and approved by a Board Meeting in accordance with these procedures shall be excluded.</p> <p>For equipment acquired or disposed between the Corporation and its parent company or subsidiary, the Board of Directors may manage it in accordance with Article 4.</p>	<p>one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been submitted to the Audit Committee and approved by a Board Meeting in accordance with these procedures shall be excluded.</p> <p>For equipment acquired or disposed between the Corporation and its parent company or subsidiary, the Board of Directors may manage it in accordance with Article 4.</p>	
Article 12	<p>Reasonableness appraisal: Except real estate <u>or right-of-use assets</u> acquired by a related party due to succession or gift transactions; or when the related party has obtained the real estate <u>or right-of-use assets</u> over five years away from the transaction date of this contract; or the real estate is acquired by signing a joint construction contract or contracting related parties to construct on land owned or rented by this Corporation; <u>the real estate or right-of-use assets for operation use are acquired by the Corporation and subsidiary and its subsidiaries in which it directly or indirectly holds 100</u></p>	<p>Reasonableness appraisal: Except real estate acquired by a related party due to succession or gift transactions; or when the related party has obtained the real estate over five years away from the transaction date of this contract; or the real estate is acquired by signing a joint construction contract or contracting related parties to construct on land owned or rented by this Corporation, the reasonableness of transaction costs shall be appraised according to the following methods, and a certified public accountant shall be consulted for review and shall provide physical opinions.</p> <p>(1) The transaction price with the</p>	<p>This amendment has been managed in accordance with Article 3 and Article 16 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p><u>percent of the issued shares or authorized capital,</u> the reasonableness of transaction costs shall be appraised according to the following methods, and a certified public accountant shall be consulted for review and shall provide physical opinions.</p> <p>(1) The transaction price with the related party, plus necessary capital interest and costs payable by the buyer. The so-called necessary capital interest shall be calculated by the weighted average interest rate over the loan in the year of purchasing assets, provided that it shall not exceed the highest interest rate of the loan for the non-financial industry announced by the Ministry of Finance.</p> <p>(2) If the related party has created a mortgage on said premise with a financial institution for the loan, the total loan value of the premise appraised by the financial institution, provided that the accumulated loan provided by the financial institution shall be at least 70 percent of the total loan value appraised and the term of loan exceeds one year. However, this shall not apply if the financial institution and either party of the transaction are related parties.</p> <p>(3) For purchasing <u>or leasing</u> both the land and house on the same premise, the transaction costs of the land and house may be</p>	<p>related party, plus necessary capital interest and costs payable by the buyer. The so-called necessary capital interest shall be calculated by the weighted average interest rate over the loan in the year of purchasing assets, provided that it shall not exceed the highest interest rate of the loan for the non-financial industry announced by the Ministry of Finance.</p> <p>(2) If the related party has created a mortgage on said premise with a financial institution for the loan, the total loan value of the premise appraised by the financial institution, provided that the accumulated loan provided by the financial institution shall be at least 70 percent of the total loan value appraised and the term of the loan exceeds one year. However, this shall not apply if the financial institution and either party of the transaction are related parties.</p> <p>(3) For purchasing both the land and a house on the same premise, the transaction costs of the land and house may be appraised by either preceding paragraph (1) or (2).</p>	

Article	Article after Revision	Article before Revision	Explanation
	appraised by either preceding paragraph (1) or (2).		
Article 13	<p>Matters to manage when the calculated transaction cost is lower than the transaction price:</p> <p>When the transaction costs appraised in accordance with the preceding regulations are lower than the transaction price, the transaction shall be managed pursuant to paragraph 3, except for the following circumstances with objective evidence and opinions regarding reasonableness issued by a professional appraiser and certified public accountant are obtained.</p> <p>(1) The related party may prove that one of the following conditions is satisfied for the acquisition of land or construction on rented land:</p> <p>1. The land shall be appraised according to the preceding paragraph, while the house shall be calculated by the construction costs of the related party plus reasonable construction profits, and the total amount shall exceed the actual transaction price. The so-called reasonable construction profit shall be based on the lower of the average gross margin of the construction department of the related party in the past three years or the latest gross margin of the construction industry announced by the Ministry of</p>	<p>Matters to manage when the calculated transaction cost is lower than the transaction price:</p> <p>When the transaction costs appraised in accordance with the preceding regulations are lower than the transaction price, the transaction shall be managed pursuant to paragraph 3, except for the following circumstances with objective evidence and opinions regarding reasonableness issued by a professional appraiser and certified public accountant are obtained.</p> <p>(1) The related party may prove that one of the following conditions is satisfied for the acquisition of land or construction on rented land:</p> <p>1. The land shall be appraised according to the preceding paragraph, while the house shall be calculated by the construction costs of the related party plus reasonable construction profits, and the total amount shall exceed the actual transaction price. The so-called reasonable construction profit shall be based on the lower of the average gross margin of the construction department of the related party in the past three years or the latest gross margin of the construction industry announced by the Ministry of Finance.</p> <p>2. The closing case of another floor of the same premise or a</p>	<p>This amendment has been managed in accordance with Article 3, Article 17, and Article 18 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p>Finance.</p> <p>2. The closing case of another floor of the same premise or a nearby area of another non-related party within one year with a similar floor area and equivalent transaction conditions has been appraised after considering reasonable price differences from the floor or area based on real estate <u>or rental</u> transaction practices.</p> <p>(2) The Corporation proves that the transaction condition of the real estate or right-of-use assets purchased from a related party are equivalent, and the floor area is similar to the closing case of <u>transaction with another</u> non-related party in a nearby area within one year.</p> <p>The preceding <u>transaction</u> case in a nearby area refers to a subject in the same or adjacent neighborhood with a distance less than 500 hundred meters away from the premise or a similar announced present value. The so-called similar floor area refers to a <u>transaction case</u> of another non-related party that is no less than 50 percent of the transaction premise. The referred to one year means one year preceding the Date of the Event of the real estate or right-of-use assets acquisition or disposal of assets.</p> <p>If the transaction costs of the real estate <u>or right-of-use assets</u></p>	<p>nearby area of another non-related party within one year with a similar floor area and equivalent transaction conditions has been appraised after considering reasonable price differences from the floor or area based on real estate transaction practices.</p> <p>(2) The Corporation proves that the transaction condition of the real estate purchased from a related party are equivalent, and the floor area is similar to the closing case of other non-related party in a nearby area within one year.</p> <p>The preceding closing case in a nearby area refers to a subject in the same or adjacent neighborhood with a distance less than 500 hundred meters away from the premise or a similar announced present value. The so-called similar floor area refers to a transaction subject of another non-related party that is no less than 50 percent of the transaction premise. The referred to one year means one year preceding the Date of the Event of the subject acquisition or disposal of assets.</p> <p>If the transaction costs of the real estate acquired by the Corporation from a related party are all lower than the transaction price according to the preceding appraisal results and free from the conditions set forth in paragraph 1 herein, the following matters shall be managed:</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>acquired by the Corporation from a related party are all lower than the transaction price according to the preceding appraisal results and free from the conditions set forth in paragraph 1 herein, the following matters shall be managed:</p> <p>(1) Set aside a special earning reserve for the difference between the transaction price of the <u>real estate and its right-of-use assets</u> and appraised cost in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act, which shall not be distributed or used for capital increment by shares. <u>Where a public company uses the equity method to account for its investment in the Company, then the special reserve called for under Article 41, paragraph 1 of Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the Company.</u> The special earnings reserve set aside can only be used when the loss on an asset purchased <u>or rented</u> at a high price due to price decline is recognized or the asset has been disposed <u>or the rental contract is terminated</u> or has been compensated as appropriate or restored to the original state or no irrationality is confirmed by other evidence and is approved by the competent securities authority.</p>	<p>(1) Set aside a special earning reserve for the difference between the transaction price and appraised cost in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act, which shall not be distributed or used for capital increment by shares. The special earning reserve set aside can only be used when the loss on an asset purchased at a high price due to price decline is recognized or the asset has been disposed or has been compensated as appropriate or restored to the original state or no irrationality is confirmed by other evidence and is approved by the competent securities authority.</p> <p>(2) The Audit Committee shall manage such a matter in accordance with 218 of the Company Act.</p> <p>(3) If the assets acquired or disposed by the Corporation reach the reporting standards set forth in Article 5, and the transaction counterparty is a related party, the content shall be disclosed in the notes to the financial report and reported to the Shareholders' Meeting.</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>(2) The Audit Committee shall manage such a matter in accordance with 218 of the Company Act.</p> <p>(3) If the assets acquired or disposed by the Corporation reach the reporting standards set forth in Article 5, and the transaction counterparty is a related party, the content shall be disclosed in the notes to the financial report and reported to the Shareholders' Meeting. <u>Furthermore, the details of the transaction shall be disclosed in the annual report and prospectus.</u></p>		
Article 14	<p>Principles and guidelines: Instruments: The Corporation may engage in instruments, including forwards, options, interest rate and exchange rate swaps, futures, <u>and hybrid contracts combining the above contracts, as well as hybrid contracts or structured products containing embedded derivatives.</u></p> <p>For the transaction of other instruments, the Corporation shall not enter into such transactions unless approved by a Board Meeting.</p> <p>(1) Strategies: Financial derivatives are mainly used for hedging purposes. Other transactions for specific purposes shall not be made unless the manager has carefully assessed is and submitted is to a Board Meeting for approval.</p> <p>Transaction limit</p>	<p>Principles and guidelines: Instruments: The Corporation may engage in instruments, including forwards, options, interest rate and exchange rate swaps, futures, and various combinations thereof. For the transaction of other instruments, the Corporation shall not enter into such transactions unless approved by a Board Meeting.</p> <p>(1) Strategies: Financial derivatives are mainly used for hedging purposes. Other transactions for specific purposes shall not be made unless the manager has carefully assessed it and submitted it to a Board Meeting for approval.</p> <p>Transaction limit Hedging limit: The total hedging contract amount shall not exceed the sum of the Corporation's net exposure after internal netting of assets against liability and</p>	<p>This amendment has been managed in accordance with Article 4 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

Article	Article after Revision	Article before Revision	Explanation
	<p>Hedging limit: The total hedging contract amount shall not exceed the sum of the Corporation's net exposure after internal netting of assets against liability and estimated net income and expenditure in foreign currencies within one year. Specific hedging purpose: Subject to capital expenditure, corporate bonds, and long-term investments, the hedging limit shall be the actual amount.</p> <p>Other: For transactions other than the preceding types, the transaction amount, loss limit, and authorized amount shall be approved by a Board Meeting.</p> <p>Loss limits</p> <p>Hedging transaction and specific purpose transaction: The loss limit is 15% of the contract amount for any individual contract or 10% of the total contract amount for all contracts combined.</p> <p>Authorization/delegation: The foreign exchange planning team of the Finance Department shall fill in the trading form based on the bank receipt and deliver it to personnel of the Financial Section for review. The Financial Section personnel shall submit the form after all content of the transactions are confirmed with the corresponding bank based on the receipt to the head of the Finance Department for approval. The foreign exchange planning</p>	<p>estimated net income and expenditure in foreign currencies within one year.</p> <p>Specific hedging purpose: Subject to capital expenditure, corporate bonds, and long-term investments, the hedging limit shall be the actual amount.</p> <p>Other: For transactions other than the preceding types, the transaction amount, loss limit, and authorized amount shall be approved by a Board Meeting.</p> <p>Loss limits</p> <p>Hedging transaction and specific purpose transaction: The loss limit is 15% of the contract amount for any individual contract or 10% of the total contract amount for all contracts combined.</p> <p>Authorization/delegation: The foreign exchange planning team of the Finance Department shall fill in the trading form based on the bank receipt and deliver it to personnel of the Financial Section for review. The Financial Section personnel shall submit the form after all content of the transactions are confirmed with the corresponding bank based on the receipt to the head of the Finance Department for approval. The Finance Department's foreign exchange planning team shall deliver cash income and expenditure derived from foreign exchange operations to the Financial Section for recording. Trading, confirmation,</p>	

Article	Article after Revision	Article before Revision	Explanation
	<p>team of the Finance Department shall deliver cash income and expenditure derived from foreign exchange operations to the Financial Section for recording. Trading, confirmation, and settlement should be performed by different personnel of the Finance Division.</p> <p>Performance evaluation: The foreign exchange planning team of the Finance Department shall evaluate and review the performance at least twice every month or weekly and periodically submit the performance evaluation report to the executive officer appointed by the Board so that it can review and improve the hedging strategies. To completely control and express the evaluation risks of transactions, the Corporation shall assess the gain or loss monthly.</p>	<p>and settlement should be performed by different personnel of the Finance Division.</p> <p>Performance evaluation: The foreign exchange planning team of the Finance Department shall evaluate and review the performance at least twice every month or weekly and periodically submit the performance evaluation report to the executive officer appointed by the Board so that it can review and improve the hedging strategies. To completely control and express the evaluation risks of transactions, the Corporation shall assess the gain or loss monthly.</p>	
Article	<p><u>These procedures shall have concurrence by a majority of all members of the Audit Committee and be submitted to a Board Meeting for resolution. In the case that these procedures are not agreed by a majority of all members of the Audit Committee, they may be adopted by the concurrence of two-thirds of the Directors, and the resolution of the Audit Committee shall be recorded in the meeting minutes. Upon approval by the Board, they</u></p>	<p>These procedures shall have concurrence by a majority of all members of the Audit Committee and be submitted to a Board Meeting before being forwarded to the Shareholders' Meeting for approval, which shall also be applied. If the Chairman makes dissent on the record or with a written statement, the Corporation shall submit such dissent to the Audit Committee.</p> <p>When these procedures for acquisition and disposal are submitted to the Board Meeting for</p>	Revised according to operating conditions.

Article	Article after Revision	Article before Revision	Explanation
	<p><u>shall be submitted to the shareholders' meeting for approval. For dissent presented by a director and recorded in the record or a written statement, the Corporation shall submit such dissent to the shareholders' meeting for discussion, which shall be applied to the revision. It shall be recorded in the meeting minutes. All members of the Audit Committee and all directors referred to herein shall be calculated by the number of persons actually in the office at the time.</u></p>	<p>discussion according to the preceding regulations, the opinions of all independent directors shall be fully considered. Dissent or opinions reserved by independent directors shall be recorded in the meeting minutes.</p> <p>In the case that first paragraph is not agreed by a majority of all members of the Audit Committee, it may be adopted by the concurrence of two-thirds of the Directors, and the resolution of the Audit Committee shall be recorded in the meeting minutes.</p>	

RITEK Corporation
Comparison Table for the Procedures for Endorsement and Guarantee

Article	Article after Revision	Article before Revision	Explanation
Article 9	<p>Announcement and filing procedures</p> <p>(1) The company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>(2) The Company and subsidiary whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days from the date of the event:</p> <p>1 、 The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>2 、 The balance of endorsements/guarantees by the Company and its subsidiaries for a single entity reaches 20% or more of the Company's net worth as stated in its latest financial statement</p> <p>3 、 The balance of endorsements/guarantees by the Company and its subsidiaries for a single entity reaches NT\$10 million and the aggregate, book value of all endorsements/guarantees for</p>	<p>Announcement and filing procedures</p> <p>(1) The company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.</p> <p>(2) The Company and subsidiary whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days from the date of the event:</p> <p>1 、 The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.</p> <p>2 、 The balance of endorsements/guarantees by the Company and its subsidiaries for a single entity reaches 20% or more of the Company's net worth as stated in its latest financial statement</p> <p>3 、 The balance of endorsements/guarantees by the Company and its subsidiaries for a single entity reaches NT\$10 million, and the aggregate amount of all endorsements/guarantees for</p>	<p>This amendment has been managed in accordance with order FSC Jing-Guan-Cheng -Shen No. 1080304826.</p>

<p>investment under equity method and balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>4 、 The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million and 5% 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 subparagraph 4 of the preceding paragraph.</p> <p>The date of the event referred to herein means the contract date, payment date, resolution date of the Board of Directors, or other date sufficient for confirming the transaction counterparty and transaction amount <u>of the endorsement/guarantee,</u> whichever is earlier.</p> <p>The subsidiaries and parent company referred to herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers filings. Net worth under these Regulations refers to the balance sheet equity attributable to the</p>	<p>investment of a long-term nature and the balance of loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.</p> <p>4 、 The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million and 5% 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 subparagraph 4 of the preceding paragraph.</p> <p>The date of the event referred to herein means the contract date, payment date, resolution date of the Board of Directors, or other date sufficient for confirming the transaction counterparty and transaction amount, whichever is earlier.</p> <p>The subsidiaries and parent company referred herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers filings. Net worth under these Regulations refers to the balance sheet equity attributable to the owners of the parent company.</p>	
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	owners of the parent company.		
Article10	<p>Others</p> <p>(1) When endorsement/guarantee is contemplated by the Company's subsidiary, the subsidiary shall also establish "procedures for endorsement/guarantee". The responsible department of the Company shall periodically supervise and control the subsidiary in accordance with the "Regulations for the Management of Subsidiaries".</p> <p>(2) The management of these procedures shall be included in the internal control procedures. Internal auditors shall perform auditing on the procedures and their implementation every quarter and produce written auditing reports. If any violation is found, a written report is needed to notify the independent directors and the Audit Committee.</p> <p>(3) If a borrower no longer satisfies the criteria set forth in the relevant regulations and/or these Procedures or there is any excess over the limit due to unexpected changes of the Company, a corrective plan has to be provided to the independent directors and Audit Committee and the proposed corrective actions shall be implemented within the period specified in such plan.</p> <p>(4) If the Company's managers and responsible people violate FSC-related regulations or the Procedures, subsequent punishment is subject to the "Reward and Punishment</p>	<p>Others</p> <p>(1) When endorsement/guarantee is contemplated by the Company's subsidiary, the subsidiary shall also establish "procedures for endorsement/guarantee". The responsible department of the Company shall periodically supervise and control the subsidiary in accordance with the "Regulations for the Management of Subsidiaries".</p> <p>(2) The management of these procedures shall be included in the internal control procedures. Internal auditors shall perform auditing on the procedures and their implementation every quarter and produce written auditing reports. If any violation is found, a written report is needed to notify the Audit Committee.</p> <p>(3) If a borrower no longer satisfies the criteria set forth in the relevant regulations and/or these Procedures or there is any excess over the limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee, and the proposed corrective actions shall be implemented within the period specified in such plan.</p> <p>(4) If the Company's managers and responsible people violate FSC-related regulations or the Procedures, subsequent punishment is subject to the "Reward and Punishment Regulations" of the Company.</p> <p>(5) In case the Company or its</p>	<p>This amendment has been managed in accordance with order FSC Jing-Guan-Cheng -Shen No. 1080304826.</p>

<p>Regulations” of the Company.</p> <p>(5) In case the Company or its subsidiary wants to provide an endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital (who has no par value or has a par value other than NT\$10, the sum of the share capital plus "capital surplus - additional paid-in capital" shall be considered its paid-in capital), the subsequent management measures shall be established and periodically reported to the Board of Directors.</p> <p>(6) The regulations shall be subject to the consent of a <u>majority of members of the audit committee</u> and be submitted to the board of directors for resolution. <u>In the case that these procedures are not agreed by a majority of all members of the Audit Committee, it may be adopted by the concurrence of two-thirds of the Directors, and the resolution of the Audit Committee shall be recorded in the meeting minutes. Upon approval by the Board,</u> it shall be submitted to the shareholders’ meeting for approval. Where any director expresses dissent that is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting. <u>The same shall also be applied to any revision. All members of the</u></p>	<p>subsidiary wants to provide an endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital (who has no par value or has a par value other than NT\$10, the sum of the share capital plus "capital surplus - additional paid-in capital" shall be considered its paid-in capital), the subsequent management measures shall be established and periodically reported to the Board of Directors.</p> <p>(6) The regulations shall be subject to the consent of the audit committee and be submitted to the board of directors for resolution and then to the shareholders' meeting for approval. The same shall apply to any amendments to the procedures. Where any director expresses dissent that is included in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting.</p> <p>When the Company proposes the procedures for lending funds to other parties to the Board of Directors for discussion pursuant to the preceding regulations, the opinions of all the independent directors shall be fully considered and the reasons for their consent or dissenting opinions shall be included in the meeting minutes.</p>	
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	<p><u>Audit Committee and all directors referred to herein shall be calculated by the number of persons actually in the office at the time.</u></p>		
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RITEK Corporation
Comparison Table for the Procedures for Lending Funds to Other Parties

Article	Article after Revision	Article before Revision	Explanation
Article 4	<p>The total amount of fund lending and individual subject limit:</p> <p>(1). Fund-lending to companies with a business relationship with the Company shall be limited to twenty percent of the Company's net worth; for funds needed for a short-term period, the total amount shall be limited to twenty percent of the Company's net worth.</p> <p>(2). The total amount for lending to a company with a business relationship with the Company shall not exceed the total transaction amount between the parties within the most recent one year. Furthermore, the amount shall not exceed twenty percent of the Company's net worth in consideration of the risks. The transaction amount shall refer to the sales or purchasing amount between the parties, whichever is higher.</p> <p>(3). The total amount for lending to a company for funding for a short-term period shall not exceed twenty percent of the</p>	<p>The total amount of fund lending and individual subject limit:</p> <p>(1) Fund-lending to companies with a business relationship with the Company shall be limited to twenty percent of the Company's net worth; for funds needed for a short-term period, the total amount shall be limited to twenty percent of the Company's net worth.</p> <p>(2) The total amount for lending to a company with a business relationship with the Company shall not exceed the total transaction amount between the parties within the most recent one year. Furthermore, the amount shall not exceed twenty percent of the Company's net worth in consideration of the risks. The transaction amount shall refer to the sales or purchasing amount between the parties,</p>	<p>This amendment has been managed in accordance with order FSC Jing-Guan-C heng -Shen No. 1080304826.</p>

	<p>Company's net worth.</p> <p>(4). When funding needs between overseas subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company <u>or funds lent by overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares of the Company,</u> the total amount for such lending shall be subject to the limit of forty percent of the Company's net worth, and the individual lending amount shall not exceed forty percent of the Company's net worth.</p>	<p>whichever is higher.</p> <p>(3) The total amount for lending to a company for funding for a short-term period shall not exceed twenty percent of the Company's net worth.</p> <p>(4) When funding needs are lent between overseas subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such lending shall be subject to the limit of forty percent of the Company's net worth, and the individual lending amount shall not exceed forty percent of the Company's net worth.</p>	
Article 10	<p>Announcement procedures</p> <p>(1) The company shall announce and report the previous month's loan balances of its subsidiaries by the 10th day of each month.</p> <p>(2) The company whose lent funds reach one of the following levels shall announce and report such event within two days from the date of the event:</p> <p>1. The aggregate balance of loans to others by</p>	<p>Announcement procedures</p> <p>(1) The company shall announce and report the previous month's loan balances of its subsidiaries by the 10th day of each month.</p> <p>(2) The company whose lent funds reach one of the following levels shall announce and report such event within two days from the date of the event:</p> <p>1、 The aggregate balance of loans to others by the</p>	<p>This amendment has been managed in accordance with order FSC Jing-Guan-Cheng -Shen No. 1080304826 .</p>

	<p>the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more and reaches 2% 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 subparagraph 3 of the preceding paragraph. The date of event referred to herein means the contract date, payment date, resolution date of the Board of Directors, or other</p>	<p>Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>2、 The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.</p> <p>3、 The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more and reaches 2% 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 subparagraph 3 of the preceding paragraph. The date of the event referred to herein means the contract date, payment date, resolution date of the Board of Directors, or other date sufficient for confirming the transaction counterparty and transaction amount, whichever is earlier.</p> <p>The subsidiaries and parent</p>	
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	<p>date sufficient for confirming the transaction counterparty and transaction amount <u>of fund lending</u>, whichever is earlier.</p> <p>The subsidiaries and parent company referred to herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers filings. Net worth under these Regulations refers to the balance sheet equity attributable to the owners of the parent company.</p>	<p>company referred to herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers filings. Net worth under these Regulations refers to the balance sheet equity attributable to the owners of the parent company.</p>	
Article 11	<p>Others</p> <p>(1) When fund-lending to other parties is contemplated by the Company's subsidiary due to a business relationship or short-term fund needs, the subsidiary shall also establish “procedures for lending funds to other parties”. The responsible department of the Company shall periodically supervise and control the subsidiary in accordance with the “Regulations for the Management of Subsidiaries”.</p> <p>(2) The management of these procedures shall be included in the internal control procedures. Internal auditors shall perform auditing on these procedures and their implementation every quarter and produce written</p>	<p>Others</p> <p>(1) When fund-lending to other parties is contemplated by the Company's subsidiary due to a business relationship or short-term fund needs, the subsidiary shall also establish “procedures for lending funds to other parties”. The responsible department of the Company shall periodically supervise and control the subsidiary in accordance with the “Regulations for the Management of Subsidiaries”.</p> <p>(2) The management of these procedures shall be included in the internal control procedures. Internal auditors shall</p>	<p>This amendment has been managed in accordance with order FSC Jing-Guan-C heng -Shen No. 1080304826.</p>

	<p>auditing reports. If any violation is found, a written report is needed to notify the <u>independent directors and</u> the Audit Committee.</p> <p>(3) Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures or there is any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the <u>independent directors and</u> the Audit Committee, and the proposed corrective actions should be implemented within the period specified in such plan.</p> <p>(4) If the Company's managers and responsible people violate FSC-related regulations or the Procedures, subsequent punishment is subject to the "Reward and Punishment Regulations" of the Company.</p> <p>(5) The regulations shall be subject to the consent of a <u>majority of members of</u> the audit committee and be submitted to the board of directors for resolution. <u>In case that these procedures are not agreed by a majority of all members of the Audit Committee, it may be adopted by the concurrence of two-thirds of the Directors, and the resolution of the Audit Committee shall be recorded in the meeting</u></p>	<p>perform auditing on these procedures and their implementation every quarter and produce written auditing reports. If any violation is found, a written report is needed to notify the Audit Committee.</p> <p>(3) If a borrower no longer satisfies the criteria set forth in the relevant regulations and/or these Procedures or there is any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee, and the proposed corrective actions should be implemented within the period specified in such plan.</p> <p>(4) If the Company's managers and responsible people violate FSC-related regulations or the Procedures, subsequent punishment is subject to the "Reward and Punishment Regulations" of the Company.</p> <p>(5) The regulations shall be subject to the consent of the audit committee and be submitted to the board of directors for resolution then to a shareholders' meeting for approval. The same shall apply to any amendments to the procedures. Where any director expresses dissent that</p>	
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	<p><u>minutes. Upon approval by the Board,</u> it shall be submitted to the shareholders' meeting for approval. Where any director expresses dissent that is included in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting. <u>The same shall also be applied to any revisions. All members of the Audit Committee and all the directors referred to herein shall be calculated by the number of persons actually in the office at the time.</u></p>	<p>is included in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting. When the Company proposes the procedures for lending funds to other parties to the Board of Directors for discussion pursuant to the preceding regulations, the opinions of all independent directors shall be fully considered and the reasons for their consent or dissenting opinions shall be included in the meeting minutes.</p>	
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RITEK Corporation

Plan and Issuance Conditions for Overseas or Domestic Unsecured Convertible Bonds (tentative) by Private Placement

I. Issue company:

RITEK Corporation (hereinafter the “RITEK” or “Issue Company”)

II. Total issue amount:

The maximum issue amount is USD 50,000,000 or equivalent value in New Taiwan Dollar or other currency. The actual issue amount will be determined based on the market demand and convertible price of pricing date.

III. Issue date:

To be issued once within one year from the resolution passed by 2019 shareholders’ meeting

IV. Issue method:

The corporate bond will be issued in accordance with article 43-6 of Securities Exchange Act and laws and regulations of countries where the private placement takes place.

The subjects of this private placement Bonds are managed in accordance with article 43-6 of Securities and Exchange Act and no subscriber is consulted by now. The company needs the contribution of working capital now. It may be uneasy to acquire necessary capital smoothly if the fund is raised via securities issuance. It is planned to authorize the board of directors for duly management. The purpose of private placement: expand economic scale to correspond with change of operational environment, settle long-term debts strengthening financial health and oversea material purchase demand. The expected benefits are to reinforce the operation and financial health of the company.

V. Type, par value and issue price of corporate bond:

The corporate bond is registered convertible corporate bond by private placement at par value US\$10,000 or its multiple, or NT\$100,000 or its multiple, and the issue price may not be lower than 80% of the theoretical price.

VI. Coupon rate and interest payment method:

The board of directors is authorized for the determination

VII. Issue term:

The issue term shall be no more than 7 years

VIII. Repayment method:

Unless the Bonds have been previously converted, redeemed, or repurchased and canceled, the Company will repay the Bonds, in whole, in cash on the maturity date with an amount equal to the principal amount or plus an yield.

IX. Conversion subjects:

Common shares issued or oversea depositary receipt issued

X. Conversion:

1. Conversion period of the corporate bond:

Unless the bonds have been previously redeemed, repurchased, canceled, converted or during the period unavailable for the conversion according to the issuance contract, a

holder of the corporate bonds may exercise the conversion rights to convert the bonds into common shares of the Company or oversea depositary receipt in accordance with relevant laws and issuance contract.

2. Conversion procedures of the corporate bond:

For request of conversion, the holders of bonds shall prepare “conversion notice” and file the conversion application to the Company along with the bonds and documents or certificates as required by the laws of the Republic of China.

3. Determination and adjustment of conversion price of the corporate bond:

The conversion price may not fall below 80% of simple arithmetical average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date deducted by any distribution of stock dividends, cash dividends and added by reverse of ex-right of capital deduction, or simple arithmetical average closing price of the common shares of the Company for thirty consecutive business days before pricing date deducted by any distribution of stock dividends, cash dividends and added by reverse of ex-right of capital deduction. It is proposed to authorize the board of directors for the determination of actual price pursuant to relevant laws and regulations.

4. Dividend attribution in conversion year:

The holders of the corporate bond shall not enjoy the dividend or interest before the conversion; the common shares after conversion shall be entitled to the dividend or interest distribution pursuant to laws and equal to the rights with other common shareholders of the Company.

5. The rights and obligations after the conversions:

Except for the restriction on transfer within three years from the delivery of the corporate bond in accordance with article 43-8 of the Securities and Exchange Act, the common shares converted from the corporate bond shall have the rights and obligations equal to original common shares.

XI. Early redemption at the option of the Company:

The board of directors is authorized for the determination

XII. Redemption at the option of the holder of the Bonds:

The Company may choose not to include the terms of redemption at the option of the holders of the Bonds, or, may choose to include the terms that after certain period of time from the issue date, a holder of the Bonds may request the Company to redeem the Bonds, in whole or in part, at a price calculated at certain an annual rate.

XIII. Other important covenants:

For issuance conditions of the corporate bond and other matters not mentioned herein, the board of directors is authorized to make necessary determination, adjustment and duly management.

RITEK Corporation
Chapter 1 General Provisions

Article 1: The Corporation shall be incorporated under the Company Act of the Republic of China, and its name is RITEK Corporation.

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

1. CC01110 Computers and Computing Peripheral Equipment Manufacturing
2. CC01120 Data Storage Media Manufacturing and Duplicating
3. CC01080 Electronic Parts and Components Manufacturing
4. C805030 Plastic Made Grocery Manufacturing
5. C805050 Industrial Plastic Products Manufacturing
6. CC01060 Wired Communication Equipment and Apparatus Manufacturing
7. CC01070 Telecommunication Equipment and Apparatus Manufacturing
8. CE01030 Photographic and Optical Equipment Manufacturing
9. F107200 Wholesale of Chemistry Raw Material
10. F107190 Wholesale of Plastic Sheets & Bags
11. F113050 Wholesale of Computing and Business Machinery Equipment
12. F113070 Wholesale of Telecom Instruments
13. F118010 Wholesale of Computer Software
14. F119010 Wholesale of Electronic Materials
15. F207200 Retail sale of Chemistry Raw Material
16. F207190 Retail Sale of Plastic Sheets & Bags
17. F213030 Retail sale of Computing and Business Machinery Equipment
18. F213060 Retail Sale of Telecom Instruments
19. F218010 Retail Sale of Computer Software
20. F219010 Retail Sale of Electronic Materials
21. I301010 Software Design Services
22. I301020 Data Processing Services
23. I301030 Digital Information Supply Services
24. F601010 Intellectual Property
25. JE01010 Rental and Leasing Business
26. H703100 Real Estate Rental and Leasing
27. F401010 International Trade
28. D101060 Self-usage power generation equipment utilizing renewable energy
29. E601010 Electric Appliance Construction
30. IG03010 Energy Technical Services
31. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: The Corporation may provide guaranteed to related parties or correspondent companies

as necessary for the businesses.

Article 2-2: The total investment amount of the Corporation may exceed forty percent of the paid-in capital.

Article 3: The Corporation shall have its head office in Hsinchu County and may decide to set up branch offices upon resolution of Board of Director within and without in territory of the Republic of China as necessary.

Article 4: Public announcement of the Corporation shall be made in accordance with the Article 28 of Company Act.

Chapter 2 Shares

Article 5: The total registered capital stock of the Corporation shall be in the amount of 40,000,000,000 New Taiwan Dollars, divided into 4,000,000,000 shares, at ten New Taiwan Dollars each, may be issued, in whole or in part, by common shares or preferred shares. To cooperate with the request of Central Depository Company, the stock with higher par value could be issues alternatively. The stock options are offered to the extent of NT\$300,000,000 among preceding total capital, total in 30,000,000 shares, at ten dollars each to be partially issued by the board of directors.

Article 5-1: The rights, obligations and other important matters regarding type A registered preferred stock issued by the Corporation are as follows:

1. The dividend of preferred stock shall be up to 10% calculated by actual issuance price. The dividend shall be distributed once by cash every year. After the financial statements are accepted by annual shareholders' meeting, the board of directors shall determine the record date of dividend on preferred stocks to distribute the dividend payable in previous year. The cash dividend shall be calculated by actual days issued in the issuance year, and the issuance date shall be defined as the record date of capital increment.
2. Where there is profit of annual final account, except for rendering all taxes, when allocating the net profits for each fiscal year, the Corporation shall first offset its losses in previous years and set aside legal capital reserve and special earning reserve pursuant to laws. The balance shall be first distributed to dividends of preferred shares.
3. If there is no earning or the earning distribution is not sufficient for dividends of type A preferred shares in said fiscal year, the unappropriated or deficit dividend shall be accumulated as soon as there is earning to made it up. Upon or after the preferred shares being recalled, the Corporation shall first make up the accumulative unappropriated dividend of preferred shares.
4. In addition to collection of dividend of preferred shares, type A registered preferred shares may join the distribution of earning and capital surplus divided of common shares. Type A preferred shares converted to common shares before the ex-dividend date shall not join the dividend distribution of preferred shares,

however, they are entitled to join the distribution of earning and capital surplus divided of common shares in that year. However, where there is accumulative unappropriated dividend of preferred shares, it shall be first distributed in that year and years afterward.

5. The type A preferred shares shall be privileged to the distribution of remaining properties of the Corporation, however, the amount shall be subject their issuance amount.
6. The shareholders of type A preferred shares shall have not voting and election rights in shareholders' meeting. However, they are eligible for election of Directors or Supervisors.
7. As issuing new shares of capital increase by cash, the shareholders of type A preferred shares shall have subscription right equal to the shareholders of common shares.
8. The issuance term of type A preferred shares is five years. From the next day of three years since the issuance date until three months before the expiration date, the request for conversion to common shares issued by the Corporation may be filed anytime. Regarding preferred shares not yet converted from three months prior to the expiration until the due date, the Corporation may mandatorily request shareholders of preferred shares to convert all holding shares to common shares. The conversion ratio shall be one preferred share to one common share. After the preferred shares are converted to common shares, the rights and obligations shall be equal to the common shares originally issued. Meanwhile, the Corporation may recall type A preferred shares in three years after the issuance, and the recalled price shall be the original issue price plus unappropriated dividend of preferred shares.

Article 6: The share certificates of the Corporation shall be name-bearing with company seal affixed and at least three directors signed or sealed, and shall be issued with company logo and serial number after authentication by competent authority. The Corporation may issue shares without printing share certificate(s). However, the registration shall be made to centralized securities depository institution.

Article 7: All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Corporation shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

Article 8: (deleted)

Article 9: (deleted)

Article 10: (deleted)

Article 11: Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on

which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

Chapter 3 Shareholders' Meeting

Article 12: Shareholders' meetings of the Corporation shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings may be convened if necessary. Written notices with date, place and purpose of convening such meeting shall be sent to all shareholders at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings.

Article 13: The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, the Chairman of the Board of Directors shall designate one director to act on his/her behalf. If the Chairman of the Board of Directors does not designate any proxy to preside over the Meeting, the Directors shall elect one from among themselves as the Chairman.

Article 14: Except for the event of no voting right provided under article 179 of the Company Act, , each share of stock shall be entitled one vote.

Article 15: If a shareholder is unable to attend a meeting, he/she may sign and present the proxy with extinct scope of authorization and appoint a representative to attend the meeting.

Article 16: Except otherwise provided by the Company Act, the resolutions of shareholders' shall be adopted by the concurrence of a majority of the votes held by shareholders present in the meeting representing over one half of the total issued stock of the Corporation.

Article 17: The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be managed in accordance with article 183 of the Company Act.

Chapter 4 Directors and Supervisors

Article 18: The Corporation shall have seven to nine Directors and two Supervisors. The tenure of office of Directors shall be three years and they shall be eligible for successive assignment. Directors and Supervisors shall be elected by adopting candidates nomination system and shareholders shall elect them from the candidate list. The nomination method shall comply with article 192-1 of the Company Act.

Article 18-1: In compliance with article 183 of the Securities and Exchange Act, the aforesaid Board of Directors must have at least three independent directors.

The Corporation has established Audit Committee to replace Supervisors in accordance with article 14-4 of the Securities and Exchange Act since 2017 Shareholders' Meeting. The Audit Committee shall consist of all independent directors, and the number of independent directors is set at three. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified in relevant laws. The articles regarding the Audit Committee herein shall be invalid from the establishment date of Audit Committee.

Article 19: In the case that vacancies on the Board of Directors exceed one third of the total number of the Directors, then the Board of Directors shall convene a special shareholders'

meeting to elect new Directors to fill such vacancies within sixty days and the tenure of office shall succeed until the expiration of original term of office.

Article 20: When the tenure of office is expired while the re-election cannot be managed timely, the Directors and Supervisors shall extend their duties until the re-elected Directors and Supervisors take the post of office.

Article 21: The Board of Directors shall be organized by Directors. The Directors shall elect from among themselves a Chairman of the Board of Directors by a majority in a meeting attended by over two-thirds of the Directors. The Chairman shall execute all affairs of the Corporation based on the laws, articles of incorporation, resolutions of Shareholders' meeting and Board of Directors.

Article 22: The Board of Directors shall determine the operational guidelines and other important matters of the Corporation. Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened in accordance with article 203 of the Company Act, all remaining meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, unless in his absence or he cannot exercise duties for cause, the proxy shall be managed in accordance with Article 208 of the Company Act.

Article 22-1: In addition to compliance with Company Act, the following matters shall not be executed unless they have been resolved by the Board of Directors:

1. Preparation of the amendment on articles of incorporation
2. Approval for annual budget and review of fiscal account, including the review and supervision of annual business plan.
3. Approval for the investment on other enterprises or transfer of shares with amount 300,000,000 (included) or above. However, the Chairman may be authorized for the execution when the amount is below 300,000,000 and report to next Board meeting.
4. The selection, employment and discharge of independent auditor of the Corporation
5. The preparation for the assignment, sales, rent, pledge, attachment or disposition of the Corporation's properties or operation, in whole or in part, in other manner.
6. The approval for the financing, guarantee, acceptance and any other loan or debt filed with financial institution or third party with amount 300,000,000 (included) or above. However, if the amount is below 300,000,000, it shall be reported to next Board meeting.
7. The approval for capital expenditure with amount 500,000,000 (included) and above. However, if the amount is below 500,000,000, the proviso as set forth in preceding paragraph shall be applied *mutatis mutandis*.
8. The management of endorsement, guarantee in name of the Corporation according to the Procedures for Endorsement and Guarantee.
9. The approval of important transactions between the Corporation and related parties (including related enterprises).
10. The acquisition, assignment, license and lease of professional technology and patent as well as the approval, amendment and termination of technological cooperation

contract.

11. The approval for important contracts or other material matters.

Article 23: Except as otherwise provided in the Company Act of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting. A Director may, by proxy with distinct authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, but no Director may act as proxy for more than one other Director.

Article 23-1: The meeting of the Board of Directors shall be held at least once every quarter. The meetings of the Board of Directors may be convened at any time if necessary. The written notice may be replaced by telephone, facsimile, and email such methods.

Article 24: Resolutions adopted at a meeting of Board of Directors shall be recorded in the minutes of the meeting. The Article 183 of the Company Act shall be applied mutatis mutandis to the meeting minute.

Article 25: In addition to exercising supervision independently, the Supervisors may attend the Board meeting for observation but shall not be entitled to vote.

Article 26: The Corporation may compensate the Chairman, Directors and Supervisors for managing businesses of the Corporation regardless of the profit or loss. The Board of Directors is authorized to determine the compensation, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry.

The Corporation may purchase the D&O liability insurance to for the Directors and Supervisors to the extent of their business management during the term of office.

Chapter 5 Managers and Staffs

Article 27: The Corporation may appoint one or more Chief Executive Officer and certain number of Deputy Chief Executive Officers. Their employment, discharges and compensation shall be resolved by concurrence of a majority directors present in the meeting representing over one half of the total Directors.

Article 28: The employment, discharges and compensation of managers of the Corporation shall be managed in accordance with Article 29 of the Company Act.

Chapter 6 Accounting

Article 29: After the close of each fiscal year, the reports as stipulated in Article 28 the Company Act shall be prepared by the Board of Directors, and submitted to the review of Supervisors in thirty days prior to the Shareholders' Meeting before submitting to regular shareholders' meeting for acceptance. If the capital amount reaches the number stipulated by central competent authority, the Article 20 of the Company Act shall govern.

Article 29-1: Where there is profit of the annual final account, the bonus to employees not less than 5% and the compensation to Directors and Supervisors not more than 4% shall be set

aside. However, if there is still accumulated loss of the Corporation, the covering amount shall be reserved in advance.

Preceding bonus to employees may be distributed by cash or stock, and the subjects may include employees of subsidiaries as satisfactory to certain conditions which are determined by the Board of Directors.

Article 30: The industrial environment where the Corporation is situated changes rapidly and it is under rapid growth phase of business life cycle. In consideration of future capital demand, long-term financial planning and earnings growth of the Corporation as well as to satisfy the demand of shareholders for cash inflow, except for rendering business income tax and recovering previous losses, when allocating the earnings for each fiscal year, the Corporation shall first set aside a legal capital reserve at 10% of the earnings left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations and the balance shall be allocated to dividend of preferred shares first. The balance left over plus unappropriated earning in previous years shall be allocated 50% to 100% as dividend to shareholders. Among them, the ratio of cash dividend shall be assessed in considering the earnings growth in the future to the extent not more than one half of capital budget. Preceding dividend appropriation ratio and cash dividend ratio may be adjusted upon the resolution of Shareholders' Meeting depending on actual profit and capital conditions of the Corporation.

Where there is previously accumulated or current equity deduction due to deficit earnings after tax, the special capital reserve shall be set aside from previous accumulated unappropriated earnings and deducted first before allocating to the dividend of shareholders.

Chapter 7 Supplementary Provisions

Article 31: The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors otherwise.

Article 32: In regard to all matters not provided for in these Articles of Incorporation, the Company Act and other relevant laws shall govern.

Article 33: These Articles of Incorporation are established on December 17, 1988, and the first Amendment on May 5, 1979, the second Amendment on June 27, 1979, the third Amendment on February 18, 1979, the fourth Amendment on January 1, 1990, the fifth Amendment on November 20, 1990, the sixth Amendment on June 9, 1991, the seventh Amendment on May 17, 1992, the eighth Amendment on February 1, 1993, the ninth Amendment on May 30, 1993, the tenth Amendment on May 29, 1994, the eleventh Amendment on May 26, 1995, the twelfth Amendment on June 3, 1996, the thirteenth Amendment on January 29, 1996, the fourteenth Amendment on May 16, 1996, the fifteenth Amendment on June 1, 1998, the sixteenth Amendment on May 17, 1999, the seventeenth Amendment on May 17, 1999, the eighteenth Amendment on April 19, 2000,

the nineteenth Amendment on June 4, 2001, the twentieth Amendment on May 27, 2002, the twenty-first Amendment on May 27, 2002, the twenty-second Amendment on June 27, 2003, the twenty-third Amendment on June 11, 2004, the twenty-fourth Amendment on June 13, 2005, the twenty-fifth Amendment on June 14, 2006, the twenty-sixth Amendment on September 22, 2006, the twenty-seventh Amendment on June 13, 2006, the twenty-eighth Amendment on June 13, 2008, the twenty-ninth Amendment on June 10, 2007, the thirtieth Amendment on June 17, 2010, the thirty-first Amendment on June 18, 2012, the thirty-second Amendment on June 14, 2013, the thirty-third Amendment on June 14, 2016, and the thirty-fourth Amendment on June 13, 2017.

RITEK Corporation

Chairman: Yeh, Chwei-Jing

RITEK Corporation
RULES AND PROCEDURES OF SHAREHOLDERS' MEETING

1. Unless there is provision provided otherwise by laws, Shareholders' Meeting of the Corporation shall be conducted in accordance with these Rules and Procedures.
2. The attendance list shall be provided for attending shareholders to sign in or shareholders attending the Meeting may alternatively submit the attendance card for the purpose of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance list or attendance cards submitted by the shareholders plus the shares exercising voting rights in writing or electronic method.
3. The attendance and voting of Shareholders' Meeting shall be calculated by shares.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
5. The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors shall preside at the Meeting. If there is no Vice Chairman or Vice Chairman is absent or cannot preside at the Meeting, the Chairman shall appoint one Managing Director to act on behalf. If there is no Managing Director, one of the Directors shall be appointed to preside the Meeting. If Chairman does not appoint the proxy, the Managing Directors or Directors shall recommend one among them to preside the Meeting.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

6. The designated counsel, CPA or other related persons may attend the Meeting for observation. Persons handling affairs of the Meeting shall wear identification cards or badges.
7. The process of the Meeting shall be taperecorded or videotaped and these tapes shall be preserved for at least one year.
8. Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the

shareholders present becomes majority, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act of the Republic of China.

9. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

10. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman. If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders; otherwise the chairman shall stop such interruption.

11. Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times, each time not exceeding 5 minutes. In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

12. If a corporate shareholder is designated to attend the Meeting, such corporate may only appoint one representative to attend.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

13. After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

14. The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.

15. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
16. During the Meeting, the chairman may, at his discretion, set time for intermission. I
17. Except otherwise specified in the Company Act or the Articles of Incorporation of the Corporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
18. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
19. The chairman may conduct the disciplinary officers (or the security guard) to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
20. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

RITEK Corporation
Procedures for Acquisition or Disposal of Assets

Chapter 1 General Provisions

Article 1 Purpose

These Procedures are established in accordance with Article 36-1 of the Securities and Exchange Act.

Article 2 The scope of assets:

- (1) Stocks, bonds, corporate bonds, bank indentures, fund securities, depository receipts, warrants, beneficiary securities, asset-based securities, etc.;
- (2) Real estate (including lands, plants and buildings, investment property, and right to use land) and equipment;
- (3) Membership
- (4) Patent, copyright, trademark, charter right such intangible assets;
- (5) Derivatives products;
- (6) Assets that are acquired or disposed through merger, spin-off, acquisition or share transfer.

Article 3 Evaluation procedures:

- (1) In addition to compliance with laws and procedures for assets management of the Corporation, the acquisition and disposal of assets of the Corporation shall comply with these procedures. The CEO Office and investment department or other related units shall conduct relevant benefit analysis and appraise possible investment risks regarding the acquisition or disposal of long-term, short-term securities. For acquisition or disposal of real estate or equipment by this, each unit shall prepare capital expenditure plan and conduct feasibility assessment aiming at the purpose and expected benefits of acquisition or disposal before submitting to the financial unit for capital expenditure budget preparation and implement and control the budget according to the content of plan.
- (2) Before the Date of the Event of the acquisition or disposal of securities, the latest financial statements of the object company audited or reviewed by certified public accountant should be acquired for the assessment and reference of transaction price. Should the transaction price reaches 20% of this Corporation's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price have to be sought from certified public accountant before the Date of the Event of the subject acquisition or disposal of securities. If the certified public accountant engaged needs to use the report of an expert as evidence, such certified public accountant shall do so in accordance with the provisions of Auditing Standard No. 20; provided however, these requirements are not applicable if such securities have a public price from an

active market or if the regulatory authorities require otherwise.

- (3) Except transactions with government institutions, contracting third parties to construct on land owned or rented by this Corporation, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate or equipment by this Corporation whose amount reaches 20% of the Corporation's paid-in capital or NT\$300 million, an appraisal report issued by Professional Appraiser shall be obtained prior to the Date of the Event and the following provisions should be complied with.
- (4) If this Corporation's acquisition or disposal of membership or intangible assets reaches 20% of this Corporation's paid-in capital or NT\$300 million, excluding transactions with government agency(ies), opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the Date of the Event of the subject acquisition or disposal of assets. Certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No.20.
- (5) For the merger, spin-off, acquisition or share transfer by this Corporation, opinions in respect of a rational transaction price shall be sought from certified public accountant, lawyer or securities underwrite aiming at the share swap ratio, acquisition price or cash or other properties distributed to shareholders before convening the Board meeting for resolution. However, the merger of the Corporation with subsidiaries with 100% issued shares or total capital held by the Corporation, directly or indirectly, or the merger among subsidiaries with 100% issued shares or total capital held by the Corporation, directly or indirectly shall be exempted from opinions in respect of rational transaction issued by preceding experts.
- (6) In addition to preceding professional estimate and opinions of certified public accountant such experts, the price determination and referential basis in respect of acquisition and disposal of assets of the Corporation shall be also managed as follows:
 1. Securities acquired or disposed on centralized transaction market or Taipei Exchange market shall be determined on the share or bond price then.
 2. Securities not acquired or disposed on centralized transaction market or securities companies Taipei Exchange market shall be determined in considering of net worth per share, technology and profitability, potential of future development, market interest rate, bond coupon rate and credit of debtor as well as latest closing price.
 3. The price of membership acquired or disposed shall be determined in considering its possible benefits and referring to latest closing price. The patent, copyright, trademark, charter such intangible assets acquired or disposed shall be determined as referring to international or market practice, economic life and effects to technology and businesses of the Corporation.
 4. The real estate and equipment acquired and disposed shall be determined as

referring to announced current value, assessed present value, actual closing price or book value of real estate nearby and quotation of supplier.

5. The transaction of derivative instruments shall be referred to transactions of future market, trend of exchange rate and interest rate.
6. The management of merger, spin off, acquisition or shares transfer shall take business nature, net value per share, asset value, technology and profitability, capacity and future growth potential into consideration.

The calculation of transaction amount as referred in preceding paragraph 2, 3 and 4 shall be managed in accordance with paragraph 1 of article 5. "Within one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions with appraisal report issued by professional appraiser or opinions of certified public accountant obtained in accordance with the Procedures should be excluded.

However, the certificate issued by the court may replace the appraisal report or opinions of certified public accounts for assets acquired or disposed via court auction procedures

Article 4 Operational procedures:

(1) Authorization limit and level

1. Securities, real estate and equipment such fixed assets, membership, intangible assets: the CEO is authorized to make the transaction with limit stipulated in Article 6 of these procedures. If the transaction is satisfactory to the announcement standards as set forth in Article 5, it must be submitted to the Chairman for record on next day and submitted to and ratified in next Board meeting. However, if the stocks, corporate bonds, securities by private placement not acquired or disposed on centralized transaction market or Taipei Exchange and the transaction amount reaches announcement standard, the transaction shall not be made unless it has been resolved by the Board meeting. Meanwhile, the investment in Mainland China shall be conducted unless it is approved by the Board of Directors and Investment Commission, MOEA.

2. Derivative instrument transactions

- (1). The Chairman shall appoint the financial manager to deal with single hedge transaction with amount less than US\$10million (including currency in equivalent value) and accumulated amount less than US\$30 million (including currency in equivalent value). For single transaction amount more than US\$10 million and accumulated transaction amount more than US\$30 million, it shall be submitted to CEO for approval in advance. Other derivative instrument transactions shall be executed according to the limitation authorized by the Board of Directors.
- (2). To have authorization of the Corporation correspond with the bank, the

bank shall be informed for the authorized transaction personnel.

(3). The derivative instrument transaction based on preceding authorization shall be submitted to next Board meeting after the event.

3. Merger, spin off, acquisition or shares transfer: related procedures and related information preparation shall be managed in accordance with Chapter 4 of these Procedures. Among them, the merger, spin off, acquisition shall not be conducted unless it is approved by the Shareholders' Meeting, except those are exempted from the approval of Shareholders' Meeting pursuant to other laws. Meanwhile, the transfer of shares shall not be implemented unless it is approved by the Board Meeting.

(2) Responsible units and transaction procedures

For acquisition or disposal of long/short term security investment, the departments responsible should be CEO Office, Finance Division and Investment Unit; For acquisition or disposal of real estate and equipment, membership and intangible assets, the departments responsible should be User Unit and related department; For acquisition or disposal of derivative instrument, the departments responsible should be Finance Division and personnel designated by the Chairman; For merger, spin off, acquisition or shares transfer, the Chairman shall appoint the responsible unit. After the acquisition or disposal of assets are appraised and approved according to regulations, the responsible department shall then engage in contract conclusion, payment and collection, delivery and acceptance such transaction procedures and manage related procedures based on internal control system depending on the nature of assets.

The Corporation shall place related contracts, meeting minutes, memorandum books, appraisal report, and opinions of certified public accountant, lawyer or securities underwriter regarding the acquisition or disposal of assets in the Corporation. Unless there is provision provided otherwise by laws, these documents shall be retained at least for five years.

Article 5 Announcement and filing procedures:

(1) Should any of the following conditions relating to the Company's acquisition or disposal of assets occurs, filing and public announcement shall be made according to the relevant regulations within two days commencing immediately from the Date of the Event:

1. Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million; provided, this shall not apply to buying or selling of government bonds Property or bonds under repurchase and

- resale agreements, nor subscription or redemption of domestic money market funds issued by securities investment trusts;
2. Merger, spin-off, acquisition or share transfer;
 3. The loss on transaction of derivative instruments reaches the limit of all or individual contract loss as stipulated in the handling procedures.
 4. Acquisition or disposal of operation-purpose equipment with non-related parties in an amount exceeding NT\$ 1 billion;
 5. Acquisition of real estate by way of contracting third parties to construct on land owned or rented by this Company, distribution of building under joint construction project, distribution of profit under joint construction project, or selling building under joint construction project, and the amount of transaction exceeding NT\$ 500 million;
 6. The acquisition or disposal of assets other than preceding five paragraphs where the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$300 million. However, the following situations should not be subject to the above filing/publishing requirements:
 - (1). Buying or selling government bonds;
 - (2). Buying or selling bonds under repurchase and resale agreements, or subscribing or redeeming domestic money market funds issued by domestic securities investment trusts;
 7. The "transaction amount" referred to above shall be calculated as follows:
 - (1).Each transaction amount
 - (2).The accumulated amount of several transactions with the same party for acquisition or disposal of the same kind of assets within one year;
 - (3).The accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of real estate under the same development project within one year; or
 - (4).the accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of the same security within one year.
 8. "Within one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been previously published in accordance with the Procedures should be excluded
- (2) The Corporation shall entry the derivative instruments transactions managed by the Corporation and domestic non-public offered subsidiaries in the information filing website appointed by the competent securities authority before 10th day every month.
 - (3) All items should be published again within two days from the date the Company becomes aware of any error or incompleteness therein.
 - (4) Should any of the following conditions occur after the filing and public announcement of transactions, this Company needs to file and make public announcement accordingly within two days commencing immediately from the Date

of the Event:

1. Amendment, termination or cancellation of the original agreement;
2. Merger, spin-off, acquisition or share transfer not completed as scheduled in the agreement;
3. Change to the originally publicly announced and reported information.

Article 6 Investment scope and limit:

In addition to the acquisition of assets for operational use, the Corporation and subsidiaries may also invest real estate and securities for non-operating purpose, and the limit of amounts are as follows:

- (1) The acquisition of real estate by this Corporation for non-operating purpose should not exceed 50% of this Company's net worth. The acquisition of real estate for non-operating purpose by each Subsidiary of this Corporation should not exceed 50% of this Company's net worth deducted by the total amount of real estate purchased by other subsidiaries for non-operating purpose.
- (2) The total amount of all security investments by this Corporation should not exceed this Corporation's net worth. The total amount of all long/short term security investments by each Subsidiary of this Company should not exceed this Corporation's net worth deducted by total of securities invested by the Corporation and other subsidiaries.
- (3) The amount of investment by this Corporation in each respective security should not exceed 30% of this Corporation's net worth. The amount of investment by each Subsidiary of this Corporation in each respective security should not exceed 30% of this Corporation's net worth deducted by total of individual security invested by the Corporation and other subsidiaries.

Article 7 The control over assets acquired or disposed by subsidiaries:

- (1) The Corporation's Subsidiary should follow the procedures for acquisition or disposal of assets by public offering companies to establish and implement these procedures, and submit the same to Audit Committee and/or Board of Directors and/or Shareholders' Meeting pursuant to relevant regulations for approval. The responsible departments of the Corporation shall make periodical supervision and control according to "Regulations Governing the Management of Subsidiaries".
- (2) The subsidiaries of the Corporation shall manage the acquisition and disposal of assets in accordance with their own "Procedures for the Acquisition and Disposal of Assets", and the subsidiary that is not a domestic public company shall summarize the derivative instrument transactions managed by the end of previous month before 5th day every month in writing to the Investment Department of the Corporation. The Investment Department shall submit the report to Finance Department for handling announcement before 8th day every month.

- (3) If the acquisition or disposal of assets by this Corporation's Subsidiary reaches the reporting standard and such Subsidiary is not a domestic public company, the Subsidiary shall notice Investment Department of the Corporation on the Date of Event and this Corporation should publish and report for such Subsidiary.

Regarding the reporting standard of transaction amount reaching 20% of this Corporation's paid-in capital or 10% of total assets as set forth in Article 5 applicable to the Subsidiary, the paid-in capital or total assets of the Corporation shall govern.

Article 8 Punishment:

For violation of regulations regarding acquisition or disposal of assets of competent securities authority and these procedures, the manager and responsible personnel of the Corporation be punished according to the "Reward and Punishment Regulations" of the Corporation.

Article 9 Assets appraisal procedures:

Except transactions with government institutions, contracting third parties to construct on land owned or rented by this Corporation, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate or equipment by this Corporation whose amount reaches 20% of the Corporation's paid-in capital or NT\$300 million, an appraisal report issued by Professional Appraiser shall be obtained prior to the Date of the Event and the following provisions should be complied with:

- (1) If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction should be approved by the Board in advance. The above procedures should also be followed in case the transaction terms are changed subsequently.
- (2) If the transaction price is over NT\$ 1 billion, this Company should retain at least two Professional Appraisers to perform the appraisal.
- (3) unless all the appraisal results for the assets to be acquired are higher than the transaction price, or all the appraisal results for the assets to be disposed of are lower than the transaction price, this Corporation should request a certified public accountant to handle the matter in accordance with the provision of Auditing Standard No.20 and Article 13 herein and comment on the reason for the discrepancy and the fairness of the transaction price. The discrepancy between the appraisal result and the transaction price should be calculated based on the transaction price:
 1. If the discrepancy between the result of the appraisal report and the transaction price exceeds 20%;
 2. In case the discrepancy between the two appraisal reports is over 10% of the transaction price.
- (4) The appraisal report should be issued within 3 months before the contract date; provided that if the object's publicly announced value is still the same and the appraisal report was issued no longer than 6 months, the original Professional Appraiser may present

supplemental opinions.

Chapter 2 Transactions with related parties

Article 10 Determination basis:

When this Corporation engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring the determination procedures and appraisal of the rationality of transaction conditions compliance with these procedures, if the transaction amount reaches 10% of this Corporation's total assets, this Corporation shall also obtain an appraisal report from a professional appraiser or an opinion by the certified public accountant in accordance with preceding chapter. The total 10% of this Corporation's total assets shall be calculated by the total assets amount in latest individual or consolidated financial statements in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The calculation of preceding transaction amount shall be managed in paragraph 2 of article 3. As determining whether the transaction subject is a related party, in addition to its legal form, the substantive relationship shall also be considered.

Article 11 Determination procedures:

If this Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million, except for buying or selling government bonds, bonds under repurchase and resale agreements and subscribing or redeeming domestic money market funds issued by securities investment trusts, this Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for a resolution:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) With respect to the acquisition of real estate from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.
- (4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to this Corporation and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or an opinion by the certified public accountant obtained in compliance with the preceding subparagraph.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of transaction amount as referred in preceding paragraph shall be

managed in accordance with paragraph 1 of article 5. "Within one year" as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions which had been submitted to Audit Committee and approved by Board Meeting in accordance with these procedures should be excluded.

For equipment acquired or disposed between the Corporation and parent company or subsidiary, the Board of Directors may manage in accordance with Article 4.

Article 12 Reasonableness appraisal:

Except real estate acquired by the related party due to succession or gift transactions; or the related party has obtained the real estate over five years away from this transaction date of contract; or the real estate is acquired by signing joint construction contract, contracting related parties to construct on land owned or rented by this Corporation, the reasonableness of transaction costs shall be appraised according to following methods and the certified public accountant shall be consulted for review and providing physical opinions.

- (1) The transaction price with related party plus necessary capital interest and costs payable by the buyer. The so called necessary capital interest shall be calculated by the weighted average interest rate over the loan in the year of purchasing assets, provided that it shall not exceed the highest interest rate of loan for non-financial industry announced by the Ministry of Finance.
- (2) If the related party had been created mortgage on said premise with financial institution for the loan, the total loan value of premise appraised by the financial institution, provided that the accumulated loan provided by the financial institution shall be at least 70 percent of total loan value appraised and the term of loan exceeds one year. However, it is not applicable if the financial institution and either party of transaction are related parties.
- (3) For purchasing the land and house on the same premise altogether, the transaction costs of land and house may be appraised by either one of preceding paragraph (1), (2).

Article 13 Matters to be managed when the transaction cost calculated is lower than the transaction price:

When the transaction costs appraised in accordance with preceding regulations are lower than the transaction price, the transaction shall be managed in conformity with Paragraph 3 except for following circumstances with objective evidences and opinions for the reasonableness issued by professional appraiser and certified public accountant are obtained.

- (1) The related party may prove one of following conditions is satisfied for the acquisition of land or construction on land rented:
 1. The land shall be appraised according to preceding paragraph, while the house shall be calculated by the construction costs of related party plus reasonable construction profit and the total amount exceed actual transaction price. The so called reasonable

construction profit shall be based on the lower of average gross margin of construction department of related party in recent three years or latest gross margin of construction industry announced by Ministry of Finance.

2. The closing case of other floor of the same premise or nearby area of other non-related party within one year with similar floor area and equivalent transaction conditions had been appraised after taking reasonable price difference from floor or area based on real estate transaction practices into consideration.
 3. The rental case of other floor of the same premise of other non-related party within one year with equivalent transaction conditions appraised after taking reasonable price difference from floor based on real estate transaction practices into consideration.
- (2) The Corporation proves that the transaction condition of real estate purchased from related party are equivalent and the floor area is similar to the closing case of other non-related party in nearby area within one year.

Preceding closing case in nearby area refers to the subject in the same or adjacent neighborhood with distance less than 500 hundred meters away from the premise or similar announced present value. The so called similar floor area refers to transaction subject of other non-related party which is no less than 50 percent of the transaction premise. The so called one year refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets.

If the transaction costs of real estate acquired by the Corporation from related party are all lower than the transaction price according to preceding appraisal results and free from condition as set forth in paragraph 1 herein, following matters shall be managed:

- (1) Set aside special earning reserve for the difference between transaction price and appraised cost in accordance with paragraph 1 of article 41 of the Securities and Exchange Act, which shall not be distributed or used for capital increment by shares. The special earning reserve set aside could be used only when the loss on asset purchased in high price due to price decline is recognized or the asset has been disposed or has been compensated as appropriate or restored to the original state or no irrationality is confirmed by other evidences and approved by the competent securities authority.
- (2) Audit Committee shall manage in accordance with 218 of the Company Act.
- (3) If the assets acquired or disposed by the Corporation reaches reporting standards as set forth in Article 5 and the transaction counterparty is a related party, the content shall be disclosed at the notes to financial report and reported to the Shareholders' Meeting.

Chapter 3 Control of derivative instrument transactions

Article 14 Principles and guidelines:

- (1) Instruments: The Corporation may engage in instruments include forwards, options, interest

rate and exchange rate swaps, futures, and various combinations thereof. For transaction of other instruments, the Corporation shall not enter into transactions unless it is approved by the Board Meeting.

- (2) Strategies: financial derivatives are mainly used for hedging purpose. Other transactions for specific purposes shall not be made unless the manager has assessed carefully and submitted to the Board Meeting for approval. Transactions involving financial derivatives need to be assured as for hedging purpose.
- (3) Transaction limit:
 1. Hedging limit: the total hedging contract amount shall not exceed the sum of Corporation's net exposure after internal netting of asset against liability and estimated net of income and expenditure in foreign currencies within one year.
 2. Specific hedging purpose: subject to capital expenditure, corporate bond and long-term investment, and the hedging limit shall be the actual amount.
 3. Other: transactions other than preceding types, the transaction amount, loss limit and authorized amount shall be approved by the Board Meeting.
- (4) Loss limits:

Hedging transaction and specific purpose transaction: loss limit is 15% of the contract amount for any individual contract or 10T of total contract amount for all contracts in aggregate.
- (5) Authorization/delegation: the foreign exchange planning team of Finance Department shall fill the trading form based on the receipt of bank and deliver the same to personnel of Finance Section for review. The personnel of Financial Section shall submit the form after all content of transactions are confirmed with correspondent bank based on the receipt to head of Finance Department for approval. The foreign exchange planning team of Finance Department shall deliver cash income and expenditure derived from foreign exchange operation to Finance Section for booking. The functions of trading, confirmation and settlement should be performed by different personnel of Finance Division.
- (6) Performance evaluation: the foreign exchange planning team of Finance Department shall evaluate and review the performance at least twice every month or weekly and submit the performance evaluation report to executive officer appointed by the Board periodically to review and improve the hedging strategies. To fully control and express evaluation risks of transactions, the Corporation assesses the gain or loss monthly.

Article 15 Risks control:

The risks management scope and risks control measures to be taken for transactions of derivative instruments are as follows:

- (1) Credit risk consideration: the counterparties that Corporation deals with to those who either have banking relationship with the Corporation or are renowned or can provide sufficient information.
- (2) Market risk consideration: the loss of derivative instrument may be uncertain due to

market price fluctuations, and therefore the loss limit shall be strictly followed.

- (3) Liquidity risk consideration: to ensure the liquidity of transaction instrument, the transaction institution should have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
- (4) Operating risk consideration: delegation systems and operating procedures set forth herein are employed to control operating risk.
- (5) Legal risk consideration: the international standardized documents should be adopted as much as possible for any legal documents concluded with financial institution to avoid legal risk.
- (6) Instrument risk consideration: internal trading personnel should have complete and correct knowledge in respect of derivative instrument to avoid the loss resulting from using derivative instrument mistakenly.
- (7) Cash settlement risk consideration: in addition to strict compliance of authorized amount, the authorized trading personnel shall watch cash flow of the Corporation to make sure adequate cash to meet the cash settlement requirement.
- (8) Confirmation personnel shall check or certify via letter with correspondent banks periodically and check if the total transaction amount exceeds the limit as stipulated herein anytime.

Article 16 Internal audit system:

- (1) Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments follow the Procedures, and to produce report with trading cycle analysis on a monthly basis. Should there be any violation found, a written report is needed to notify the Audit Committee.
- (2) Internal audit personnel shall include the derivative instrument transactions in audit plan and report the implementation of annual audit plan in previous year by the end of February next year and file the abnormal items and improvement status to competent securities authority for record no later than the end of May next year.

Article 17 Evaluation and Correction of Abnormal Situation:

- (1) The Board shall appoint executive officer to monitor and control the risks of derivative instrument transactions anytime. Meanwhile, the Board shall evaluate if the performance of derivative instrument transactions meet existed operational strategies and if the risks are tolerable by the Corporation periodically. or his designee appointed by written designation accountable for the evaluation, monitoring, and control of risks arising from financial TSMC Property
- (2) The position hold shall be evaluation at least once every week, provided that the hedging transaction as necessary for the businesses shall be evaluated at least twice every month. The evaluation report shall be submitted to the executive officer

authorized by the Board of Directors.

- (3) Evaluate derivative instrument transaction monthly or weekly and submit the summary of gain or loss of the month or week and outstanding non-hedging transaction to executive officer authorized by the Board of Directors for performance evaluation and reference of risks measurement.
- (4) The executive officer authorized by the Board of Directors shall manage derivative instrument transactions based on following principles:
 1. The executive officer authorized by the Board of Directors shall monitor and control the risks of derivative instrument transactions anytime.
 2. Regularly evaluate if current risk control measures are appropriate and are managed in accordance with “Regulations Governing the Acquisition and Disposal of Assets” and these procedures.
 3. Once having identified unusual performances and results, any actions deemed necessary shall be undertaken and the event shall be reported to the Board of Directors. If there are independent directors, the independent directors shall attend the Board Meeting and express opinions.
- (5) The Corporation shall establish memorandum book for derivative instrument transaction, recording the types, amounts, approval date of Board, monthly or weekly evaluation report and periodical evaluation of Board and executive officer authorized by the Board in details.

Chapter 4 Merger, spin off, acquisition and share transfer

Article 18 For the merger, spin-off, acquisition or share transfer by this Corporation, opinions in respect of a rational transaction price shall be sought from certified public accountant, lawyer or securities underwrite aiming at the share exchange ratio, acquisition price or cash or other properties distributed to shareholders before convening the Board meeting for resolution.

Article 19 The Company participating in a merger, spin off, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin off, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, spin off, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders’ meeting to approve the merger, spin off, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, spin off, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, spin off or acquisition shall immediately publicly explain the reason, the

follow-up measures, and the preliminary date of the next shareholders meeting

Article 20 The Corporation participating in a merger, spin off, or acquisition shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, spin off, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. The Corporation participating in a transfer of shares shall call a board of directors meeting on the day of the transaction.

When participating in a merger, spin off, acquisition, or transfer of another company's shares, The Corporation shall prepare a full written record of the following information and retain it for 5 years for reference. When participating in a merger, spin off, acquisition, or transfer of another company's shares, The Company shall within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

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

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

Article 21 Share swap ratio and acquisition price:

The exchange ratio or acquisition price in a merger, spin off, acquisition, or transfer of shares may not be arbitrarily altered unless under the below-listed circumstances:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- (2) An action, such as a disposal of major assets, which affects the company's financial operations.

- (3) An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
- (4) An adjustment where any of the companies participating in the merger, spin off, acquisition, or transfer of shares from another company, buys back treasury stock.
- (5) An increase or decrease in the number of entities or companies participating in the merger, spin off, acquisition, or transfer of shares.
- (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 22 Matters to be recorded in the contract:

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

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

Article 23 Notices for the participation of merger, spin off, acquisition or share transfer:

- (1) Every person participating in or privy to the plan for merger, spin off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin off, acquisition, or transfer of shares.
- (2) After public disclosure of the information, if any company participating in the merger, spin off, acquisition, or share transfer intends further to carry out a merger, spin off, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin off, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of

directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

- (3) Where any of the companies participating in a merger, spin off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 21 and preceding two paragraphs

Article 24 For matters not mentioned herein, the relevant laws and regulations and relevant regulations of the Corporation shall govern.

Article 25 These procedures shall have concurrence by majority of all members of Audit Committee and submitted to the Board Meeting before forwarding to Shareholders' Meeting for approval, which shall be applied also. If the Chairman makes dissent with record or written statement, the Corporation shall submit the dissent to Audit Committee.

When these procedures for the acquisition and disposal is submitted to the Board Meeting for discussion according to preceding regulations, the opinions of all independent directors shall be fully considered. For dissent or opinions reserved by independent directors, it shall be recorded in the meeting minute.

In case that first paragraph is not agreed by majority of all members of Audit Committee, it may be adopted by the concurrence of two-third of the Directors and the resolution of Audit Committee shall be recorded in the meeting minute.

For these procedures for acquisition or disposition of assets or other laws to be approved by the Audit Committee, it shall be adopted by majority of all members of Audit Committee.

In case that first paragraph is not agreed by majority of all members of Audit Committee, it may be adopted by the concurrence of two-third of the Directors and the resolution of Audit Committee shall be recorded in the meeting minute.

RITEK Corporation

Procedures for Endorsement and Guarantee

Article 1 : The Procedures set forth below are the guidelines for the Company to provide endorsement and/or guarantee to outside parties. The Company shall follow the Procedures set forth below for providing endorsement and guarantee.

Article 2 :

- (1). The party to whom the Company may provide endorsement and/or guarantee include (1) Any company who has business relationship with the Company (2) Any subsidiary whose voting shares are fifty percent (50%) or more owned, directly or indirectly by the Company (3) Any company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's voting shares
- (2). Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other, and the total amount of such endorsement/guarantee shall not exceed 10% of the Company's net worth. The limit restriction shall not apply to endorsement/guarantee when such subsidiaries' voting shares are 100% owned, directly or indirectly, by the Company.
- (3). Where a 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, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.
Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the public company, or through a company in which the public company holds 100% of the voting shares.

Article 3 : The words "endorsement and/or guarantee" used herein are defined as

- (1). Financing endorsements/guarantees, including: Bill discount financing, Endorsement or guarantee made to meet the financing needs of another company, Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
- (2). Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
- (3). Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of preceding two paragraphs.
- (4). Any creation of a pledge or mortgage on its chattel or real property as security for the loans of another company.

Article 4

- (1). Total amount of endorsements/guarantees of the Company shall not exceed 50% of the net worth on the latest financial statement. Besides, the ceilings on the amount permitted to a single entity shall not exceed 30% of the net worth on the latest financial statement. Total amount of endorsements/guarantees of the Company and Subsidiary shall not exceed 50% of the Company's net worth on the latest financial statement. Besides, the ceilings on the amount permitted to a single entity shall not exceed 30% of the Company's net

worth on the latest financial statement. The net worth shall be based on the latest reports audited by certified public accountant.

- (2). Where an endorsement/guarantee is made due to needs arising from business dealings, the amount for lending to an individual entity shall not exceed the total transaction amount between the parties in the previous year. In risk consideration, the endorsement amount shall exceed the limit of guarantee to single entity as set forth in preceding paragraph. The transaction amount shall mean the sales or purchasing amount between the parties, whichever is higher.
- (3). In case the above limits have to be exceeded to accommodate business needs, the over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion
- (4). If the total amount of endorsement/guarantee of the Company and subsidiaries reaches 50% and above of the net worth of the Company, the necessity and reasonableness shall be explained in the shareholders' meeting.

Article 5 : Any endorsement and/or guarantee to be provided by the Company shall be submitted to the Board of Directors for approval. The Chairman is authorized to determine t by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming Board of Directors' Meeting for ratification. °

The endorsement/guarantee made by between the subsidiaries, whose voting shares are at least 90% owned, directly or indirectly, by the Company, shall be submitted to the Board of Directors for approval in advance, provided, however, this approval requirement shall not apply to endorsement/guarantee made between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 6 : When providing endorsement/guarantee to a foreign company, the endorsement/guarantee letter should be executed and signed by the person delegated by the Chairman.

Article 7 : The Company shall use the company chop which is registered with the Ministry of Economic Affairs for the use of endorsement and/or guarantee. The Chop and notes shall be under the safekeeping of special personnel respectively and may be used or to issue negotiable instruments only in accordance with internal procedures. The appointment and the change of the personnel safekeeping the Chop shall be approved by the Board of Directors, which shall be applied to the change.

Article 8 : Procedures for managing endorsement/guarantee

- (1) The handling department shall evaluate the necessity and rationality of the endorsement/guarantee, the credibility and risk of involved parties, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral. Then, fill the application of endorsement/guarantee with company providing endorsement/guarantee, subject, type, reasons and amount and refer to finance center

for review and submit the same to Board of Directors for approval, or the Board of Directors may authorize the Chairman to execute to the limit of NT\$100 million according to Article 5 and submit the same to next Board Meeting for ratification. However, the material endorsement/guarantee shall be submitted to the Audit Committee for approval and reported to the Board of Directors for resolution. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Board of Directors for approval.

- (2) The Finance Center shall establish and maintain a reference book to record endorsement/guarantee matters, subject, amount of endorsement/guarantee, approval date of the Board of Directors or execution date of the Chairman, date of endorsement/guarantee, evaluation to be carefully evaluated by handling department in preceding paragraph and the date and conditions of cancelling endorsement/guarantee liabilities related information in accordance with the relevant regulations.
- (3) When the endorsement/guarantee is cancelled, the company being endorsed/guaranteed shall notice the handling department of the Company with documents prepared for management. The handling department shall fill the endorsement/guarantee cancellation note to refer Finance Center. The Finance Center shall record the cancelled endorsement/guarantee in the reference book to reduce the amount of endorsement/guarantee.

Article 9 : Announcement and filing procedures

- (1) The company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
- (2) The company and subsidiary whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of event:
 1. The aggregate balance of endorsements/guarantees by the company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
 2. The balance of endorsements/guarantees by the company and its subsidiaries for a single entity reaches 20% or more of the company's net worth as stated in its latest financial statement
 3. The balance of endorsements/guarantees by the company and its subsidiaries for a single entity reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30% or more of company's net worth as stated in its latest financial statement.
 4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the company's net worth as stated in its latest financial statement.
- (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 subparagraph 4 of the preceding paragraph.

The date of event as referred herein means the contract date, payment date, resolution date of the Board of Directors or other date which is sufficient to confirm the transaction counterparty and transaction amount, which one is earlier.

The subsidiaries and parent company referred herein shall be determined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers filings.

Net worth under these Regulations means the balance sheet equity attributable to the owners of the parent company.

Article 10 : Others

- (1) When endorsement/guarantee is contemplated by the Company's subsidiary, the subsidiary shall also establish "procedures for endorsement/guarantee". The responsible department of the Company should supervise and control the subsidiary in accordance with "Regulations for the Management of Subsidiaries" periodically.
- (2) The management of these procedures shall be included in the internal control procedures. Internal auditors shall perform auditing on the procedures and implementation every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee.
- (3) Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures or there be any excess over the limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in such plan.
- (4) If the Company's managers and persons-in-charge violate FSC related regulations or the Procedures, subsequent castigation is subject to "Reward and Punishment Regulations" of the Company.
- (5) In case the Company or its subsidiary desires to provide endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital (who has no par value or has a par value other than NT\$10, the sum of the share capital plus "capital surplus - additional paid-in capital" shall be deemed as its paid-in capital), the subsequent management measures shall be established and reported to the Board of Directors periodically.
- (6) The regulations shall subject to the consent of audit committee, and submit to board of directors for a resolution and submit them for approval by the shareholders' meeting. The same shall apply to any amendments to the procedures, where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting.

When the Company propose the procedures for fund lending to other parties to the Board of Directors for discussion pursuant to preceding regulations, the opinions of all independent directors shall be fully considered and the reasons for their consent or dissent opinions shall be included in the meeting minute.

**RITEK Corporation
Procedures for Lending Funds to Other Parties**

Article 1 : These procedures are hereby established as basis for the operation of lending funds to other parties. The Company shall follow the Procedures set forth below for lending funds to other parties.

Article 2 : The party to whom the Company may lend its funds shall be limited to companies having business relationship with the Company or companies in need of funds for a short-term period and may not lend the funds to shareholders, any other parties or other corporate or groups.

Short-term period shall mean the period of one (1) year or one business cycle (which one is longer).

The financing period for funds lending to subsidiaries in which the Company directly or indirectly holds hundred percent of the voting shares may be one to three years.

Article 3 : The reason and necessity of lending funds to other parties

The fund lending to companies having business relationship with the Company shall be managed in accordance with paragraph 2 of article 4; the fund lending to companies in need of funds for a short-term period shall be limited to circumstances as follows:

- (1) The major customers, suppliers of the Company in need of short-term funds for purchase or materials or operational needs.
- (2) Other fund lending for strategic purpose of the Company and is necessary after evaluation of the Company. In condition of secured creditor's right, it is approved by the Board of Directors for short-term fund lending.

Article 4 : The total amount of fund lending and limit of individual subject:

- (1) Fund-lending to companies having business relationship with the Company shall be limited to twenty percent net worth of the Company; for the need of funds for short-term period, the total amount shall be limited to twenty percent net worth of the Company.
- (2) The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties within recent one year. In addition, the amount shall not exceed twenty percent net worth of the Company as considering the risks. The transaction amount shall mean the sales or purchasing amount between the parties, whichever is higher.
- (3) The total amount for lending to a company for funding for a short-term period shall not exceed twenty percent of the net worth of the Company.
- (4) When there is a lending for funding needs between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such lending shall be subject to the limit of forty percent of the net worth of the Company and the individual lending amount shall not exceed forty percent of the net worth of the Company.

Article 5 : Fund lending operation and short-term financing procedures

(1). Review procedures

1. When a borrower apply for a loan from the Company, the handling unit shall have preliminary contact to understand if there is need for fund and the feasible application shall be submitted to superiors in different levels for approval .
2. After receiving the application, the responsible department company shall investigate and evaluate if there is direct (indirect) business relationship with the Company, its business conditions, finance and solvency profitability and borrow purpose as well as consider the risks of total amount of fund lending or short-term loan to the Company's operation, financial conditions and impact toward shareholders' equity and if the collateral should be acquired and the value of collateral.
3. After the investigation or evaluation, if the credit of borrower is good and the borrow purpose is proper, the handling person shall fill the credit report and opinions, draw up the loan conditions and submit to different levels for review and report to the Board of Directors for approval.

(2). Security

- A. The Company shall acquire promissory note with equal amount as handling fund lending and short-term loan and shall create mortgage on property or real estate if necessary. If the borrower provides personal or business guarantee in certain financial and credit level as substitution for the collateral, the Board of Directors may refer to the review report of responsible department for management. For guarantee provided by the company, mind if the guarantee is specified in its articles of incorporation.
- B. All collateral, except land and securities, shall be covered by property damage insurance. The insured amount shall, in principle, be not less than the pledged collateral. The insured object, quantity, location and coverage conditions must be consistent with the requirements of the Company. The handling person shall notice the borrower to continue the insurance before the expiration of insurance.

(3). Scope of authorization

After the responsible department has reviewed the fund lending or short-term loan, it shall be submitted to CEO and report to the Board of Directors for approval and no delegation shall be made to any person in this regard.

Fund-lending between the Company and its subsidiaries, or among the subsidiaries, shall be approved by the board of directors of the lending company, which board may authorize its chairman to lend funds to a specific borrowing counterparty, within a certain amount and within a period not exceeding one year, in one or several drawdowns or via a revolving credit line.

The above certain lending amount shall not exceed 10% of the net worth as disclosed by the lending company's most recent audited financial statements, except that it is satisfactory to paragraph 4 of article 4 herein.

Article 6 : The term of loans and interest calculation

- (1) The durations of loans shall be subject to one year or one operating cycle and shall not be extended. The interest rate shall in no event shall it be lower than the Company's highest short-term bank borrowing rate at the time of lending. The interests shall be calculated on a monthly basis.
- (2) The duration, amount or increase or decrease of credit for each loan shall be complied with Company Act and relevant regulations and managed upon the resolution of Board of Directors as the case may be.
- (3) The interest of loan shall be paid once every month in principle. For special condition, it may be adjusted upon the resolution of Board of Directors as the case may be.

Article 7 : Drawdown, repayment

- (1) Any fund lending to other parties shall be managed upon the resolution of Board of Directors. However, material lending of funds shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.
- (2) For fund lending approved, the board may authorize its chairman to lend funds to a specific borrowing counterparty, within a certain pre-approved monetary amount and within a period not exceeding one year, in one or several drawdowns or via a revolving credit line, and the borrower may repay in once or installments.

Article 8 : Subsequent control measures, overdue management procedures

- (1) After each loan is appropriated, the responsible department of the Company shall watch the variation finance, business and related credit conditions of borrowing company and its guarantor and the change of collateral value regularly and record in writing. Where there is material change, it shall be reported to the CEO immediately.
- (2) When the borrowing company repay the loan upon expiration or earlier, the cancellation, return of promissory note or cancellation of mortgage shall not be managed until the principal and accrued interest are paid up altogether. The borrowing company repays the principal and accrued interest is paid up altogether upon the expiration of loan. For violation, the Company may dispose the collateral provided or claim to the guarantor for compensation and reserve all rights for legal claim.

Article 9 : The Company shall establish and maintain a reference book to record all its fund-lendings matters, including borrower, amount and directorate resolution date, loan date and related information in accordance with the relevant regulations.

Article 10 : Announcement procedures

- (1) The company shall announce and report the previous month's loan balances of its and subsidiaries by the 10th day of each month
- (2) The company whose loans of funds reach one of the following levels shall announce

and report such event within two days commencing immediately from the date of event:

1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
 2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the company's net worth as stated in its latest financial statement.
 3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the company's net worth as stated in its latest financial statement.
- (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 subparagraph 3 of the preceding paragraph.

The date of event as referred herein means the contract date, payment date, resolution date of the Board of Directors or other date which is sufficient to confirm the transaction counterparty and transaction amount, which one is earlier.

The subsidiaries and parent company referred herein shall be determined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers filings.

Net worth under these Regulations means the balance sheet equity attributable to the owners of the parent company.

Article 11 : Others

- (1) When fund-lending to other parties is contemplated by the Company's subsidiary due to business relationship or in need of funds for short period of time, the subsidiary shall also establish "procedures for lending funds to other parties". The responsible department of the Company should supervise and control the subsidiary in accordance with "Regulations for the Management of Subsidiaries" periodically.
- (2) The management of these procedures shall be included in the internal control procedures. Internal auditors shall perform auditing on the these procedures and implementation every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee.
- (3) Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in such plan.
- (4) If the Company's managers and persons-in-charge violate FSC related regulations or the Procedures, subsequent castigation is subject to "Reward and Punishment

Regulations” of the Company.

- (5) The regulations shall subject to the consent of audit committee, and submit to board of directors for a resolution and submit them for approval by the shareholders' meeting. The same shall apply to any amendments to the procedures, where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting. When the Company propose the procedures for fund lending to other parties to the Board of Directors for discussion pursuant to preceding regulations, the opinions of all independent directors shall be fully considered and the reasons for their consent or dissent opinions shall be included in the meeting minute.

RITEK Corporation Shareholding of all Directors

1. The paid-in capital of the Corporation is 12,841,579,000, and total 1,284,157,900 shares are issued
2. According to article 26 of the Securities and Exchange Act, the minimum number of shares to be held by all directors is 32,000,000 shares. The shareholding of all directors has achieved statutory percentage.
3. As of the book closure date (April 21, 2019), the shareholding of individual and all directors are shown as following table, which is satisfactory to the percentage as stipulated in article 26 of the Securities and Exchange Act.

Shareholding of Directors

As of April 21, 2019

Title	Name	Shareholding	Shareholding%
Chairman	Yeh, Chwei-Jing	18,406,238	1.43%
Director	Yang, Wei-Feng	13,667,698	1.06%
Director	Chiang, Wei-Fong	-	
Director	Pan, Yan-Ming	-	
Independent Director	Lin, Zu-Chia	-	
Independent Director	Hsin, Chi-Show	17,304	0.00%
Independent Director	Chen, Jun-Chao	-	
Shareholding of all Directors		30,971,240	2.49%