

Stock Code :  
9802



**Fulgent Sun International (Holding) Co., Ltd.**

# **2017 ANNUAL SHAREHOLDERS' MEETING**

**Time: 9 A.M. June 8, 2017**

**Location: No.26, Kegong 2nd Rd., Douliu City, Yunlin  
County Yunlin (Technology-based Industrial Park  
Service Center)**

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# Fulgent Sun International (Holding) Co., Ltd.

## 2017 ANNUAL SHAREHOLDERS' MEETING PROCEDURE

1. Call the Meeting to Order
2. Report Items
3. Proposed Items
4. Discussion Items
5. Extraordinary Motion
6. Adjournment

# Fulgent Sun International (Holding) Co., Ltd.

## 2017 ANNUAL SHAREHOLDERS' MEETING AGENDA

Time: 9 A.M. June 8 (Thursday), 2017

Location: No.26, Kegong 2nd Rd., Douliu City, Yunlin County (Yunlin  
Technology-based Industrial Park Service Center)

1. Chairman to announce the commencement of meeting.
2. Report Items
  - (1) To report the business of 2016.
  - (2) Audit Committee's review report of 2016.
  - (3) To report 2016 employees' profit sharing bonus and directors' compensation.
  - (4) To promulgate "Corporate Social Responsibility Best Practice Principles."
  - (5) To promulgate "Rules For Transfer Of Shares For Employees By Repurchase Shares."
  - (6) To report the status of execution of the repurchase shares at the first time.
  - (7) To report the status of execution of the repurchase shares at the second time.
3. Proposed Items
  - (1) To accept 2016 Consolidated Financial Statements and Business Report.
  - (2) To approve the proposal for distribution of 2016 earnings.
4. Discussion Items
  - (1) Discussion of amendments to the Company's "Asset Acquisition & Disposal Procedures."
  - (2) Discussion of treasury stock transfer shares to employees at less than the average actual share repurchase price.
5. Extraordinary Motions
6. Adjournment

## Report Items

1. To report the business of 2016, please review.

Explanatory Notes: Please refer to Attachment 1 of this Manual for the report of business operation of 2016 (Page 11 to 12).

2. Audit Committee's review report of 2016, please review.

Explanatory Notes: Please refer to Attachment 2 of this Manual for the Audit Committee's review report of 2016 (Page 13).

3. To report 2016 employees' profit sharing bonus and directors' compensation, please review.

Explanatory Notes: The Company had approved to distribute 5,000,000 NTD for employees and 5,000,000 NTD for directors as remuneration of 2016 by the Board of Directors on March 8, 2017, please refer to Appendix 4 of this Manual (Page 96).

4. To promulgate "Corporate Social Responsibility Best Practice Principles," please review.

Explanatory Notes: For the demand of business operation, the Company attempts to promulgate the "Corporate Social Responsibility Best Practice Principles" of the Company, please refer to Attachment 3 of this Manual (Page 14 to 22).

5. To promulgate "Rules For Transfer Of Shares For Employees By Repurchase Shares," please review.

Explanatory Notes: To promote the morale enhance the coherence of employees of the Company, the Company attempts to establish the "Rules For Transfer Of Shares For Employees By Repurchase Shares" based on the regulations of Subparagraph 1, Paragraph 1 of Article 28 of Securities and Exchange Act and "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" issued by Financial Supervisory

Commission, please refer to Attachment 4 of this Manual (Page 23 to 26).

6.To report the status of execution of the repurchase shares at the first time, please review.

Explanatory Notes: The procedure was conducted based on the regulations of Subparagraph 1, Paragraph 1 of Article 28 of Securities and Exchange Act and “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies” issued by Financial Supervisory Commission, and the performance is shown as below:

Purpose of the buying back	Maintaining the Company’s reputation and equities of shareholders
Actual period of shares bought back	August 18, 2015 to September 15, 2015
Price range of the buying back	32-50 NTD
Average price for buying back each share	41.57 NTD
Stock type and amount bought back	Common Stock 511,000 shares
Actual amount bought back	21,244 thousand NTD
Transferred and cancelled amount of shares	511,000 shares
Results	Annulment announced on November 20, 2015 Completed the first buy-back of the treasury stock

7.To report the status of execution of the repurchase shares at the second time, please review.

Explanatory Notes: The procedure was conducted based on the regulations of Subparagraph 1, Paragraph 1 of Article 28 of Securities and Exchange Act and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies issued by Financial Supervisory Commission, and the performance is shown as below:

Purpose of the buying back	Transferring shares to employees
Actual period of shares bought back	March 15, 2017 to April 12, 2017
Price range of the buying back	60-70 NTD
Average price for buying back each share	65.65 NTD
Stock type and amount bought back	Common Stock 500,000 shares
Actual amount bought back	32,824 thousand NTD
Transferred and cancelled amount of shares	-shares
Amount of accumulated shares held by the Company	500,000 shares
Percentage of the amount of accumulated shares held by the Company in the total amount of the issued shares	0.36%
Results	All bought back on April 12, 2017

Proposed Items:

1. To accept 2016 Business Report and Consolidated Financial Statements

(Proposed by the Board of Directors).

Explanatory Notes: :

(1) The 2016 Consolidated Financial Statements of the

Company is examined and prepared by Auditor HUNG, SHU-HUA and Auditor WANG, YU-CHUAN of PwC Taiwan, and the Business Report is examined by the Audit committee, which the examination report from the Audit committee is presented.

(2) Please refer to Attachment 1 (Page 11 to 12) and Attachment 5 (Page 27 to 38) of this Manual for the Business Report, Auditor Examination Report and Consolidated Financial Statements of 2016.

(3) The approval from the annual shareholders' meeting is asked.

Resolution :

2. To approve the proposal for distribution of 2016 earnings

(Proposed by the Board of Directors).

Explanatory Notes :

(1) The 2016 net income of the Company is 702,262,462

NTD, the 10% legal reserve which is 70,226,246 NTD and special reserve 33,764,303 NTD are withdrawn as allowance, the distributable net income is 1,030,414,000 NTD, so it is planned to distribute 3.3 NTD per share as cash dividend. The additional remuneration for employees and directors are both 5,000,000 NTD, which would be distributed in cash.

(2) The Board of Directors attempts to additionally set the cash dividend distribution date (Ex-Dividend Date) for the aforesaid distribution of cash dividend to distribute such dividend based on the amount of shares held by each shareholder who are listed on the Shareholders List on the

Ex-Dividend Date as well as informing all the shareholders.

- (3) The Board of Directors attempts to conduct the distribution of remuneration for employees and directors based on legal regulations.
- (4) Please refer to attachment 6 of this Manual (page 39) for the distribution of Earnings of 2016.
- (5) The approval from the annual shareholders' meeting is asked.

Resolution :

## Discussion Items:

### 1. Amend partial article of “Asset Acquisition & Disposal Procedures.”

(Proposed by the Board of Directors).

#### Explanatory Notes :

(1) Amend based on the Orders No. 1060001296 issued by Financial Supervisory Commission on February 9, 2017.

(2) Please refer to the Attachment 7 (Page 40 to 46) for the Comparison Chart of “Asset Acquisition & Disposal Procedures.”

(3) The approval from the annual shareholders’ meeting is asked.

#### Resolution :

### 2. Discussion of treasury stock transfer shares to employees at less than the average actual share repurchase price

(Proposed by the Board of Directors).

#### Explanatory Notes :

1. The amount of the second shares bought back by the Company is 500,000 shares, to promote the morale enhance the coherence of employees of the Company, to promote the morale enhance the coherence of employees of the Company, it is planned to transferred the shares bout back to employees with prices lower than \$65.65, which is the weighted average price. Based on the regulations of Article 10-1 of “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies”, the actual shares bought back may be transferred to employees with prices lower than average ones, and the descriptions below shall be conducted:

(1) Transfer prices, discount rate, the basis for calculation and the availability

The actual prices of transferring shall not be lower than 50 % of the average closing price of common stocks on the date three working days prior to the price setting date in principle. The current price for transferring the treasury stock to employees is \$36.04 (based on the

calculation of the closing price \$72.07 \*50% on the date three working days prior to April 19, 2017), it has authorized the Chairman to determine the price setting date based on the future market price of the stock and the discount rate may be determined based on the current economic conditions and the future operating conditions of the Company.

(2) Shares transferred, the purpose and availability

Shares transferred: 500,000 shares.

Purpose: to promote the morale enhance the coherence of employees of the Company.

Availability: adequately give incentives to the employees by offering the price of 50% of the average closing price of the three working days before April 19, 2017, and the amount of shares planned to be transferred to the employees does not exceed the amount regulated in Article 10-1 of “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies”, which shall not exceed 5% of the total amount of shares issued by the Company, therefore, it shall be available.

(3) Qualification of the employees and the shares amount available for purchase

The qualification of employees: based on Article 4 of “Rules For Transfer Of Shares For Employees By Repurchase Shares,”.

The shares amount available for purchase: based on Article 5 of “Rules For Transfer Of Shares For Employees By Repurchase Shares,”.

(4) Possible influence to the shareholders' equity

4.1 The amount of possible spent expenses and diluted EPS

The amount of possible spent expenses:

(Market price (Closing price on the record date of stock purchase)) × The actual transferred stock amount

Diluted EPS:

Dilution of EPS= amount of possible spent expenses ÷ shares circulated outside the Company

4.2The possible financial burden to the Company for transferring shares bought back to employees with prices lower than the average price”:

The estimated gap between transfer prices and cost for obtaining is 14,805 thousand NTD for the Company to transfer the treasury stock to employees with process lower than the cost. Since there is no APIC generated due to transaction of treasury stock on the Company’s account book, such amount of gap deducted the amount of possible spent expenses 20,280 NTD (calculated based on the closing price of April 18, 2017, the amount of possible spent expenses shall be determined based on the base date of transferring), so the undistributed earnings would be offset. The undistributed earnings is 573,585 thousand NTD after deducting the distributed earnings of 2016, which is still higher than the amount of the aforesaid gap. After transferring the treasury stock to the employees, the newly-added 18,020 thousand NTD could be used for the sustainable profit seeking for the Company, which would not cause critical financial burden to the Company.

The amount of possible spent expenses has dilution effects on the EPS as 0.15 NTD under the calculation of contemporary conditions and the amount of shares circulated outside the Company, which does not form critical impact on the shareholders’ equity.

2.The approval from the annual shareholders’ meeting is asked.

Resolution :

Extraordinary Motions

Adjournment

## Fulgent Sun International (Holding) Co., Ltd.

## Business Operation Report of 2016

## I. Preface

The sales of global market of sports and outdoor products continued to grow in 2016, further promoting the good operation performance of the major clients of the Company. The annual revenue of 2016 of the Company is 9,079,845 thousand NTD, which has a growth at 0.37% comparing to 2015's 9,045,958 thousand NTD. The sales percentage of outdoor shoes is 88%, sports shoes is 9.6% and the other sales is 2.4%. The net income of 2016 is 693,476 thousand NTD, which has a growth at 537% comparing to 2015's 108,810 thousand NTD. The cash flows from operating activities of 2016 is 1.2 billion NTD, the additional paid-in capital and retained earnings are sufficient, and the financial structure of the Company Group is healthy.

For the overview of 2017, the Company continues to maintain the optimistic attitude, the visibility of the overall orders still maintains at the normal level, and for the optimization of products combinations and the promotion of operation of new factories, the related benefit may be continuously optimized and coordinated. The production factories under the realm of the Group are all GORE-TEX certified factories, and have all passed the certification of "SURROUND" for the latest production technology of GORE-TEX. It would be very helpful for consolidating and maintaining the more intimate cooperation relationships with the clients via high rate of coordination of supply, stringent control over product quality, evolution of lean production, and develop new footwear products with international major companies by the outstanding R&D team of the Company. However, the global economic fluctuation is getting more severe, so the Company will not only pursue the growth of revenue, but also expand the production capacity of the Group under the consideration of efficiency promotion of new factories and the effective control over the operating cost.

## II. Description of Performance of Operating Plans for 2016 and Results

## 1. Performance of Operating Plans for 2016 and Results

Unit: 1,000 NTD

Item/Year	Consolidated financial statements			
	2016	2015	Growth of amount	Percentage of growth
Operating revenue	9,079,845	9,045,958	33,887	0.37%
Operating cost	(7,446,525)	(7,870,499)	423,974	-5.39%
Operating gross profit	1,633,320	1,175,459	457,861	38.95%
Operating expenses	(935,341)	(969,469)	34,128	-3.52%
Operating profit	697,979	205,990	491,989	238.84%
Non-operating income and expenses	202,036	87,819	114,217	130.06%
Profit before income tax	900,015	293,809	606,206	206.33%
Income tax (expenses) benefit	(206,539)	(184,999)	(21,540)	11.64%
Net profit of this period	693,476	108,810	584,666	537.33%

## 2. Performance of Operating Plans for 2016 and Budgets

The Company does not disclose its financial forecast publicly in 2016, so there is no application.

## 3. Analysis of Profitability and Financial Revenue and Expenditure

Unit: 1000 NTD

Item/Year			Consolidated financial statements	
			2016	2015
Financial revenue and expenditure	Operating revenue		9,079,845	9,045,958
	Operating gross profit		1,633,320	1,175,459
	Net income		693,476	108,810
Profitability	ROA(%)		7.87	1.44
	ROE (%)		12.36	1.95
	OIK (%)	Operating income(loss)	50.54	15.52
		Pre-tax pure (loss) benefits	65.17	22.14
	Net profit margin (%)		7.64	1.20
	EPS (NTD)		5.23	0.88

## III. Conclusion

The Company has been founded for 21 years and has always been focused on the development of its original profession, the operation headquarter continues to perfect and improve the various core abilities of competition in the industry to pursue the sustainable growth of each year. On the aspect of manufacturing, the senior management team of the Company has sufficient experience and knowledge of footwear manufacturing, and has the capacity and technique of fast developing various outdoor shoes with minimum amount and commercializing those products. For the aspect of R&D, the Department of Development, Division of Paper Mold, Cost Department, Department of Chemical Engineering and Sample Division have been established and besides aggressively developing new types of footwear, the developed technology also satisfies the environmental standards set by international major companies and advanced countries in which the R&D of highly functioning footwear allows more adding values for the products. As for the aspect of operating management, the Company is dedicated to lean production module which set “eliminating the internal wasting and improve progressively” as the major goal to reach the maximization for the production efficiency.

The Company emphasizes business performance but focuses on corporate governance more. Therefore the Company’s operating team would dedicated to the common goal of various working positions with moral, wisdom, diligent and sustainability. In the future, the CSR would also be implemented, the transparency of information would be promoted, as well as the operation of the Board of Directors, the mutual equal status for shareholders and the protection of shareholders’ equity and stakeholders to create values and guarantee all the rights of interested parties and ensure the sustainable improvement and effort.

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

The 2016 Financial Statements of the Company is examined and prepared by Auditor HUNG, SHU-HUA and Auditor WANG, YU-CHUAN of PwC Taiwan, and the Business Report is examined by the Audit Committee, which the examination report from the Audit committee is presented.

The aforesaid Business Operation Report, Consolidated Financial Statements and Proposal of Distribution of Earnings have been confirmed no contradictory by the Audit Committee, so this Report is presented for review.

For

The 2017 Annual Shareholders' Meeting of Fulgent Sun  
International (Holding) Co., Ltd.

Coordinator of the Audit Committee  
CHANG, KUN-HSIEN

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## Fulgent Sun International (Holding) Co., Ltd.

### Corporate Social Responsibility Best Practice Principles

#### Chapter I General Principles

##### Article 1

The Company fulfills corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, the TWSE and GTSM hereby jointly adopt the Principles to be followed by TWSE/GTSM listed companies.

##### Article 2

The Principles applies to the entire operations of each such company and its business group.

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

##### Article 3

In fulfilling corporate social responsibility initiatives, the company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

##### Article 4

To implement corporate social responsibility initiatives, the company is advised to follow the principles below:

- 1 Exercise corporate governance.
- 2 Foster a sustainable environment.
- 3 Preserve public welfare.
- 4 Enhance disclosure of corporate social responsibility information.

##### Article 5

The company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core

business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the board of directors and then reported to the shareholders meeting.

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

## Chapter 2 Exercising Corporate Governance

### Article 6

The company is advised to follow the Corporate Governance Best Practice Principles, the Ethical Corporate Management Best Practice Principles, and the Code of Ethical Conduct to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

### Article 7

The directors of company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The board of directors of company is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:

- 1 Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
- 2 Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
- 3 Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

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

#### Article 8

The company is advised to, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

#### Article 9

For the purpose of managing corporate social responsibility initiatives, the company establishes an Environment issues Subcommittee of Corporate Committee for Sustainable Development to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

The company adopts reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.

#### Article 10

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

### Chapter 3 Fostering a Sustainable Environment

#### Article 11

The company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

#### Article 12

The company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

#### Article 13

The company establishes proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

- 1 Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
- 2 Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
- 3 Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

#### Article 14

The company establishes an Environment issues Subcommittee of Corporate Committee for Sustainable Development for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.

#### Article 15

The company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:

- 1 Reduce resource and energy consumption of their products and services.
- 2 Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
- 3 Improve recyclability and reusability of raw materials or products.
- 4 Maximize the sustainability of renewable resources.
- 5 Enhance the durability of products.
- 6 Improve efficiency of products and services.

#### Article 16

To improve water use efficiency, the company shall properly and sustainably use water resources and establish relevant management measures.

The company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

#### Article 17

The company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

- 1 Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
- 2 Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

The company is advised to monitor the impact of climate change on their operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory. Such strategies should include obtaining carbon credits to promote and minimize the impact of their business operations on climate change.

## Chapter 4 Preserving Public Welfare

### Article 18

The company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

- 1 Presenting a corporate policy or statement on human rights.
- 2 Evaluating the impact of the company's business operations and internal management on human rights, and adopting corresponding handling processes.
- 3 Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.
- 4 In the event of any infringement of human rights, the company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. A company shall respond to any employee's grievance in an appropriate manner.

#### Article 19

The company shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

#### Article 20

The company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The company is advised to organize training on safety and health for their employees on a regular basis.

#### Article 21

The company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

The company shall appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

#### Article 22

The company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

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

The company shall, by reasonable means, inform employees of operation changes that might have material impacts.

#### Article 22-1

The company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. Said company shall also develop the relevant strategies and specific measures for implementation.

## Article 23

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

## Article 24

The company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.

The company shall follow relevant laws, regulations and international guidelines when marketing or labeling their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

## Article 25

The company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

## Article 26

The company is advised to assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative.

Prior to engaging in commercial dealings, the company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the company enters into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

## Article 27

The company shall evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

## Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information

### Article 28

The company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for the company and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which the company shall disclose includes:

- 1 The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors.
- 2 The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
- 3 Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.
- 4 Major stakeholders and their concerns.
- 5 Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
- 6 Other information relating to corporate social responsibility initiatives.

### Article 29

The company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

- 1 The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.
- 2 Major stakeholders and their concerns.

- 3 Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
- 4 Future improvements and goals.

## Chapter 6 Supplementary Provisions

### Article 30

The company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

### Article 31

The principles are implemented subject to the approval at the board of the directors and sent to the Audit Committee and to the shareholders' meeting. If amendment, same.

### Article 32

The principles were enacted on December 27, 2016

**Fulgent Sun International (Holding) Co., Ltd.**  
**Rules For Transfer Of Shares For Employees By Repurchase Shares**

**Article 1 Purpose**

To promote the morale enhance the coherence of employees of the Company, the Company attempts to establish the “Rules For Transfer Of Shares For Employees By Repurchase Shares” based on the regulations of Subparagraph 1, Paragraph 1 of Article 28 of Securities and Exchange Act and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies issued by Financial Supervisory Commission.

Upon the transferring of the shares bought back to the employees, the Guidelines shall be applied except there are other regulations.

**Article 2 Stock Types, Equity and Limitation for the Transferring**

The transferred stocks are the common stocks of Fulgent Sun International (Holding) Co., Ltd. which the rights and obligations of the stock are identical to those common stocks circulated outside the Company except for additional regulations or the Guidelines’ regulations.

**Article 3 Transfer Period**

The shares bought back may be transferred to the employees for once in whole or separately within three years from the date of being bought back based on the Guidelines.

#### **Article 4 Qualification of the Transferees**

The transferees may be the full-time employees employed at the Company or the foreign or domestic Subsidiaries of the Company, who has the qualification for purchase based on the regulations of Article 5 of the Guidelines.

The “Subsidiary” defined in the Guidelines is based on the definition of “Subsidiary” in Description 1(2) of Order No. 0960073134 issued by Financial Supervisory Commission on December 26, 2007.

#### **Article 5 Procedures of Transfer**

The standards of shares amount for employees to purchase shall be based on the job level, years of working experience and the special contribution to the Company, and such standards shall be approved by the Board of Directors; the related issues of amount of shares and purchased submission of amount for each transfer procedures is authorized to the Board of Directors to additionally approve based on related regulations.

#### **Article 6 Procedures of Transferring Shares Bought Back to Employees**

1. Buy back and declare the Company’s shares within the period based on the decision and announcement of the Board of Directors.
2. The Board of Directors shall announce the purchase date, standards for amount of shares available for purchase, purchase period, equity and limitation conditions based on the Guidelines.
3. Conduct the transfer registration after managing statistics to the actual purchased amount of shares.

## **Article 7 Price for Transferring each Share**

The price for transferring the shares bought back shall be the one of the actual average price for buying the shares back; however, if there is any increase or decrease of the amount of common stocks issued by the Company, it may be available to adjust the price for transferring the shares based on the rate of increase or decrease of the issued shares. Additionally, the price for transferring the shares to employees may be lower than the average price for buying the shares back based on the regulations of Article of Incorporation of the Company, and shall acquire the approval over two-thirds of the shareholders holding the issued shares of the Company attending the latest shareholders' meeting which there are over half of the shareholders attend, as well as listing the descriptions requested by Article 10-1 of "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" before the transferring starts.

The adjusted transferring price = Transferring price before adjustment × (Amount of issued common stock before reduction of capital/ Amount of issued common stock after reduction of capital)

## **Article 8 Rights and Obligation after the Transferring**

The rights and obligations of the shares bought back and transferred to the employees after the transfer registration are identical to the original shares.

## **Article 9 Other Related Rights and Obligations between the Company and Employees**

1. The shares bought back and transferred to the employees shall not be transferred again within the initial two years.

2. Other related rights and obligations between the company and employees may be negotiated with the employees by the Company based on actual circumstances but not violating the regulations of Securities and Exchange Act or Company Act.

**Article 10** The Guidelines would be effective after the approval of the Board of Directors and may be amended by the Board of Directors via applying.

**Article 11** The Guidelines shall be reported in the shareholders' meeting as well as when it is amended.

**Article 12** The issue date of the Guidelines: April 27, 2017

## Report of Independent Accountants

PWCR16003599

To the Board of Directors and Shareholders of Fulgent Sun International (Holding) Co., Ltd.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (the “Group” ) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our 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 (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’ s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code” ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

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

#### **The timing of sales revenue recognition**

##### Description

Please refer to Note 4(29) for accounting policies on sales revenue. For the year ended December 31, 2016, the balance of operating revenue was NT\$ 9,079,845 thousand.

The Group is primarily engaged in manufacture and sale of sports, leisure and outdoor shoes, the terms of sales transaction were mainly based on the transfer of risk and reward when the export merchandise were shipped on board, and the timing of sales revenue recognition was based on the on board date.

As the Group recognized sales revenue at the point where the merchandise were shipped on board, the revenue recognition process involved manual controls and may result in revenue recognized in the inappropriate period. Thus, we regarded the cutoff of sales revenue as a key audit matter.

##### How our audit addressed the matter

We performed the following audit procedures to address the above key audit matter:

- A. Obtained understanding and evaluated the sales transaction procedures and internal control procedures to assess management's control over the cut-off of revenue recognition;
- B. Verified that sales revenue incurred before and after certain days of the balance sheet date had been recognized in the proper period, and the movement of inventory and cost of goods sold had been recognized in the appropriated period, to assess the reasonableness of the cut-off of revenue recognition; and
- C. Performed substantive procedures such as confirmation procedures on the amounts of accounts receivable in the end of period and subsequent collection testing in order to verify that the accounts receivable and sales revenue had been recorded in the proper period.

## **Estimate of allowance for inventory valuation losses**

### Description

Please refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(4) for details of allowance for inventory valuation losses. As of December 31, 2016, the balances of inventory and allowance for inventory valuation amounted to NT\$ 1,789,538 thousand and NT\$ 118,282 thousand, respectively.

For inventories aged over a certain period and those that are separately identified as impaired inventories, the Group recognised the value of inventories at the lower of cost and net realisable value. As the net realisable value used in inventory valuation usually involved subjective judgment and that the allowance for inventory valuation were material to the Group's financial statements, we regarded the allowance for inventory valuation as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures to address the above key audit matter:

- A. Obtained an understanding of the nature of Group's business and operation, and assessed the reasonableness of the policies on allowance for inventory valuation;
- B. Obtained an understanding of the inventory management procedures, examined annual physical inventory plan and observed the physical inventory to assess the effectiveness of management's classification and monitor of obsolete inventories;
- C. Obtained the assessment data prepared by management in respect of the lower of cost and net realisable value of inventories, selected certain samples and verified the samples with related sales documents and book records, and performed a recalculation for the accuracy of the report in order to assess the valuation basis and the reasonableness of net realisable value; and
- D. Verified the accuracy of inventory aging report used by management for inventory valuation, recalculated and assessed the reasonableness of allowance for inventory valuation to ensure that the information on the report was consistent with the Group's policies.

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

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

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

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

### ***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

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

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

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

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

PricewaterhouseCoopers, Taiwan  
March 9, 2017

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

Fulgent Sun International (Holding) Co., Ltd. and the Subsidiaries  
Consolidated balance sheets  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,030,502	11	\$ 749,054	9
1110	Financial assets at fair value	6(2)				
	through profit or loss-current		420	-	113	-
1170	Accounts receivable, net	6(3)	1,388,856	15	1,124,243	13
1200	Other receivables		108,649	1	112,705	1
1210	Other receivables from related parties	7	-	-	13,704	-
130X	Inventories	6(4)	1,671,256	19	1,812,976	20
1410	Prepayments		87,545	1	55,909	1
1470	Other current assets	8	39,512	1	20,826	-
11XX	Total current assets		4,326,740	48	3,889,530	44
Non-current assets						
1523	Available-for-sale financial assets-non-current	6(5)	2,181	-	2,486	-
1600	Property, plant and equipment	6(6) and 8	4,279,201	47	4,501,982	51
1780	Intangible assets		25,094	-	30,316	-
1840	Deferred income tax assets	6(23)	76,477	1	58,938	1
1900	Other non-current assets	6(7) and 8	350,659	4	389,851	4
15XX	Total non-current assets		4,733,612	52	4,983,573	56
1XXX	Total assets		\$ 9,060,352	100	\$ 8,873,103	100

(Continued)

Fulgent Sun International (Holding) Co., Ltd. and the Subsidiaries

Consolidated balance sheets

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-term loans	6(8)	\$ 712,458	8	\$ 1,409,582	16
2120	Financial liabilities at fair value through profit or loss-current	6(2)	1,412	-	4,495	-
2170	Accounts payable		752,898	8	752,547	8
2200	Other accounts payable	6(9)	644,614	7	564,289	6
2230	Current income tax liabilities	6(23)	131,856	2	54,883	1
2300	Other current liabilities	6(10)(11)(12)	123,553	1	309,442	4
21XX	<b>Total current liabilities</b>		<u>2,366,791</u>	<u>26</u>	<u>3,095,238</u>	<u>35</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(10)	678,175	7	-	-
2540	Long term loans	6(11)	69,500	1	-	-
2570	Deferred income tax liabilities	6(23)	4,414	-	2,263	-
2600	Other non-current liabilities	6(12)	237,813	3	260,858	3
25XX	<b>Total non-current liabilities</b>		<u>989,902</u>	<u>11</u>	<u>263,121</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>3,356,693</u>	<u>37</u>	<u>3,358,359</u>	<u>38</u>
<b>Equity attributable to shareholders of the parent</b>						
<b>Capital</b>						
3110	Capital stock	6(15)	1,380,954	15	1,326,983	15
<b>Capital surplus</b>						
3200	Capital surplus	6(16)	2,990,516	33	2,792,288	31
<b>Retained earnings</b>						
3310	Legal reserve	6(17)	196,318	2	184,778	2
3320	Special reserve		210,604	3	210,604	3
3350	Unappropriated retained earnings		1,134,403	13	709,336	8
<b>Other equity interest</b>						
3400	Other equity interest	6(18)	( 245,099)	( 3)	252,222	3
31XX	<b>Equity attributable to shareholders of the parent</b>		<u>5,667,696</u>	<u>63</u>	<u>5,476,211</u>	<u>62</u>
36XX	<b>Non-controlling interest</b>		<u>35,963</u>	<u>-</u>	<u>38,533</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>5,703,659</u>	<u>63</u>	<u>5,514,744</u>	<u>62</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>	9	<u>\$ 9,060,352</u>	<u>100</u>	<u>\$ 8,873,103</u>	<u>100</u>

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

Chairman: LIN, WEN-CHIH

Manager: LIAO, FANG-CHU

Accounting Manager: FAN, CHEN-HSIANG

Fulgent Sun International (Holding) Co., Ltd. and the Subsidiaries  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

		Years ended December 31			
		2016		2015	
Items	Notes	Amount	%	Amount	%
4000 <b>Sales revenue</b>		\$ 9,079,845	100	\$ 9,045,958	100
5000 <b>Operating costs</b>	6(4)	( 7,446,525)	( 82)	( 7,870,499)	( 87)
5950 <b>Gross profit from operations</b>		<u>1,633,320</u>	<u>18</u>	<u>1,175,459</u>	<u>13</u>
<b>Operating expenses</b>	6(22)				
6100 Selling expenses		( 151,377)	( 2)	( 163,779)	( 2)
6200 General & administrative expenses	12	( 691,464)	( 7)	( 703,323)	( 8)
6300 Research and development expenses	12	( 92,500)	( 1)	( 102,367)	( 1)
6000 <b>Total of operating expenses</b>		<u>( 935,341)</u>	<u>( 10)</u>	<u>( 969,469)</u>	<u>( 11)</u>
6900 <b>Operating profit</b>		<u>697,979</u>	<u>8</u>	<u>205,990</u>	<u>2</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(19)	89,336	1	64,022	1
7020 Other gains and losses	6(20)	130,817	1	44,932	-
7050 Financial costs	6(21)	( 18,117)	-	( 21,135)	-
7000 <b>Total non-operating income and expenses</b>		<u>202,036</u>	<u>2</u>	<u>87,819</u>	<u>1</u>
7900 <b>Profit before income tax</b>		<u>900,015</u>	<u>10</u>	<u>293,809</u>	<u>3</u>
7950 Income tax expense	6(23)	( 206,539)	( 2)	( 184,999)	( 2)
8200 <b>Profit for the year</b>		<u>\$ 693,476</u>	<u>8</u>	<u>\$ 108,810</u>	<u>1</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statement translation differences of foreign operations		(\$ 503,345)	( 6)	(\$ 64,634)	( 1)
8362 Unrealized (loss) gain on valuation of available-for-sale financial assets	6(5)	( 305)	-	55,191	1
8300 <b>Other comprehensive loss for the year</b>		<u>(\$ 503,650)</u>	<u>( 6)</u>	<u>(\$ 9,443)</u>	<u>-</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 189,826</u>	<u>2</u>	<u>\$ 99,367</u>	<u>1</u>
<b>Profit attributable to:</b>					
8610 Shareholders of the parent		<u>\$ 702,262</u>	<u>8</u>	<u>\$ 115,397</u>	<u>1</u>
8620 Non-controlling interest		<u>(\$ 8,786)</u>	<u>-</u>	<u>(\$ 6,587)</u>	<u>-</u>
<b>Comprehensive income attributable to:</b>					
8710 Shareholders of the parent		<u>\$ 200,455</u>	<u>2</u>	<u>\$ 98,760</u>	<u>1</u>
8720 Non-controlling interest		<u>(\$ 10,629)</u>	<u>-</u>	<u>\$ 607</u>	<u>-</u>
<b>Earnings per share (in dollars)</b>	6(24)				
9750 <b>Basic earnings per share</b>		<u>\$ 5.23</u>		<u>\$ 0.88</u>	
9850 <b>Diluted earnings per share</b>		<u>\$ 4.82</u>		<u>\$ 0.88</u>	

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

Chairman: LIN, WEN-CHIH

Manager: LIAO, FANG-CHU

Accounting Manager: FAN, CHEN-HSIANG

Fulgent Sun International (Holding) Co., Ltd. and the Subsidiaries

Consolidated statements of changes in equity

(Expressed in thousands of New Taiwan dollars)

		E q u i t y					a t t r i b u t e d o f					t h e p a r e n t	
		R e t a i n e d e a r n i n g s					O t h e r e q u i t y i n t e r e s t						
		C a p i t a l	C a p i t a l	L e g a l	S p e c i a l	U n d i s t r i b u t e d	F i n a n c i a l	U n r e a l i z e d	U n e a r n e d		Non-contr		
N o t e s		Stock-Comm	Surplus	reserve	reserve	retained	statement	gain or loss on	employee	Total amount	olling	Total equity	
		on stock				earnings	translation	available-for-sale	benefits		interest		
							differences of	financial assets					
							foreign						
							operations						
		</											

The accompanying consolidated financial statements are part of this consolidated financial report, please refer to it as well.

Chairman: LIN, WEN-CHIH

Manager: LIAO, FANG-CHU

Accounting Manager: FAN, CHEN-HSIANG

Fulgent Sun International (Holding) Co., Ltd. and the Subsidiary  
Consolidated statements of cash flows  
(Expressed in thousands of New Taiwan dollars)

	Notes	Y e a r s e n d e d	D e c e m b e r 3 1
		2 0 1 6	2 0 1 5
<u>Cash flows of operating activities</u>			
Profit before tax		\$ 900,015	\$ 293,809
Adjusted			
Adjustments to reconcile profit (loss)			
Allowance (reversal) for discounts	6(3)	201 (	194 )
Depreciation	6(6)(22)	485,120	445,764
Amortization	6(22)	30,713	24,722
Allowance (reversal) for doubtful accounts	6(3)	( 158 )	896
Rental expenses for land use right	6(7)	6,783	5,330
Net gain on financial assets or liabilities at fair value through profit or loss	6(20)	3,235	2,314
Loss (gain) on disposal of property, plant and equipment	6(20)	( 1,661 )	5,473
Loss on disposal treatment of intangible assets		113	-
Loss on disposal of investment	6(20)(27)	-	4,115
Impairment loss on financial assets	6(5)(20)	-	60,514
Interest income	6(19)	( 6,436 ) (	3,556 )
Interest expenses	6(21)	18,117	21,135
Share-based payments	6(14)	15,343	8,481
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		( 4,598 ) (	1,979 )
Accounts receivables		( 294,563 )	145,741
Other receivables (including other receivables from related parties)		8,596	31,664
Inventories		46,746	126,388
Prepayments		( 33,672 ) (	2,892 )
Other current assets		5,929	2,381
Changes in operating liabilities			
Accounts payable		40,895 (	80,248 )
Other payables		154,208	29,007
Other current liabilities		( 275 ) (	2,712 )
Other non- current liabilities		( 3,277 )	7,215
Cash inflow generated from operations		1,371,374	1,123,368
Interest received		7,438	3,529
Interest paid		( 12,695 ) (	14,528 )
Income tax paid	6(23)	( 132,831 ) (	113,514 )
Net cash flows from operating activities		<u>1,233,286</u>	<u>998,855</u>

(Continued)

Fulgent Sun International (Holding) Co., Ltd. and the Subsidiary  
Consolidated statements of cash flows  
(Expressed in thousands of New Taiwan dollars)

	Notes	Y e a r s e n d e d	D e c e m b e r	3 1
		2 0 1 6	2 0 1 5	
<u>Cash flows from investment activities</u>				
Decrease (increase) in other current assets	8	( \$ 25,414 )	\$ 425	
Acquisition of property, plant and equipment	6(27)	( 586,885 )	( 957,894 )	
Proceeds from disposal of property, plant and equipment		18,866	9,480	
Acquisition of intangible assets		( 1,764 )	( 3,268 )	
Increase in other non-current assets		( 13,879 )	( 126,042 )	
Decrease in refundable deposits	8	3,561	746	
Net cash flows used in investing activities		( 605,515 )	( 1,076,553 )	
<u>Cash flows from financing activities</u>				
Increase (decrease) in short-term loans		( 654,923 )	567,507	
Decrease in finance lease liabilities		( 117,024 )	( 8,785 )	
Cash received from issuance of debenture		700,000	-	
Repayments of convertible bonds		( 100 )	-	
Issuance in long-term loans		297,988	85,238	
Repayment of long-term loans		( 246,074 )	( 98,707 )	
Cash dividends paid	6(17)	( 265,655 )	( 327,282 )	
Proceeds from issuance of shares	6(15)(16)	170,979	-	
Change in non-controlling interests		8,059	( 46,686 )	
Payments on repurchase of shares	6(15)	-	( 21,244 )	
Net cash provided by (used in) investing activities		( 106,750 )	150,041	
Effect of exchange rate changes on cash and cash equivalents		( 239,573 )	( 60,392 )	
Net increase in cash and cash equivalents		281,448	11,951	
Cash and cash equivalents at beginning of year		749,054	737,103	
Cash and cash equivalents at end of year		\$ 1,030,502	\$ 749,054	

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

Fulgent Sun International (Holding) Co., Ltd.  
Distribution of Earnings  
Year 2016

Unit: 1000 NTD

Item	Amount	
Undistributed earnings at the beginning of the period	432,142,087	
Increase: Net income of 2016	702,262,462	
Subtotal	1,134,404,549	
Decrease: 10% of the legal reserve as the allowance	(70,226,246)	
Allowance for special reserve	(33,764,303)	
Distributable earnings		1,030,414,000
Distributed items :		
Shareholders' dividends- cash (Note 1)	456,828,600	
Total distributed amount		456,828,600
Undistributed earnings at the end of the period		573,585,400
Note :		
Remuneration for employees: 5,000,000 NTD		
Remuneration for directors: 5,000,000NTD		

Note 1 : The cash dividend for each share of the shareholders is 3.3 NTD, it is asked for approval from the shareholders' meeting to authorize the Board of Directors to tackle the situations in which there is any occurring of transferring of convertible bonds or restricting the distribution of employee shares compensation or other legal regulations that may affect the amount of shares circulated outside the Company and cause the change of distribution yield for the shareholders.

Fulgent Sun International (Holding) Co., Ltd.  
Comparison Chart of the Amended Articles of  
“Asset Acquisition & Disposal Procedures.”

Before	After	Description
Article 9 Procedures for Obtaining or Processing Real Estate or Equipment	Article 9 Procedures for Obtaining or Processing Real Estate or Equipment	Amend the words based on the amended legal regulations
2. Real estate or equipment valuation report	2. Real estate or equipment valuation report	
For the Company acquires or disposes real estate or equipment. Except for trading with government agencies, commissioned by construction or leasehold, or acquired or disposed of machinery and equipment for business use, any transaction amount shall be 20% of the paid-up capital of the Company or more than 300 million NTD, the valuation report issued by the professional appraiser (the report of the valuation report shall be included in Attachment I) and meet the following requirements:	For the Company acquires or disposes real estate or equipment. Except for trading with government institutions, commissioned by construction or leasehold, or acquired or disposed of machinery and equipment for business use, any transaction amount shall be 20% of the paid-up capital of the Company or more than 300 million NTD, the valuation report issued by the professional appraiser (the report of the valuation report shall be included in Attachment I) and meet the following requirements:	
Article 10 Procedure for obtaining or disposing of membership card or intangible assets	Article 10, Procedure for obtaining or disposing of membership card or intangible assets	Amend the words based on the amended legal regulations
2. the membership card or intangible assets expert evaluation report	2. the membership card or intangible assets expert evaluation report	
(1) The transaction amount of the Company's acquisition or disposition of membership card or intangible assets is 20% or more than 300 million NTD. Except for trading with government agencies, Ask the accountant to express the opinion on the reasonableness of the	(1) The transaction amount of the Company's acquisition or disposition of membership card or intangible assets is 20% or more than 300 million NTD. Except for trading with government institutions, Ask the accountant to express the opinion on the reasonableness of the transaction price. The accountant	

transaction price. The accountant should handle the requirements of the Notice No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation.	should handle the requirements of the Notice No. 20 of the Auditing Standards issued by the Accounting Research and Development Foundation.	
Article 12 Procedure for Processing Transactions of Related Parties	Article 12 Procedure for Processing Transactions of Related Parties	The original domestic monetary market fund refers to the monetary market fund issued by the Securities and Exchange Commission approved by Financial Supervisory Committee, and amend the content words in according with the Securities Investment Trust and the Consultation Act regulations.
2. Valuation and operating procedures	2. Valuation and operating procedures	
For the Company acquires or disposes real estate, from the person concerned or obtains or disposes other assets other than immovable property from the related party and the transaction amount is 20% of the Company's paid-up capital, 10% of the total assets or 300 million NT D, except for the purchase and sale of bonds, with the purchase of bonds, purchase or redeem the domestic monetary market funds, the following information should be the first of all members of the Audit Committee agreed to more than half of the board of directors and submitted to the resolution for signing the transaction contract and initiating the payment:	For the Company acquires or disposes real estate, from the person concerned or obtains or disposes other assets other than immovable property from the related party and the transaction amount is 20% of the Company's paid-up capital, 10% of the total assets or 300 million NT D, except for the purchase and sale of bonds, with the purchase of bonds, purchase or settle the domestic monetary market funds issued by securities investment trust enterprises, the following information should be the first of all members of the Audit Committee agreed to more than half of the board of directors and submitted to the resolution for signing the transaction contract and initiating the payment:	
Article 15 Merge, Division, Acquire or Share Transferring Processing Procedures	Article 15 Merge, Division, Acquire or Share Transferring Processing Procedures	Considering that the merger of the Company in accordance with the Business Mergers And Acquisitions Act, which is a subsidiary of 100% of its investment or a subsidiary of 100% of its investment. The spirit of the Company shall be determined to be reorganized among the same group. There shall be no negotiation or conversion of the shareholders' cash or other The interests of the property, the relaxation of the merger should be exempted from the experts on the
1. Valuation and operating procedures	1. Valuation and operating procedures	
(1) When the Company conducts the merger, division, acquisition or transfer of shares, it shall, before convening a resolution of the board of directors, appoint the accountant, lawyer or securities underwriter to convert the share price, the purchase price or the cash or other shareholders' The rationality of the property expressed	<u>(1) When the Company conducts the merger, division, acquisition or transfer of shares, it shall, before convening a resolution of the board of directors, appoint the accountant, lawyer or securities underwriter to convert the share price, the purchase price or the cash or other shareholders' The rationality of the property expressed opinions, reported to the board of directors to discuss the adoption. But</u>	

opinions, reported to the board of directors to discuss the adoption.	<u>the merger of the Company directly or indirectly with 100% of the issued shares or the total capital of the subsidiaries or directly or indirectly holds 100% of the issued shares or the total amount of capital between the subsidiaries of the merger, in order to obtain the former experts issued a reasonable opinion.</u>	proportion of the rationality of the views expressed in accordance with the law to amend, according to modify the provisions
Article 16 Information Disclosure Procedures	Article 16 Information Disclosure Procedures	Same as the amend reasons for Article 12
1. Should announce the declaration of the project and the declaration standard	1. Should announce the declaration of the project and the declaration standard	
(1) Acquire or dispose of real estate property from the person concerned or to acquire or dispose of other assets other than immovable property with the relevant transaction amount of 20% of the paid-up capital of the company, 10% of the total assets or more than 300 million NTD. But the sale of government bonds, with the purchase back, the conditions of the bond, purchase or redeem of the domestic monetary market funds are not regulated by this Term.	(1) Acquire or dispose of real estate property from the person concerned or to acquire or dispose of other assets other than immovable property with the relevant transaction amount of 20% of the paid-up capital of the company, 10% of the total assets or more than 300 million NTD. But the sale of government bonds, with the purchase back, the conditions of the bond, purchase or redeem of the domestic monetary market funds issued by securities investment trust enterprises are not regulated by this Term.	
(2) Merge, Division, Acquire or Share Transferring.	(2) Merge, Division, Acquire or Share Transferring.	
(3) The amount of the total amount of the total or individual contract losses under Article 13, Paragraph 1, Subparagraph 6 of the derivative commodity transaction.	(3) The amount of the total amount of the total or individual contract losses under Article 13, Paragraph 1, Subparagraph 6 of the derivative commodity transaction.	
(4) In addition to the asset transactions other than the aforesaid three terms, the financial institution shall dispose of the debt or engage in the investment in the mainland, and the transaction amount shall be 20% or exceed 300 million		Amend the words since the original (4) is moved to (7), articles be amended in accordance with the law amending.

NTD of the Company's paid-up capital. But the following is not applicable to such regulations:		
1. Transaction of government bonds		(i) of the original subparagraph (4) moved to (i) of subparagraph (7)
2. Investments in securities for securities, securities trading at home or abroad, or securities trading in the primary market and the subscription of securities in accordance with the provisions of the securities.		(ii) of the original subparagraph (4) moved to (ii) of subparagraph (7), articles be amended in accordance with the law amending.
3. Purchase and sell bonds with buy-back, sell back bonds with conditions, purchase or redeem the domestic money market fund.		(iii) of the original subparagraph (4) moved to (iii) of subparagraph (7), the reasons for amending is identical to the one of Article 12.
4. The types of assets acquired or disqualified are those which are used for business purposes and whose counterparties are not related to the transaction. The transaction amount less than 500 million NTD.	<p><u>(4) The types of assets acquired or disbursed are those which are used for business purposes and are not subject to the transaction, and the amount of the transaction is one of the following:</u></p> <p><u>1. The paid-up capital of public traded company less than 10 billion NTD</u></p> <p><u>2. The public traded company with a net amount of 10 billion NTD or more has a transaction amount of 1 billion NTD or more.</u></p>	<p>Acquisition or disposal of the equipment used for the business use of the company is necessary for the day-to-day business projects, consider the larger companies, such as the announcement of the standard is too low will lead to notice too frequent, reduce the importance of information disclosure, The public offering of NT \$ 10 billion or more shall acquire or dispose of the equipment for the use of the business and the object of the transaction is not related to the increase in the amount of the transaction amount of 10 billion NTD, the original (iv) of the four separate paragraphs to subparagraph (d), be amended in accordance with the law.</p>
5. The public traded company engaged in the construction business has obtained or dispatched the immovable property	(5) The public traded company engaged in the construction business has obtained or dispatched the immovable property used for	(v) of the original subparagraph (4) moved to subparagraph (5), articles be amended in accordance with the

used for construction and its counterparty is not related to the transaction. And the transaction amount is less than 500 million NTD.	construction and its counterparty is not related to the transaction. And the transaction amount has reached 500 million NTD.	law amending.
6. It is expected that the amount of the transaction will not exceed 500 million NTD or more due to build on its land, cooperatively building with others to split the units, cooperatively building with others.	(6) It is expected that the amount of the transaction will not reach 500 million NTD or more due to build on its land, cooperatively building with others to split the units, cooperatively building with others.	(vi) of the original subparagraph (4) moved to subparagraph (6), articles be amended in accordance with the law amending.
	(7) In addition to the asset transactions other than the aforesaid six terms, the financial institution shall dispose of the debt or engage in the investment in the mainland. The transaction amount shall be 20% or more of 300 million NTD of the Company's paid-up capital. But the following is not the case:	(4) of the original subparagraph moved to subparagraph (7), articles be amended in accordance with the law amending.
	1. Transaction of government bonds	(i) of the original subparagraph moved to (i) subparagraph (7), b articles be amended in accordance with the law amending.
	2. To invest in professional securities, securities trading at or above the securities exchange or securities business premises, or to subscribe for ordinary corporate bonds and general financial bonds not involved in equity in the domestic primary market, or by securities firms for underwriting Business needs, as a cabinet company counseling recommended securities firms by the Taipei Exchange to subscribe for the securities. 3. Buying and selling bonds with buy-back, selling bonds, buying or buying securities Investment trusts issued by the money market fund	1. In view of the fact that ordinary corporate bonds and ordinary financial bonds that are not involved in the acquisition of equity in the domestic primary market are recurrent business conduct and are mainly for the purpose of obtaining interest, the nature is simple and the other is in the secondary market In accordance with the current norms do not need to apply for the announcement, based on the disclosure of information on the benefits and consistency of the consideration, excluding the scope of the announcement, and in accordance with the bank issued financial bonds approach Article II

		<p>of the provisions of the former did not involve equity general financial bonds Does not include subordinated financial bonds.</p> <p>2. If other securities firm needs or serves as a counselor for the securities business, it shall also exclude the applicable scope of the announcement by subscribing for the unlisted securities of the Company,</p> <p>The (ii) of the original subparagraph (4) shall be moved to the second head of item (7), and the provisions shall be amended in accordance with the law.</p> <p>The (iii) of the original subparagraph (4) shall be moved to (iii) of t subparagraph (7), and the reasons for the amendment is identical to the one for to Article 12.</p>
(5) The amount of the transaction in the aforesaid paragraph shall be calculated as follows and the term of the transaction shall be counted as one year on the basis of the date of the transaction and shall be deducted in accordance with the prescribed notice.	(8) The amount of the transaction in the aforesaid paragraph shall be calculated as follows and the term of the transaction shall be counted as one year on the basis of the date of the transaction and shall be deducted in accordance with the prescribed notice.	Change the Article number
2. the notice and the time limit for reporting	2. the notice and the time limit for reporting	
The Company shall obtain or dispose of the assets, and in the case of the aforesaid cases (1) to (4) above, it shall, within two days from the date of the occurrence of the facts, go through the notice of the announcement on the designated website of the FSC.	The Company shall obtain or dispose of the assets, and in the case of the aforesaid cases (1) to (47) above, it shall, within two days from the date of the occurrence of the facts, go through the notice of the announcement on the designated website of the FSC.	Amend the words of the contents due to the adding of the Articles

<p>3. the announcement procedures</p> <p>(3) The Company shall declare the items in accordance with the provisions of the project. If the project is to be corrected if there is any mistake or absence in the notice, the whole project shall be re-announced.</p>	<p>3. the announcement procedures</p> <p>(3) If the Company announces that the project to be corrected in the event of any errors or omissions in the announcement, it shall report the announcement of all the items within two days from the date of such notice.</p>	<p>In accordance with the provisions of Article 16 (e), after the Company the announcing of the contents of the notice if there is any changes that should be announced within two days, when making corrections, it shall, within two days from the date of hearing, declare that all the items will be re-issued and amended in accordance with the law.</p>
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**Fulgent Sun International (Holding) Co., Ltd (the "Company")**  
**Rules and Procedures of Shareholders Meeting (the "Rules")**

Article 1 In order to establish a good governance system for the Company, improve the supervision function and strengthen the management function, the Company has set out these Rules and Procedures based on the regulations of Article 5 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies of the Republic of China.

Article 2 The Rules of Procedures of the shareholders' meeting of the Company shall, except as otherwise provided in the Act or the Articles of Incorporation, be conducted in accordance with these Rules.

The Shareholders' Meeting of the Company shall be convened by the Board of Directors besides there are regulations from the Articles of Incorporation of the Company or other Acts.

The Company shall, within 15 days prior to the meeting of the shareholders' meeting or 15 days before the shareholders' meeting, submit the notice of the shareholders' meeting, the power of attorney, the related proposals, the discussions, the election or the dismissal of the directors in electronic format to the Market Observation Post System official site. And send the electronic format of supplementary information of the meeting to the public Market Observation Post System 21 days before the shareholders' meeting or 15 days before the provisional shareholders' meeting the shareholders' meeting. The shareholders' meeting manuals shall be sufficiently prepared 15 days before the meeting for shareholders to obtain at any time, and display in its shareholders agency and in the Company, and shall distribute at the shareholders' meeting.

The notice and the announcement shall contain the reasons for the convening; the notice shall be made into electronic format by the consent of the relative person.

The following matters shall be enumerated in the convening of the matter and shall not be raised by extraordinary motions:

1. Election or dismissal of directors.
2. Amend the Articles of Incorporation.
3. (i) the dismissal, mergers and acquisitions or termination of the Company, (ii) conduct, amend or terminate the lease contract, the entrustment of the operating contract or the joint contract of operation, (iii) the granting of all or part of the business or property of the Company, and (iv) transfer or obtain all of the business or property of the Company that has significant

impact on the operation.

4. Authorize a director to act for itself or any other person within the business scope of the Company.
5. All or part of the surplus disbursed by the issuing new shares or allocating of APIC or other amount.
6. The Company issues the securities with the nature of equity privately.

Shareholders who hold more than one percent of the total number of issued shares will be able to submit a written notice to the Company to initiate the shareholders meeting. But it shall be limited to one proposal, and those more than one will are not included in the motion. The Board of Directors shall not be listed as one of the following cases in which the following shareholders are not included in the proposal as follows:

1. The shareholders of the Proposal have less than one percent of the total issued shares.
2. The proposal is not the conclusion of the shareholders' meeting.
3. The shareholders propose more than one proposal.
4. The proposal is made after the deadline for the acceptance of the notice.

The Company shall notify the acceptance of the proposal of shareholders made before the termination date of shares transferring of the shareholders' meeting, as well as the acceptance location and the period; the acceptance period shall not be less than ten days.

The proposals of the shareholders shall be written within 300 words and those exceeding 300 words shall not be included; the shareholders of the proposal should be present at the shareholders' meeting and participate in the discussion of the motion.

The Company shall notify the shareholders of the proposal the results of the processing before the notice of convening the Shareholders' Meeting and set out the notice of meeting in the meeting. In the case of a shareholder proposal not included in the proposal, the Board of Directors shall state the reasons for not being included in the shareholders' meeting.

Article 3 Shareholders are required by each attending of shareholders 'meeting, to present the power of attorney issued by the Company that set out the scope of authorization, entrusted agents to attend the shareholders' meeting.

A shareholder shall present one power of attorney, and shall entrust one person only, and deliver to the Company 5 days before the shareholders meeting, if the power of attorney is repeated in the contents, the first delivered shall be the effective subject. But the statements to revoke the former expression are not restricted by this regulation.

Upon the delivery of the power of attorney to the Company, the shareholders who intend to attend the shareholders' meeting in person shall, at least 2 days before the shareholders' meeting, notify the Company in writing of the cancellation of the entrustment; the overdue revocation shall entitle the entrusted agent to attend the exercise of the voting right quasi.

Article 4 The location where the shareholders' meeting is convened shall be at the place where the Company is located or the Convenience Shareholder attends and is suitable for the convening of the shareholders' meeting. The meeting shall not be held earlier than 9:00 am or later than 3:00 pm, Should take full account of the views of independent directors.

Article 5 The Company shall set up a signature list for the attendance of the agents or shareholders entrusted by other shareholders (hereinafter referred to as the "Shareholders") or by submission of the attendance certificate to the proxies.

The Company shall deliver the proceedings manual, annual report, attendance certificate, statement of speech, vote and other meeting information to the shareholders present at the shareholders' meeting.

The shareholders shall attend the shareholders' meeting by attending the card, attend the attendance card or other attendance documents, and shall solicit the solicitor of the power of attorney and carry the ID documents for verification.

For the government or legal person is the shareholder, the representative of the shareholders' meeting is not limited to one person. When a legal person is entrusted to attend the shareholders' meeting, only one representative is present.

Article 6 Except as otherwise agreed by the shareholders present and voting, the chairman of the board of directors shall be the chairman of the shareholders' meeting if he is present. If it is not present, the chairman of the meeting shall be appointed or elected by the shareholders present and voting.

The Board of Directors convened by the board of directors shall be attended by a majority of the directors of the board of directors.

If the Chairman of the Board of Directors is convened by the convenor of the other convenees, the chairman of the meeting shall be held by the convenor, and if the convenor has more than two persons, one of them shall be recommended to be the Convenor.

The Company may appoint the appointed lawyer, accountant or related person to attend the shareholders' meeting.

Article 7 The Company shall record the video and audio of the whole process of the shareholders' meeting and reserve the recorded files for at least one year. But the shareholders of the Company, in accordance with the provisions of the Articles of Incorporation, and conduct the proceeding of revoke of the resolution of the

meeting, shall be reserved until the end of the proceedings.

Article 8 The attendance of the shareholders' meeting shall be based on the shares. The number of shares to be attended by the number of shares in the written or electronic approach, based on the signature book or the attendance certificates, and plus the number of shares that exercise the voting right in writing or electronically.

If the chairman of the meeting has not been represented by a majority of the total number of shares to be issued, the chairman may announce a postponement of the meeting. The delay shall be limited to two times, and the delay shall not exceed 1 hour. In the event that shareholders with less than one third of the total number of issued shares are presented, the cancellation of the shareholders' meeting shall be announced by the Chairman.

Article 9 If the shareholders' meeting is convened by the board of directors, the agenda shall be determined by the board of directors. The meeting shall be conducted on the basis of the scheduled agenda and shall not be changed without the resolution of the shareholders' meeting.

If the shareholders are convened by the convenor other than the board of directors, the provisions of the preceding paragraph shall be applied.

The Chairman shall not adjudge the adjournment without the resolution or before the discussion of the aforesaid 2 paragraphs (including extraordinary motions) are satisfied; for the Chairman that violating the Rules and Procedures, the members of the Board and other members shall promptly assist the shareholders in the proceedings in accordance with legal regulations, so that the Chairman of the Board of Directors may be elected via the method that a total of more than half of the shareholders voted to vote for one person to chair and continue the process of the meeting.

The Chairman shall give a full explanation and discussion of the proposed amendment or provisional motion in respect of the motion and the shareholders, and it shall declare that the discussion shall be adjourned and put to the vote when he reaches the point of voting.

Article 10 Before making statements by the attended shareholders, the applicant shall first fill in the application of statement to indicate the purpose of the statement, the number of shareholders (or attendance card number) and the name, by the chairman to speak the order.

Attended shareholders that only submit the application of statement but do not conduct one shall be viewed as not making statement. If the content of the statement and the application of the statement are inconsistency, the content of statement shall prevail.

Each shareholder of the same motion shall not make statement more than twice except being approved the Chairman and shall not exceed five minutes per once, but the Chairman shall cease the statement if the shareholder speaks violates the requirement or moves beyond the scope of the question.

At the time of the statement of the shareholders, the other shareholders shall not speak in any way except with the consent of the Chairman and the shareholders that makes the statement, otherwise the Chairman shall restrain such violation.

Where a legal person shareholder appoints two or more representatives to attend the shareholders' meeting, the same motion shall only be made by one agent. After the statement of the shareholders, the Chairman may personally or designated the relevant personnel to reply.

Article 11 The vote of the shareholders' meeting shall be based on the shares.

The resolution of the shareholders' meeting shall not be the total number of shares of the non - voting shareholders.

- Shareholders are not allowed to vote for the matters of the meeting and have their own interests that are harmful to the interests of the Company and shall not act on behalf of his shareholders to exercise their voting rights.

The number of shares not allowed to be exercised in the preceding paragraph shall not be counted as the number of voting rights of the attended shareholders.

In the event that the shareholders of the shareholders' meeting are appointed by other shareholders in writing or in electronic form and the chairman of the shareholders' meeting is entrusted by the shareholders of the shareholders' meeting, the trust business or the stock agency approved by the securities authority, the voting rights of the agent shall not exceed The total number of issued shares is 3% of the total number of shares, and the voting rights exceeding the voting amount shall not be calculated.

Article 12 Shareholders have a voting right per share, but are limited or are not limited to those who have no voting rights under Article 179 (2) of the Company Act of the Republic of China.

During the shareholders 'meeting, it may exercise its written or electronic approach to practice its voting rights. When exercising its voting rights in writing or electronically, the method of exercise shall be set out in the notice of the shareholders' meeting. Shareholders who exercise their voting rights in writing or electronically shall be deemed to have appointed the Chairman of the Shareholders 'Meeting to act as their agent at the Shareholders' Meeting in accordance with their instructions in writing or electronic documents, provided that such assignments shall not constitute a agency for the rules of the Companies agent. The Chairman of the Shareholders ' Meeting shall not be entitled to

exercise the voting rights of the Shareholders on the basis of the status of the Agent and the matters not stated in the written or electronic document and the amendments or interim motions of the original motion proposed by the Shareholders' Meeting. For the avoidance of doubt, the exercise by the Shareholders in writing or electronically shall be deemed to have waived the exercise of the voting rights in respect of the provisional motion and the original motion of the Shareholders' Meeting. If the chairman of the shareholders' meeting does not exercise the voting right on behalf of such shareholders, the number of shares shall not be counted as the number of voting rights in the shareholders who are present, but shall be counted as the number of shares at the minimum number of attendees.

Any person who practices the right to vote in writing or electronically in the aforesaid Paragraph shall express the intention to the Company 5 days before the the shareholders' meeting, and the means shall be repeated, whichever is first served. But the statements to revoke the former expression are not restricted by this regulation.

In the event of shareholders practice the voting right in written or electronic approach, any person who intends to attend the meeting in person shall, at least 2 days prior to the meeting of the shareholders, revoke the exercise of the voting rights in the same manner as the exercise of the voting rights; The voting rights of electronic means shall prevail. In the event that the voting rights are exercised in writing or electronically and the proxy is entrusted by the proxy to attend the shareholders' meeting, the voting rights entrusted to the agent shall prevail.

The voting result of the proposal shall be subject to the approval of the majority of the shareholders' voting rights, except as otherwise provided in the Company Act and the Articles of Incorporation of the Company. , The shareholders shall vote on a case-by-case basis on a case-by-case basis by the chairman or his designated person, and the shareholders 'consent, objection or abstention shall be entered into the public information observing station on the day after the shareholders' meeting.

In the case of an amendment or an alternative to the same motion, the chairman shall, in the same order as the original decision. If the other case has been passed, the other motions shall be deemed to have been vetoed.

The bill of directors of the motion and the counting of votes shall be designated by the Chairman, but the supervisors should have the identity as shareholders.

The counting of votes shall be made open to the shareholders' meeting and the result of the voting shall be reported and recorded.

Article 13 For the shareholders' meeting electing the directors, the Company's relevant selection rules shall be applied, and shall adequately announce the results of the election.

The electoral votes for the preceding election shall be sealed and signed by the supervisors and reserved for at least one year. But the shareholders of the Company in accordance with the provisions of the Articles of Association to revoke the shareholders of the resolution, should be saved until the end of the proceedings.

Article 14 The resolution of the shareholders' meeting shall be made into proceeding, and signed or sealed by the Chairman and distributed to the shareholders within 20 days after the meeting. The production and distribution of proceedings may electronically made.

The distribution of the former Proceedings shall be made by way of announcement.

The proceedings shall, in accordance with the terms, accurately record the year, the month, the date, the location, the name of the Chairman, the method of resolution, the merits of the proceedings and the results of the proceedings, and reserved permanently during the existence of the Company.

Article 15 For the number of shares to be solicited by the solicitors and the number of shares held by the agent, the Company shall, at the date of the meeting of the shareholders' meeting, be compiled in accordance with the prescribed form and be clearly disclosed at the shareholders' meeting place.

In the case of a resolution of the shareholders' meeting, the Company shall transmit the contents to the Market Observation Post System within the prescribed time if there is any major information specified in the laws or regulations or the provisions of the Taiwan Stock Exchange.

Article 16 The staff member of the shareholders' meeting shall wear a certificate or armband.

The chairman has commanded the captain or security officer to assist in maintaining the order of the venue. When the captain or the security officer is present to assist in maintaining the order, an armband titled "SECURITY" or identification should be worn.

Shareholders who violate these Rules are not subject to the Chairman's correction and prevent the conduct of the meeting from being stopped. The Chairman shall direct the the security officer to drive them out of the meeting venue.

Article 17 At the time of the meeting, the Chairman may, at its discretion, declare a rest, temporarily postpone the meeting due to the occurrence of force majeure, then

announce the time for the further meeting agenda.

The agenda of the shareholders' meeting before the meeting (including the provisional motion) is not terminated, the venue of the meeting will not be able to continue to use, and the shareholders' meeting will continue to meet.

Shareholders will be in accordance with the provisions of the Articles of Incorporation of the Company, to conduct the resolution of the extension or renewal of the meeting.

Article 18 These Rules and Procedures shall be implemented after the approval of the shareholders' meeting and shall be identical when being amended.

**THE COMPANIES LAW (AS AMENDED)  
OF THE CAYMAN ISLANDS  
COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION  
OF  
FULGENT SUN INTERNATIONAL (HOLDING) CO., LTD.**

(adopted by a special resolution passed on June 23, 2015)

1. The name of the Company is **Fulgent Sun International (Holding) Co., Ltd.**
2. The registered office of the Company shall be at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as the Board may from time to time decide.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (as amended) or as the same may be revised from time to time, or any other law of the Cayman Islands.
4. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.
5. The share capital of the Company is New Taiwan Dollars 2,000,000,000 divided into 200,000,000 shares of a par value of New Taiwan Dollars 10.00 each.
6. The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.
7. Capitalised terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

THE COMPANIES LAW (AS AMENDED)  
OF THE CAYMAN ISLANDS  
COMPANY LIMITED BY SHARES

**AMENDED AND RESTATED ARTICLES OF ASSOCIATION**  
**OF**

FULGENT SUN INTERNATIONAL (HOLDING) CO., LTD.

(adopted by a special resolution passed on June 23, 2015)

**1 Interpretation**

1.1 In these Articles Table A in the First Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

**"Applicable Public Company Rules"** means the ROC laws, rules and regulations (including, without limitation, the Company Law, the Securities and Exchange Law, the rules and regulations promulgated by the FSC, and the rules and regulations promulgated by the TSE, as amended from time to time) affecting public companies or companies listed on any ROC stock exchange or securities market that from time to time are required by the relevant regulator as applicable to the Company.

**"Articles"** means these articles of association of the Company.

**"Audit Committee"** means the audit committee under the Board, which shall comprise solely of Independent Directors of the Company.

**"Board"** means the board of directors appointed or elected pursuant to the Articles and acting at a meeting of directors at which there is a quorum in accordance with the Articles.

**"Capital Redemption Reserve"** means a reserve established by the Company for the purpose of section 37(4) of the Statute which shall comprise of, inter alia, (i) where Shares of the Company are redeemed or purchased wholly out of the Company's profits, amounts by which the Company's issued share capital is diminished in accordance with section 37(3)(g) of the Statute on cancellation of the Shares redeemed or purchased; (ii) where Shares of the Company are redeemed or purchased wholly or partly out of the proceeds of a fresh issue and the aggregate amount of those proceeds is less than the aggregate nominal value of the Shares redeemed or purchased, the amount of such difference, unless section 37(4)(c) of the Statute applies; (iii) where Shares of the Company are redeemed or purchased out of capital and the

	capital payment for Shares redeemed or purchased and cancelled is less than their nominal amount, the amount of such difference, subject to section 37(5)(f) of the Statute; subject to any reduction in accordance with section 37(5)(e) of the Statute and other provisions of the Statute.
<b>"Capital Reserve"</b>	means the premium paid on the issuance of any Share and income from endowments received by the Company.
<b>"Cayman Merger"</b>	means the merger or consolidation as defined in the Statute.
<b>"Chairman"</b>	means the Director elected amongst all the Directors as the chairman of the Board.
<b>"Company"</b>	means the above named company.
<b>"Compensation Committee"</b>	means the compensation committee to be established by the Board, which shall comprise of professional individuals and have the functions prescribed by the Applicable Public Company Rules.
<b>"Directors"</b>	means the directors for the time being of the Company and shall include any and all Independent Director(s).
<b>"Dividend"</b>	means any dividend (whether interim or final) resolved to be paid on Shares pursuant to the Articles.
<b>"Electronic Record"</b>	has the same meaning as in the Electronic Transactions Law.
<b>"Electronic Transactions Law"</b>	means the Electronic Transactions Law (2003 Revision) of the Cayman Islands.
<b>"FSC"</b>	means the Financial Supervisory Commission of the ROC.
<b>"Independent Directors"</b>	means the Directors who are elected as "Independent Directors" for the purpose of the Applicable Public Company Rules.
<b>"Member"</b>	has the same meaning as in the Statute.
<b>"Memorandum"</b>	means the memorandum of association of the Company.
<b>"Market Observation Post System"</b>	means the public company reporting system maintained by the TSE.
<b>"Ordinary Resolution"</b>	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles.
<b>"Register of Members"</b>	means the register of members maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate Register of Members.

<b>"Registered Office"</b>	means the registered office for the time being of the Company.
<b>"ROC"</b>	means Taiwan, the Republic of China.
<b>"Seal"</b>	means the common seal of the Company and includes every duplicate seal.
<b>"Share" and "Shares"</b>	means a share or shares in the Company.
<b>"Special Resolution"</b>	has the same meaning as in the Statute.
<b>"Statute"</b>	means the Companies Law (as amended) of the Cayman Islands and every modification, re-enactment or revision thereof for the time being in force.
<b>"Subsidiary"</b>	means, with respect to any company, (i) the entity, more than one half of whose total number of the outstanding voting shares or the total amount of the capital stock are directly or indirectly held by such company; (ii) the entity that such company has a direct or indirect control over its personnel, financial or business operation; (iii) the entity, one half or more of whose executive shareholders or board directors are concurrently acting as the executive shareholders or board directors of such company; and (iv) the entity, one half or more of whose total number of outstanding voting shares or the total amount of the capital stock are held by the same shareholder(s) of such company.
<b>"Supermajority Resolution"</b>	means a resolution passed by a majority vote of the Members at a general meeting attended by Members who represent two-thirds or more of the total outstanding Shares or, if the total number of Shares represented by the Members present at the general meeting is less than two-thirds of the total outstanding Shares, but more than one half of the total outstanding Shares, means instead, a resolution passed by two-thirds or more of votes cast by the Members present at such general meeting.
<b>"TDCC"</b>	means the Taiwan Depository & Clearing Corporation.
<b>"Treasury Shares"</b>	means a Share held in the name of the Company as a treasury share in accordance with the Statute.
<b>"TSE"</b>	means the Taiwan Stock Exchange.

1.2 In these Articles:

- (a) words importing the singular number include the plural number and vice versa;
- (b) words importing the masculine gender include the feminine gender;
- (c) words importing persons include corporations;

- (d) "written" and "in writing" include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;
- (e) references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;
- (f) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (g) headings are inserted for reference only and shall be ignored in construing these Articles; and
- (h) Section 8 of the Electronic Transactions Law shall not apply.

## **2 Commencement of Business**

- 2.1 The business of the Company may be commenced as soon after incorporation of the Company as the Board shall see fit.
- 2.2 The Board may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company, including the expenses of registration.

## **3 Issue of Shares**

- 3.1 Subject to the provisions, if any, in the Memorandum (and to any direction that may be given by the Company in general meeting) and these Articles, and without prejudice to any rights attached to any existing Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether in regard to Dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper, and may also (subject to the Statute and the Articles) vary such rights; provided that no Share shall be issued at a discount except in accordance with the Statute.
- 3.2 The issue of new Shares shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and shall at all times be subject to the sufficiency of the authorized share capital of the Company.
- 3.3 Where the Company increases its issued share capital by issuing new Shares for cash consideration in the ROC, the Company shall allocate 10% of the total amount of the new Shares to be issued, for public offering in the ROC, unless it is deemed as either unnecessary or inappropriate by the FSC or TSE for the Company to conduct the aforementioned public offering. Any percentage higher than the aforementioned 10% as resolved by a general meeting for public offering in the ROC shall prevail.

The Company may also reserve up to 15% of the total amount of such newly issued Shares for subscription by the employees of the Company and its Subsidiaries.

- 3.4 Unless otherwise resolved by the Members at a general meeting by Ordinary Resolution, where the Company increases its issued share capital by issuing new Shares for cash consideration, the Company shall make a public announcement and notify each Member that he/she/it is entitled to exercise a pre-emptive right to purchase his/her/its pro rata portion of the remaining new Shares (after allocation of the public offering portion and the employee subscription portion in Article 3.3) issued in the capital increase for cash consideration. The Company shall state in such announcement and notices to the Members that if any Member fails to subscribe his/her/its pro rata portion of such remaining newly-issued Shares within the prescribed period, such Member shall be deemed to forfeit his/her/its pre-emptive right to subscribe such newly-issued Shares. In the event that the number of Shares held by a Member is insufficient for such Member to exercise the pre-emptive right to subscribe one newly-issued Share, Shares held by several Members may be calculated together for joint subscription of newly-issued Shares or for subscription of newly-issued Shares in the name of a single Member pursuant to the Applicable Public Company Rules. If the total number of the new Shares to be issued has not been fully subscribed by the Members within the prescribed period, the Company may consolidate such Shares into the public offering tranche or offer any un-subscribed new Shares to a specific person or persons according to the Applicable Public Company Rules.
- 3.5 The Company may issue new Shares with restricted rights ("Restricted Shares") solely to employees of the Company and its Subsidiaries by Supermajority Resolution provided that Article 3.3 and Article 3.4 hereof shall not apply. For so long as the Shares are listed on the TSE, the terms of issue of Restricted Shares, including but not limited to the number, issue price, issue conditions and other related matters, shall comply with the Applicable Public Company Rules.
- 3.6 The pre-emptive right of Members under Article 3.4 shall not apply in the event that new Shares are issued:
- (a) in connection with a merger, spin-off, or pursuant to any reorganization of the Company;
  - (b) in connection with meeting the Company's obligations under share subscription warrants and/or options, including those issued under in Article 3.8 and Article 3.10 hereof;
  - (c) in connection with the issue of Restricted Shares in accordance with Article 3.5 hereof;

- (d) in connection with meeting the Company's obligations under convertible bonds or corporate bonds vested with rights to subscribe for Shares;
  - (e) in connection with meeting the Company's obligations under preferred shares vested with rights to subscribe for Shares; or
  - (f) in connection with private placement of the securities issued by the Company.
- 3.7 The Company shall not issue any unpaid Shares or partly paid-up shares.
- 3.8 Notwithstanding Article 3.5 hereof, the Company may, upon approval by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, adopt one or more incentive programmes and may issue Shares or options, warrants or other similar instruments, to employees of the Company and its Subsidiaries.
- 3.9 Options, warrants or other similar instruments issued in accordance with Article 3.8 above are not transferable save by inheritance.
- 3.10 The Company may enter into agreements with employees of the Company and the employees of its Subsidiaries in relation to the incentive programme approved pursuant to Article 3.8 above, whereby employees may subscribe, within a specific period, a specific number of the Shares. The terms and conditions of such agreements shall be no less restrictive on relevant employee than the terms specified in the applicable incentive programme.
- 3.11 The Company shall not issue Shares to bearer.
- 3.12 The Company may issue Shares with rights which are preferential to those of ordinary Shares issued by the Company ("**Preferred Shares**") with the approval of a majority of the Directors present at a meeting attended by two-thirds or more of the total number of Directors and with the approval of a Special Resolution. Prior to the issuance of any Preferred Shares approved pursuant to this Article, the Articles shall be amended to set forth the rights and obligations of the Preferred Shares, including but not limited to the following terms and provided that such rights and obligations of the Preferred Shares shall not contradict the mandatory provisions of the Applicable Public Company Rules regarding the rights and obligations of such Preferred Shares, and the same shall apply to any variation of rights of Preferred Shares:
- (a) order, fixed amount or fixed ratio of allocation of dividends and bonus on Preferred Shares;
  - (b) order, fixed amount or fixed ratio of allocation of surplus assets of the Company;
  - (c) order of or restriction on the voting right(s) (including declaring no voting rights whatsoever) of the holders of Preferred Shares;
  - (d) the method by which the Company is authorized or compelled to redeem

the Preferred Shares, or a statement that redemption rights shall not apply;  
and

- (e) other matters concerning rights and obligations incidental to Preferred Shares.

3.13 Subject to the Statute and Applicable Public Company Rules, any proposal to issue employee stock options to any employee of the Company and its Subsidiaries by the Company, with the exercise price lower than the closing price of the Shares listed on the TSE as of the issuing date of such options, shall be approved by a resolution passed by two-thirds or more of the Members present at the general meeting who represent a majority of the total outstanding Shares as at the date of such general meeting, which may be offered in different tranches within one year of the date of the general meeting approving such issuance. The handbook of the general meeting shall specify the following matters, which may not be made by an ad hoc motion:

- (a) the total number of employee stock options to be issued, the number of Shares subscribable per stock option, and the number of new Shares to be issued to cover exercise of the options or the number of the Treasury Shares to be repurchased in accordance with the provisions of the Applicable Public Company Rules;
- (b) the basis and reasonableness of the determined exercise price;
- (c) the number, purpose and reasonableness of the share transfer;
- (d) conditions for and number of Shares to be subscribed by relevant employees; and
- (e) any effect on the Members' rights, including:
  - (i) the amount which may be recorded as expenses and any dilution on retained earnings per Share; and
  - (ii) any financial burden on the Company where issued Shares will be used to cover the exercise of employee stock options.

#### **4 Register of Members**

4.1 The Directors shall keep, or cause to be kept, the Register of Members at such place as the Directors may from time to time determine and, in the absence of any such determination, the Register of Members shall be kept at the Registered Office.

4.2 If the Directors consider it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Directors think fit. The principal register and the branch register(s) shall together be treated as the Register of Members for the purposes of the Articles.

4.3 For so long as any Shares are listed on the TSE, title to such listed Shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the TSE that are or shall be applicable to such listed Shares and the

Register of Members maintained by the Company in respect of such listed Shares may be kept by recording the particulars required by section 40 of the Statute in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the TSE that are or shall be applicable to such listed Shares.

## **5 Closing Register of Members or Fixing Record Date**

- 5.1 For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose, the Board may provide that the Register of Members shall be closed for transfers for a stated period as prescribed by the Applicable Public Company Rules.
- 5.2 In lieu of, or apart from, closing the Register of Members, the Board may fix in advance or arrears a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any Dividend or other distribution, or in order to make a determination of Members for any other purpose.
- 5.3 If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a Dividend or other distribution, the date on which notice of the meeting is sent or the date on which the resolution of the Board resolving to pay such Dividend or other distribution is passed, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

## **6 Certificates for Shares**

- 6.1 Subject to the provisions of the Statute, the Company shall issue shares without printing share certificates for the Shares issued. So long as the Shares are listed on the TSE, notwithstanding anything contained in these Articles and subject always to the law of the Cayman Islands, the details regarding such issue of shares shall be recorded by TDCC in accordance with the Applicable Public Company Rules, and the Company shall recognize as a Member each person identified as a holder of a Share in the records provided by the TDCC to the Company and such records shall form part of the Register of Members. A Member shall only be entitled to a share certificate if the Board resolves that share certificates shall be issued. Share

certificates representing Shares, if any, shall be in such form as the Board may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Board. The Board may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer shall be cancelled and subject to these Articles no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.

6.2 The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

6.3 If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Board may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.

6.4 Every share certificate sent in accordance with the Articles will be sent at the risk of the Member or other person entitled to the certificate. The Company will not be responsible for any share certificate lost or delayed in the course of delivery.

1.2 6.5 In the event that the Board resolves share certificate shall be issued, the Company shall deliver the share certificates to the subscribers within thirty days from the date such Shares may be issued pursuant to the Applicable Public Company Rules, and shall make a public announcement prior to the delivery of such share certificate pursuant to the Applicable Public Company Rules.

## **7 Transfer of Shares**

7.1 Subject to Article 3.1, Shares are transferable.

7.2 The instrument of transfer of any Share shall be in writing and shall be executed by or on behalf of the transferor (and if the Board so requires, signed by or on behalf of the transferee). The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.

7.3 Notwithstanding the foregoing, transfers of Shares which are listed on the TSE may be effected by any method of transferring or dealing securities permitted by the TSE which is in accordance with the Applicable Public Company Rules and which has been approved by the Board for such purpose.

## **8 Redemption and Repurchase of Shares**

8.1 Subject to the provisions of the Statute, the Company may issue Shares that are to be

redeemed or are liable to be redeemed at the option of the Member or the Company. The redemption of such Shares shall be effected in such manner as the Company may, by Special Resolution, determine before the issue of the Shares.

- 8.2 Subject to the provisions of the Statute, these Articles and the Applicable Public Company Rules, the Company may, upon approval by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, purchase its own Shares (including any redeemable Shares) provided that the Members shall have approved the manner of purchase by Ordinary Resolution or the manner of purchase shall be in accordance with Article 8.4 hereof.
- 8.3 In the event that the Company proposes to purchase any Share listed on the TSE pursuant to the preceding Article, the approval of the Board and the implementation thereof should be reported to the Members at the next general meeting in accordance with the Applicable Public Company Rules. Such reporting obligation shall also apply even if the Company does not implement the proposal to purchase its Shares listed on the TSE for any reason.
- 8.4 For so long as the Shares are listed on the TSE, the Company is authorised to purchase any Share listed on the TSE in accordance with the following manner of purchase:
- (a) the total price of the Shares purchased by the Company shall not exceed the sum of retained earnings minus earnings distribution resolved by the Board or the general meeting, plus the following realized capital reserve:
    - (i) the premium received from the disposal of assets that has not been booked as retained earnings;
    - (ii) the premium received from the issuance of any Share and income from endowments received by the Company;
  - (b) the maximum number of Shares purchased by the Company shall not exceed ten percent of the total number of issued and outstanding Shares of the Company; and
  - (c) the purchase shall be at such time, at such price and on such other terms as determined and agreed by the Board in its sole discretion provided however that:
    - (i) such purchase transactions shall be in accordance with the Applicable Public Company Rules; and
    - (ii) such purchase transactions shall be in accordance with the Statute.
- 8.5 The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statute, including out of capital.
- 8.6 Subject to the Statute and Applicable Public Company Rules, the Company may by Ordinary Resolution redeem or purchase its own Shares by reducing and making payment out of its share capital. Any such redemption or purchase and the payment out of share capital must be made to all Members pro rata based on the percentage of shareholdings of the Members, unless otherwise provided for in the Statute or the

Applicable Public Company Rules. Prior to the passing of the Ordinary Resolution in accordance with this Article 8.6, the Company shall (i) prepare a balance sheet and an inventory of its property; (ii) give notice of the proposed resolution to each creditor of the Company and make a public announcement in respect of the proposed resolution; and (iii) fix a period of not less than thirty days within which the creditors of the Company may raise their objections, if any, to such resolution. Upon approval by Ordinary Resolution, the Company may make payments to any Member in proportion to their respective shareholdings in the Company either by cash or by distribution of specific assets of the Company, provided however, that where assets other than cash are distributed to the Members, the type of assets, the value of the assets and the corresponding amount of such substitutive distribution shall be (a) assessed by an ROC certified public accountant before being submitted to the Members for approval; (b) approved by the Members by Ordinary Resolution and (c) agreed to by the Member who will receive such assets.

8.7 The Company may accept the surrender for no consideration of any fully paid Share.

8.8 The Board may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.

8.9 Subject to the provisions of the Statute, these Articles and the Applicable Public Company Rules, the Board may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as the Board think proper (including, without limitation, for nil consideration).

8.10 After the Company purchases the Shares listed on the TSE, any proposal to transfer Treasury Shares to any employee of the Company and its Subsidiaries by the Company at a price below the average repurchase price paid by the Company shall be approved by a resolution passed by two-thirds or more of the Members present at the general meeting who represent a majority of the total outstanding Shares at the most recent general meeting. The handbook of the general meeting shall specify the following matters, which may not be made by an ad hoc motion:

- (a) the basis and reasonableness of the determined transfer price, discount ratio and calculation;
- (b) the number, purpose and reasonableness of the share transfer;
- (c) conditions for and volume of share to be purchased by relevant employees; and
- (d) any effect on the shareholders' rights, including:
  - (i) the amount which may be recorded as expenses and any dilution on retained earnings per Share; and
  - (ii) any financial burden on the Company caused by such transfer of Treasury Shares to relevant employees at a price lower than the average repurchase price paid by the Company.

- 8.11 The aggregate number of Treasury Shares that may be transferred to relevant employees as approved by the Members at various general meetings shall not exceed five percent of the total outstanding Shares, and the aggregate number of Treasury Shares that may be purchased by each employee shall not exceed 0.5 percent of the total outstanding Shares. The Company may impose restrictions on the transfer of such Shares by the employees for a period of no more than two years.

## **9 Variation of Rights of Shares**

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

## **10 Non Recognition of Trusts**

The Company shall not be bound by or compelled to recognise in any way (even when notified) any equitable, contingent, future or partial interest in any Share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any Share other than an absolute right to the entirety thereof in the registered holder.

## **11 Transmission of Shares**

- 11.1 If a Member dies the survivor or survivors where he was a joint holder or his legal personal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his Shares. The estate of a deceased Member is not thereby released from any liability in respect of any Share, which had been jointly held by him.
- 11.2 Any person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may,

upon such evidence being produced as may from time to time be required by the Board, elect, by a notice in writing sent by him, either to become the holder of such Share or to have some person nominated by him become the holder of such Share but the Board shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the relevant Member before his death or bankruptcy or liquidation or dissolution, as the case may be.

- 11.3 A person becoming entitled to a Share by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of such Share. However, he shall not, before becoming a Member in respect of a Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company and the Board may at any time give notice requiring any such person to elect either to be registered himself or to have some person nominated by him become the holder of the Share (but the Board shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the relevant Member before his death or bankruptcy or liquidation or dissolution or any other case than by transfer, as the case may be). If the notice is not complied with within ninety days the Board may thereafter withhold payment of all Dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

## **12 Amendments of Memorandum and Articles of Association and Alteration of Capital**

- 12.1 The Company may by Ordinary Resolution:

- (a) increase the share capital by such sum as the Ordinary Resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
- (c) convert all or any of its paid-up Shares into stock, and reconvert that stock into paid-up Shares of any denomination; and
- (d) cancel any Shares that at the date of the passing of the Ordinary Resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorized share capital by the amount of the Shares so cancelled.

- 12.2 All new Shares created in accordance with the provisions of the preceding Article shall be subject to the same provisions of the Articles with reference to transfer, transmission and otherwise as the Shares in the original share capital.

- 12.3 Subject to the provisions of the Statute and the provisions of these Articles as regards the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution:
- (a) change its name;
  - (b) alter or add to these Articles;
  - (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; and
  - (d) reduce its share capital and any Capital Redemption Reserve.
- 12.4 Subject to the Statute and Article 12.5, the Company may from time to time by Supermajority Resolution:
- (a) effect any capitalization of distributable dividends and/or bonuses and/or any other amount prescribed under Article 35 hereof;
  - (b) effect any merger (other than a Cayman Merger), share swap or spin-off of the Company;
  - (c) enter into, amend, or terminate any contract for lease of the Company's business in whole, or for delegation of management of the Company's business to others, or for frequent joint operation with others;
  - (d) transfer its business or assets, in whole or in any essential part; or
  - (e) acquire or assume the whole business or assets of another person, which has a material effect on the Company's operation.
- 12.5 Subject to the Statute, with regard to the dissolution procedure of the Company, the Company shall pass:
- (a) an Ordinary Resolution, in the event that the Company resolves that it be wound up voluntarily because the Company is unable to pay its debts as they fall due; or
  - (b) a Special Resolution, in the event that the Company resolves that it be wound up voluntarily for reasons other than set out in Article 12.5(a) above.
- 12.6 Subject to the Statute, the Company may, with the approval of Members at a general meeting who represent two-thirds or more of the total number of Shares entitled to vote thereat, issue equity-linked securities, including options, warrants and convertible bonds to the following qualified specific persons by way of private placement in the ROC, in accordance with Applicable Public Company Rules:
- (a) banks, finance enterprises, trust enterprises, insurance enterprises, securities enterprises, or other legal entities or institutions approved by the competent securities authority in the ROC;
  - (b) natural person, legal entities or funds meeting the qualifications set forth by the competent securities authority in the ROC; and
  - (c) directors, supervisors or managers of the Company or its Subsidiaries;
- provided that the total number of the qualified subscribers under paragraphs (b) and

(c) shall not exceed 35 persons provided further that the Company shall provide its financial, business or other information in connection with the private placement upon the reasonable request made by the qualified persons under paragraph (b) before the completion of such private placement.

12.7 The resolution to approve the issue of equity-linked securities through a private placement in accordance with Article 12.6 shall not be proposed as an ad hoc motion, and the notice of the general meeting where such a resolution is proposed shall contain the following information:

- (a) the basis and the reasonableness of the pricing of the equity-linked securities to be issued;
- (b) the manner of selection of qualified specific persons. If such specific persons have been selected by the Company, the Company shall also specify the relationships between such specific persons and the Company; and
- (c) the necessity and the reasons for the proposed private placement.

12.8 The equity-linked securities to be issued through private placement by the Company in accordance with the Articles and the Applicable Public Company Rules may be offered in different tranches within one year of the date of the general meeting approving such private placement.

### **13 Offices and Places of Business**

Subject to the provisions of the Statute, the Company may by resolution of the Board change the location of its Registered Office. The Company may, in addition to its Registered Office, maintain such offices or places of business as the Board may determine.

### **14 General Meetings**

14.1 The Company shall hold a general meeting as its annual general meeting within six months following the end of each financial year.

14.2 The Company shall hold an annual general meeting every year.

14.3 For so long as the Shares are listed on the TSE, unless otherwise provided by the Statute, the general meetings shall be held in the ROC. If the Board resolves to hold a general meeting outside the ROC, the Company shall seek approval from the TSE within two days after the Board adopts such resolution. Where a general meeting is to be held outside the ROC, the Company shall engage a professional stock affairs agent in the ROC to handle the administration matters of such general meeting (including but not limited to the handling of the voting of proxies submitted by any Members).

14.4 The Board may call general meetings, and they shall on a Member's requisition forthwith proceed to convene an extraordinary general meeting of the Company.

- 14.5 A Member's requisition set forth in Article 14.4 is a requisition of Member(s) of the Company holding at the date of deposit of requisition not less than 3% of the total number of the outstanding Shares which as at that date have been held by such Member(s) for at least one year.
- 14.6 The Member's requisition must state in writing the matters to be discussed at the extraordinary general meeting and the reason therefor and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.
- 14.7 If the Board does not within fifteen days from the date of the deposit of the Member's requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting, provided that if the extraordinary general meeting will be held outside the ROC, an application shall be submitted by such requisitionists to the TSE for its prior approval.
- 14.8 All general meetings other than annual general meetings shall be called extraordinary general meetings.
- 14.9 An extraordinary general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board.

## **15 Notice of General Meetings**

- 15.1 At least thirty days' notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat. The notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be conducted at such meeting.
- 15.2 At least fifteen days' notice of an extraordinary general meeting shall be given to each Member entitled to attend and vote thereat. The notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be conducted at such meeting.
- 15.3 The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting of the Company in accordance with Applicable Public Company Rules and close its Register of Members accordingly but, unless so fixed, as regards the entitlement to receive notice of a meeting or notice of any other matter, the record date shall be the date of despatch of the notice and, as regards the entitlement to vote at a meeting, and any adjournment thereof, the record date shall be the date of the original meeting.
- 15.4 A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in the Articles, be deemed to have been properly called if it is so agreed by all the Members entitled to attend an annual general meeting or an extraordinary general meeting (as the case may be).

- 15.5 The accidental omission to give notice of a general meeting to, or the non receipt of notice of a general meeting by, any person entitled to receive such notice shall not invalidate the proceedings of that general meeting.
- 15.6 For so long as the Shares are listed on the TSE, the Company shall, at least thirty days prior to an annual general meeting or fifteen days prior to an extraordinary general meeting, make a public announcement publishing the notice of the general meeting, the proxy instrument, agendas and materials relating to matters for approval, matters for discussion, and election or discharge of Directors to be discussed in the general meeting via the Market Observation Post System. If the voting power of a Member at a general meeting shall be exercised by way of a written ballot, the Company shall also send the written document used for the exercise of voting power together with the above mentioned materials. The Board shall prepare a meeting handbook of the relevant general meeting and supplemental materials, which will be sent to or made available to all Members and shall be transmitted to the Market Observation Post System in accordance with Applicable Public Company Rules twenty-one days prior to the annual general meetings or, in the case of extraordinary general meetings, fifteen days prior to such meeting.
- 15.7 The following matters shall be stated in the notice of a general meeting, with a summary of the material content to be discussed, and shall not be proposed as an ad hoc motion.
- (a) election or discharge of Directors;
  - (b) alteration of the Articles;
  - (c) (i) dissolution, merger or spin-off, (ii) entering into, amending, or terminating any contract for lease of the Company's business in whole, or the delegation of management of the Company's business to others or the regular joint operation of the Company with others, (iii) transfer of the Company's business or assets, in whole or in any essential part, (iv) acquisition or assumption of the whole business or assets of another person, which has a material effect on the Company's operation;
  - (d) ratification of an action by Director(s) who engage(s) in business for him/herself or on behalf of another person that is within the scope of the Company's business;
  - (e) distribution of the whole or part of the surplus profit of the Company in the form of new Shares, capitalization of statutory reserve, Capital Reserve and any other amount in accordance with Article 35, and
  - (f) private placement of any equity-type securities issued by the Company.
- 15.8 The Board shall keep the Articles, minutes of general meetings, financial statements, the Register of Members, and the counterfoil of any corporate bonds issued by the Company at the office of the Company's registrar (if applicable) and the Company's

stock affairs agent located in the ROC. Members may request, from time to time, by submitting document(s) evidencing his/her interests involved and indicating the designated scope of the inspection, access to inspect, review or make copies of the foregoing documents.

- 15.9 The Company shall make available all statements and records prepared by the Board and the report prepared by the Audit Committee, which will be submitted to the Members at the annual general meeting, at the office of its registrar (if applicable) and its stock affairs agent located in the ROC ten days prior to such annual general meeting in accordance with Applicable Public Company Rules. Members may inspect and review the foregoing documents from time to time and may be accompanied by their lawyers or certified public accountants for the purpose of such inspection and review.
- 15.10 The Board may postpone any general meeting called in accordance with the Articles and a notice of postponement shall be given to each Member before the time scheduled for such meeting. A notice of the adjourned meeting shall be given as in the case of an original meeting.
- 15.11 The Directors of the Company shall be entitled to receive notice of, attend and be heard at the general meeting.

## **16 Proceedings at General Meetings**

- 16.1 No resolution shall be made at any general meeting unless a quorum is present. Unless otherwise provided for in the Articles, Members present in person or by proxy, representing more than one-half of the total outstanding Shares, shall constitute a quorum for any general meeting.
- 16.2 The Board shall submit business reports, financial statements and proposals for distribution of profits or allocation of losses prepared by it for the purposes of annual general meetings of the Company for ratification by the Members as required by the Applicable Public Company Rules. After ratification by the Members at the general meeting, the Board shall distribute copies or make a public announcement of the ratified financial statements and the Company's resolutions on the allocation and distribution of profits or allocation of losses, to each Member.
- 16.3 Unless otherwise provided in the Articles, a resolution put to the vote of the meeting shall be decided on a poll. No resolution put to the vote shall be decided by a show of hands.
- 16.4 Nothing in the Articles shall prevent any Member from initiating proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution within 30 days after passing of such resolution. The Taiwan Taipei District Court, ROC, may be the court of first instance for adjudicating any disputes arising out of

the foregoing. Any Member(s) holding three percent (3%) or more of the total number of the issued Shares of the Company for one (1) consecutive year or longer may request in writing any Independent Director of the Audit Committee to initiate proceedings against any Director or Directors on behalf of the Company with a competent court having proper jurisdiction, including the Taiwan Taipei District Court, ROC. If Independent Directors of the Audit Committee fail to initiate such proceedings within thirty (30) days after receiving the request by such Member(s), subject to Cayman Islands law, such Member(s) may initiate such proceedings on behalf of the Company with a competent court having proper jurisdiction, including the Taiwan Taipei District Court, ROC.

- 16.5 Unless otherwise expressly required by the Statute, the Memorandum or the Articles, any matter which has been presented for resolutions, approval, confirmation or adoption by the Members at any general meeting may be passed by Ordinary Resolution.
- 16.6 Member(s) holding 1% or more of the total outstanding Shares immediately prior to the relevant book close period, during which the Company closed its Register of Members, may propose to the Company a proposal for discussion at a general meeting in writing. Proposals shall not be included in the agenda of the general meeting where (a) the proposing Member(s) holds less than 1% of the total number of outstanding Shares, (b) the matter of such proposal may not be resolved by a general meeting; (c) the proposing Member(s) has proposed more than one proposal; or (d) the proposal is submitted to the Company after the date fixed and announced by the Company for accepting Member(s)' proposal(s).
- 16.7 Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman shall act as chairman at all general meetings at which such person is present. In his absence a chairman shall be appointed or elected by the Members present at the meeting and entitled to vote.
- 16.8 The rules and procedures of general meetings shall be established by the Board and approved by an Ordinary Resolution, and such rules and procedures shall be in accordance with the Articles and the Applicable Public Company Rules.

## **17 Votes of Members**

- 17.1 Subject to any rights or restrictions attached to any Shares, every Member who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorized representative or by proxy, each Member present in any such manner shall have one vote for every Share of which he is the holder. A Member holding more than one Share is required to cast the votes in respect of his Shares in the same way on any resolution at a general meeting

unless otherwise provided by the Applicable Public Company Rules, in which case the casting of votes shall comply with the Applicable Public Company Rules.

- 17.2 No person shall be entitled to vote at any general meeting or at any separate meeting of the holders of a class of Shares unless he is registered as a Member on the record date for such meeting nor unless all monies then payable by him in respect of Shares have been paid.
- 17.3 Votes may be cast either in person or by proxy. A Member may appoint another person as his proxy by specifying the scope of appointment in the proxy instrument prepared by the Company to attend and vote at a general meeting, provided that a Member may appoint only one proxy under one instrument to attend and vote at such meeting.
- 17.4 The Board may determine that the voting power of a Member at a general meeting may be exercised by way of a written ballot or by way of electronic transmission provided that the Board shall allow the voting power of a Member at a general meeting to be exercised by way of a written ballot or by way of electronic transmission if the size of the Company, number and types of Members or other matters comply with the requirements set forth in the Applicable Public Company Rules; provided, however, further that if a general meeting is to be held outside of the ROC, the Company shall provide the Members with a method for exercising their voting power by way of a written ballot or electronic transmission. The method for exercising such voting power shall be described in the general meeting notice to be given to the Members if the voting power may be exercised by way of a written ballot or electronic transmission. A Member who exercises his/her/its voting power at a general meeting by way of a written ballot or by electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to exercise his/her/its voting right at such general meeting in accordance with the instructions stipulated in the written ballot or electronic transmission; provided, however that such appointment shall be deemed not to constitute the appointment of a proxy for the purposes of the Applicable Public Company Rules. The chairman, acting as proxy of a Member, shall not exercise the voting right of such Member in any way not stipulated in the written ballot or electronic transmission, nor exercise any voting right in respect of any ad hoc motion or amendment to the original agenda items to be resolved at the said general meeting. For the purposes of clarification, such Member voting in such manner shall be deemed to have waived notice of, and the right to vote in regard to, any ad hoc motion or amendment to the original agenda items to be resolved at the said general meeting. Should the chairman not observe the instructions of a Member in exercising such Member's voting right in respect of any resolution, the Shares held by such Member shall not be included in the

calculation of votes in respect of such resolution but shall nevertheless be included in the calculation of quorum for the meeting.

- 17.5 Any Member intending to exercise his/her/its voting power by way of a written ballot or electronic transmission shall serve the Company with his declaration of intention to do so at least two days prior to the general meeting. If a Member serves the Company with more than one declaration of intention to exercise his/her/its voting power by way of a written ballot or electronic transmission, the first declaration shall prevail, unless an explicit written statement is made thereafter by such Member to revoke the previous declaration of intention in the same manner as previously used in exercising his/her/its voting power.
- 17.6 In the event any Member who has served the Company with his declaration of intention to exercise his voting power by way of a written ballot or electronic transmission pursuant to Article 17.5 hereof later intends to attend the general meetings in person, he shall, at least two days prior to the date of such general meeting, serve a separate declaration of intention to revoke his/her/its previous declaration of intention in the same manner as previously used in exercising his voting power. Votes by way of a written ballot or electronic transmission shall remain valid if the relevant Member fails to revoke the declaration of intention before the prescribed time.

## **18 Proxies**

- 18.1 The instrument of proxy shall be in the form approved by the Board from time to time and be expressed to be for a particular meeting only. An instrument of proxy shall be in writing, be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member of the Company.
- 18.2 Subject to the Applicable Public Company Rules, except where a Member is appointing the chairman of a general meeting as his proxy through written ballot or electronic transmission pursuant to Article 17.4 or for trust enterprises organized under the laws of the ROC or a stock affairs agent approved pursuant to Applicable Public Company Rules, in the event a person acts as the proxy for two or more Members, the sum of Shares entitled to be voted as represented by such proxy shall be no more than 3% of the total outstanding voting Shares immediately prior to the relevant book closed period, during which the Company closes its register of Members; any vote in respect of the portion in excess of such 3% threshold shall not be counted.
- 18.3 In the event that a Member exercises his/her/its voting power by way of a written ballot or electronic transmission and has also authorized a proxy to attend a general

meeting, then the voting power exercised by the proxy at the general meeting shall prevail. In the event that any Member who has authorised a proxy to attend a general meeting later intends to attend the general meeting in person or to exercise his voting power by way of a written ballot or electronic transmission, he shall, at least two days prior to such general meeting, serve the Company with a separate notice revoking his previous appointment of the proxy. Votes by way of proxy shall remain valid if the relevant Member fails to revoke his appointment of such proxy before the prescribed time.

- 18.4 The instrument of proxy shall be deposited at the Registered Office or the office of the Company's stock affairs agent in the ROC or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company no less than five days before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. Where more than one instrument to vote are received from the same Member by the Company, the first instrument received shall prevail, unless an explicit written statement is made by the relevant Member to revoke the previous proxy in the later-received instrument.
- 18.5 For so long as the shares are listed on the TSE, the use and solicitation of proxies shall be in compliance with the Applicable Public Company Rules, including but not limited to "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".

## **19 Corporate Members**

Any corporation or other non-natural person which is a Member may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member. In case of a corporate Member, its authorised representative may also be elected as Director of the Company in accordance with these Articles. If there are more than one authorized representatives, each of them may be so elected.

## **20 Dissenting Member's Appraisal Right**

- 20.1 In the event any of the following resolutions is adopted at a general meeting, any Member who has notified the Company in writing of his/her/its objection to such matter prior to the meeting and has raised again his/her/its objection at the meeting, may request the Company to purchase all of his/her/its shares at the then prevailing fair price:

- (a) the Company enters into, amends, or terminates any contract for lease of the Company's business in whole, or the delegation of management of the Company's business to others or the regular joint operation of the Company with others;
  - (b) the Company transfers its business or assets, in whole or in any essential part; provided that the foregoing does not apply where such transfer is pursuant to the dissolution of the Company; or
  - (c) the Company acquires or assumes the transfer of the whole business or assets of another person, which has a material effect on the Company's operations.
- 20.2 In the event any part of the Company's business is spun off or involved in any merger with any other company, the Member, who has forfeited his/her/its right to vote on such matter and expressed his dissent therefor, in writing or verbally (with a record) before or during the general meeting, may request the Company to purchase all of his/her/its shares at the then prevailing fair price.
- 21 Shares that May Not be Voted**
- 21.1 Shares held as set out below shall not carry any voting rights and be counted in the total number of outstanding Shares at any given time:
  - (a) beneficially owned by the Company itself;
  - (b) by any entity in which the Company owns, legally or beneficially, more than 50% of its issued and voting share capital or equity capital; or
  - (c) by an entity in which the Company, together with (i) the holding company of the Company and/or (ii) any subsidiary of (a) the holding company of the Company or (b) the Company owns, legally or beneficially, directly or indirectly, more than 50% of its issued and voting share capital or equity capital.
- 21.2 For so long as the shares are listed on the TSE, in the event that a Director creates or has created security over any Shares held by him, then he shall notify the Company of such security. If at any time the security created by a Director is in respect of more than half of the Shares held by him at the time of his appointment, then the voting rights attaching to the Shares held by such Director at such time shall be reduced, such that the Shares over which security has been created which are in excess of half of the Shares held by the Director at the date of his appointment shall not carry voting rights and shall not be counted in the number of votes casted by the Members at a general meeting.
- 21.3 A Member who has a personal interest in any motion discussed at a general meeting, which interest may be in conflict with and impair those of the Company, shall abstain from voting such Member's Shares in regard to such motion and such Shares shall not be counted in determining the number of votes of the Members present at the said meeting. However, such Shares may be counted in determining the number of

Shares of the Members present at such general meeting for the purposes of determining the quorum. The aforementioned Member shall also not vote on behalf of any other Member.

## **22 Directors**

- 22.1 There shall be a Board consisting of five to nine persons, each of whom shall serve for a three-year term of office, provided that in the event the expiration of the term of office of such Directors would otherwise leave the Company with no Directors, the term of office of such Directors shall be extended automatically to the date of the general meeting next following the expiration of such term, at which new Directors will be elected to assume office. Directors may be eligible for re-election. The Company may from time to time by Special Resolution increase or reduce the limits in the number of Directors set forth in this Article, provided that the requirements by relevant laws and regulations (including but not limited to any listing requirements) are met.
- 22.2 Unless otherwise approved by the TSE, the number of Directors having a spousal relationship or familial relationship within the second degree of kinship with any other Directors shall be less than half of the total number of Directors.
- 22.3 In the event that the Company convenes a general meeting for the election of Directors and any of the Directors elected does not meet the requirements provided in Article 22.2 hereof, the non-qualifying Director(s) who was elected with the fewest number of votes shall be deemed not to have been elected, to the extent necessary to meet the requirements provided for in Article 22.2 hereof. Any person who has already served as a Director but is in violation of the aforementioned requirements shall vacate his/her/its position of Director automatically.
- 22.4 Unless otherwise permitted under the Applicable Public Company Rules, there shall be at least three Independent Directors. To the extent required by the Applicable Public Company Rules, at least one of the Independent Directors shall be domiciled in the ROC and at least one of the same shall have accounting or financial expertise.
- 22.5 Independent Directors shall have professional knowledge and shall maintain independence within the scope of their directorial duties, and shall not have any direct or indirect interests in the Company. The professional qualifications, restrictions on shareholdings and concurrent positions, and assessment of independence with respect to Independent Directors shall be governed by the Applicable Public Company Rules.

## **23 Powers of Directors**

- 23.1 Subject to the provisions of the Statute, the Memorandum and the Articles and to any directions given by a resolution of Members adopted in accordance with the Articles, the business of the Company shall be managed by the Board who may exercise all

the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of the Board at which a quorum is present may exercise all powers exercisable by the Board.

- 23.2 Subject to the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

## **24 Appointment and Removal of Directors**

- 24.1 The Company may at a general meeting elect any person to be a Director, which vote shall be calculated in accordance with Article 24.2 below. Members present in person or by proxy, representing more than one-half of the total outstanding Shares shall constitute a quorum for any general meeting to elect one or more Directors.
- 24.2 Directors shall be elected pursuant to a cumulative voting mechanism pursuant to a poll vote, where the number of votes exercisable by any Member shall be the same as the product of the number of Shares held by such Member and the number of Directors to be elected (“Special Ballot Votes”), and the total number of Special Ballot Votes cast by any Member may be consolidated for election of one Director candidate or may be split for election amongst multiple Director candidates, as specified by the Member pursuant to the poll vote ballot. The top candidates in the number equal to the number of the Directors to be elected, to whom the votes cast represent a prevailing number of votes relative to the other candidates, shall be deemed Directors elected. For so long as the Shares are listed on the TSE, (a) the Company shall adopt a candidate nomination mechanism for the election of the Directors which is in compliance with the Applicable Public Company Rules; and (b) such candidate nomination mechanism in compliance with the Applicable Public Company Rules shall also be used for the election of Independent Directors. The rules and procedures for the candidate nomination shall be in accordance with policies established by the Board and by an Ordinary Resolution from time to time, which policies shall be in accordance with the Statute, the Memorandum, the Articles and the Applicable Public Company Rules.
- 24.3 If the number of Independent Directors is less than three persons due to the resignation or removal of any of the Independent Directors for any reason, the Company shall hold an election of Independent Directors at the next following general meeting. If all of the Independent Directors are resigned or removed, the

Board shall hold, within sixty days, an extraordinary general meeting to elect succeeding Independent Directors to fill the vacancies.

- 24.4 If the number of Directors is less than five persons due to the vacancy of Director(s) for any reason, the Company shall hold an election of Director(s) at the next following general meeting. When the number of vacancies in the Board of the Company equals to one third of the total number of Directors elected, the Board shall hold, within sixty days, an extraordinary general meeting to elect succeeding Directors to fill in the vacancies.
- 24.5 The Company may from time to time by Supermajority Resolution remove any Director from office before the expiration of his period of office notwithstanding anything in these Articles, and may elect another person to fill in the vacancy in accordance with Article 24.2; provided that the Company may remove all Directors and elect new Directors to fill the vacancies at the same time in accordance with this Article and Article 24.2 and unless the resolution approving such removal and election provides otherwise, the existing Directors' office shall be deemed discharged upon the passing of such resolution prior to the expiration of such Directors' applicable period of office.
- 24.6 Where a Director has, in the course of performing his duties, committed any act resulting in material damages to the Company or in significant violation of applicable laws, regulations or/and the Articles, but not removed by Supermajority Resolution, the Member(s) holding 3% or more of the total outstanding Shares may, within thirty days after that general meeting, institute a lawsuit in the competent court for a judgment to remove such Director from office. The Taiwan Taipei District Court, ROC, may be the court of first instance for this matter.

### 1.3

## 25 **Vacation of Office of Director**

The office of a Director shall be vacated if the Director:

- (a) is removed from office pursuant to the Articles;
- (b) gives notice in writing to the Company that he resigns the office of Director;
- (c) dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (d) is found to be or becomes of unsound mind;
- (e) an order is made by any competent court or official on the grounds that he is or will be suffering from mental disorder or is otherwise incapable of managing his affairs, or his legal capacity is restricted according to the applicable laws;
- (f) having committed an offence as specified in the ROC statute of prevention of organizational crimes and subsequently adjudicated guilty by a final judgment, and the time elapsed after he has served the full term of such sentence is less than five years;

- (g) having committed an offence involving fraud, breach of trust or misappropriation and subsequently punished with imprisonment of a term of more than one year, and the time elapsed after he has served the full term of such sentence is less than two years;
- (h) having been adjudicated guilty by a final judgment for misappropriating public funds during the time of his public service, and the time elapsed after he has served the full term of such sentence is less than two years; or
- (i) having been dishonoured for use of negotiable instruments, and the term of such sanction has not yet expired.

In the event that any of the foregoing events described in clauses (c), (d), (e), (f), (g), (h) and (i) has occurred to a candidate election of Director, such person shall be disqualified from being elected as a Director.

In the event that any Director, during the term of office as a Director, transfers more than one half of the total number of the shares of the Company being held by him/her/it at the time he/she/it was elected, he/she/it shall, ipso facto, be discharged from his/her/its office of Director automatically.

In the event that any Director, after being elected and before his/her/its inauguration of the office of Director, transfers more than one half of the total number of shares of the Company held by him/her/it at the time he/she was elected; or transfers more than one half of the total number of shares of the Company held by him/her/it within the book closure period prior to the convention of the shareholders' meeting, then his/her/its election as a Director shall be deemed invalid.

## **26 Proceedings of the Board**

- 26.1 The Board may meet (either within or outside of the Cayman Islands) for the transaction of business, adjourn and otherwise regulate its meetings as it thinks fit before the Shares are listed on the TSE. For so long as the Shares are listed on the TSE, at least seven days' prior notice shall be given for any meeting of the Board provided that in the case of urgent circumstances as agreed by a majority of the Directors, a meeting of the Board may be convened on short notice, or be held any time after notice have been given to every directors or be convened without prior notice if all directors agree. A resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and no resolution shall be passed in the case of an equality of votes.
- 26.2 The quorum for the transaction of the business of the Board may be fixed by the Board, and unless so fixed at any other number, shall be a majority of the Board. A person who holds office as an alternate Director shall, if his appointor is not present, be counted in the quorum. A Director who also acts as an alternate Director shall, if his appointor is not present, count twice towards the quorum.

- 26.3 A Director may participate in a meeting of the Board or committee of Directors by video conference or other communications facilities by means of which all the persons participating in the meeting can see and communicate with each other at the same time. Participation by a Director in a meeting in this manner is treated as presence in person at that meeting.
- 26.4 The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles and the Applicable Public Company Rules as the necessary quorum of Directors the continuing Directors may act for the purpose of increasing the number of Directors to be equal to such fixed number, or of summoning a general meeting of the Company, but for no other purpose.
- 26.5 The rules and procedures of the meeting of the Board shall be established by the Board in accordance with the Articles and the Applicable Public Company Rules.
- 26.6 All acts done by any meeting of the Board or of a committee of the Directors (including any person acting as an alternate Director) shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director or alternate Director, or that they or any of them were disqualified, and/or had vacated their office and/or were not entitled to vote, be as valid as if every such person had been duly appointed and/or not qualified to be a Director or alternate Director and/or had not vacated their office and/or had been entitled to vote, as the case may be.
- 26.7 A Director but not an alternate Director may be represented at any meetings of the Board by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director.

## **27 Directors Interests**

- 27.1 A Director or alternate Director may hold any other office or place of profit under the Company in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Board may determine.
- 27.2 A Director or alternate Director may act by himself or by, through or on behalf of his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.
- 27.3 Unless otherwise provided in the Articles, a Director or alternate Director may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as a shareholder, a contacting party, or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits

received by him as a director or officer of, or from his interest in, such other company.

- 27.4 Without prejudice to the duties owed by a Director to the Company under common law of the Cayman Islands and subject to the Statute, a Director shall assume a duty to act honestly and loyally to the Company and exercise the care as a good administration when performing his duties. A Director shall be liable to the Company if he breaches the above duties. If a Director's breach of duties is for the benefit of the Director or third party, the Company may, with the sanction of an Ordinary Resolution, demand the Director to disgorge any profit so realized by the Director as if such misconduct is done for the benefit of the Company within one year of the Director's breach of duties. A Director shall be liable jointly with the Company for any loss or damage incurred by any third party if such loss or damage is incurred as a result of a Directors' breach of laws or regulations in the course of performing his duties.
- 27.5 A Director or alternate Director who is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall declare the nature of such interest to the Company as required by relevant laws and regulations.
- 27.6 Notwithstanding anything to the contrary contained in this Article 27, a Director who has a personal interest in the matter under discussion at a meeting of the Board shall disclose the material information regarding such conflict of interests at such meeting of the Board. A Director who has a personal interest in the matter under discussion at a meeting of the Board, which may conflict with and impair the interest of the Company, shall not vote nor exercise voting rights on behalf of another Director; the voting right of such Director who cannot vote or exercise any voting right as prescribed above shall not be counted in the number of votes of Directors present at the meeting of the Board.

## **28 Minutes**

The Board shall cause minutes to be made in books kept for the purpose of:

- (a) all appointments of officers made by the Board; and
- (b) all proceedings and resolutions at meetings of the Members or the holders of any class of Shares and of the Board, and of committees of the Directors including the names of the Directors or alternate Directors present at each meeting.

## **29 Delegation of Directors' Powers**

- 29.1 The Board may delegate any of its powers, authorities and discretions, including the power to sub-delegate, to any committee consisting of one or more Directors. They may also delegate to any managing director or any Director holding any other

executive office such of their powers, authorities and discretions as they consider desirable to be exercised by him provided that an alternate Director may not act as managing director and the appointment of a managing director shall be revoked forthwith if he ceases to be a Director. Any such delegation may be made subject to any conditions the Board may impose, and either collaterally with or to the exclusion of their own powers and any such delegation and may be revoked or altered by the Board. Subject to any such conditions, the proceedings of a committee of Directors shall be governed by the Articles regulating the proceedings of the Board, so far as they are capable of applying.

- 29.2 The Board may establish any committees or appoint any person to be a manager or agent for managing the affairs of the Company. Any such appointment may be made subject to any conditions the Board may impose, and either collaterally with or to the exclusion of their own powers and any such appointment and may be revoked or altered by the Board. Subject to any such conditions, the proceedings of any such committee shall be governed by the Articles regulating the proceedings of the Board, so far as they are capable of applying.
- 29.3 The Board may by power of attorney or otherwise appoint any person to be the agent of the Company on such conditions as the Board may determine, provided that the delegation is not to the exclusion of their own powers and may be revoked by the Board at any time.
- 29.4 The Board may by power of attorney or otherwise appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be the attorney or authorized signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorneys or authorised signatories as the Board may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him.
- 29.5 The Board may appoint such officers of the Company (including, for the avoidance of doubt and without limitation, any secretary) as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Board may think fit. Unless otherwise specified in the terms of his appointment an officer of the Company may be removed by resolution of the Board or Members. An officer of the Company may vacate this office at any time if he gives notice in writing to the Company that he resigns his office. The officers, in the course of performing their duties to the Company, shall assume responsibilities identical to that of the Directors.

- 29.6 For so long as the Shares are listed on the TSE, the Board shall, in accordance with the Applicable Public Company Rules, establish a Compensation Committee comprised of at least three members, one of which shall be the Independent Director. The professional qualifications of the members of the Compensation Committee, the responsibilities, powers and other related matters of the Compensation Committee shall comply with the Applicable Public Company Rules. Upon the establishment of the Compensation Committee, the Board shall, by a resolution, adopt a charter for the Compensation Committee in accordance with these Articles and the Applicable Public Company Rules.
- 29.7 The compensation to be proposed by the Compensation Committee referred in the preceding Article shall include the compensation, stock options and other incentive payments payable to Directors and managers of the Company.

### **30 Alternate Directors**

- 30.1 Any Director (but not an alternate Director) may by writing appoint any other Director, or any other person willing to act, to be an alternate Director and by writing may remove from office an alternate Director so appointed by him.
- 30.2 An alternate Director shall be entitled to receive notice of all meetings of the Board and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at every such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in his absence, save that he may not himself appoint an alternate director or proxy.
- 30.3 An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.
- 30.4 Any appointment or removal of an alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment or in any other manner approved by the Board.
- 30.5 An alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

### **31 Tender Offer**

Within seven days after the receipt of the copy of a tender offer application form and relevant documents by the Company or its litigation or non-litigation agent appointed pursuant to the Applicable Public Company Rules, the Board shall resolve to recommend to the Members whether to accept or object to the tender offer and make a public announcement of the following:

- (a) the types and number of the Shares held by the Directors and the Members holding more than 10% of the outstanding Shares in their own names or in the names of other persons.
- (b) recommendations to the Members on the tender offer, which shall set forth the names of the Directors who abstain or object to the tender offer and the reason(s) therefor.
- (c) whether there is any material change in the financial condition of the Company after the submission of the latest financial report and an explanation of the change, if any.
- (d) the types, numbers and amount of the Shares of the tender offeror or its affiliates held by the Directors and the Members holding more than 10% of the outstanding Shares held in their own names or in the name of other persons.

## **32 Remuneration of Directors**

The remuneration of the Directors may only be paid in cash. The remuneration of the Directors shall be decided by the Board by reference to the standard generally adopted by other enterprises in the same industry, and shall be paid regardless whether the Company has profits or suffers losses. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally. A Director is also entitled to distribution of profits of the Company in accordance with the Statute, the Applicable Public Company Rules, the service agreement or other similar contract that he/she has entered into with the Company.

## **33 Seal**

- 33.1 The Company may, if the Board so determine, have a Seal. The Seal shall only be used by the authority of the Board or of a committee of the Directors authorised by the Board. Every instrument to which the Seal has been affixed shall be signed by at least one person who shall be either a Director or some officer of the Company or other person appointed by the Board for the purpose.
- 33.2 The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Board so determine, with the addition on its face of the name of every place where it is to be used.
- 33.3 A Director or officer, representative or attorney of the Company may without further authority of the Board affix the Seal over his signature alone to any document of the Company required to be authenticated by him under seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

### **34 Dividends, Distributions and Reserve**

- 34.1 Subject to the Statute and this Article and except as otherwise provided by the rights attached to any Shares, the Company may declare dividends following the Board's recommendation in a distribution plan approved by the Board, with the sanction of Ordinary Resolution, resolve to pay Dividends and other distributions on Shares in issue and authorise payment of the Dividends or other distributions out of the funds of the Company lawfully available therefor. Considering that the Company is in an industry greatly affected by consumer market and business circle and cannot identify its development circle, after the close of a fiscal year, the Board shall provide the distribution plan according to the following requirements: the Company (i) after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of such profits as statutory reserve until the statutory reserve amounts to the authorized capital, (ii) may appropriate a portion of such profits as special reserve required by Applicable Public Company Rules or government authorities, and (iii) of the remaining profits, may appropriate up to 3% as bonuses to the Directors and additional up to 3% of the remaining profits as employee bonus to the employees of the Company and Subsidiaries and (iv) having considered the financial, business and operational factors, any remaining profits which may be distributed as Dividends by cash or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rata to the Members or any combination of both, or bonuses according to the Statute and Applicable Public Company Rules; provided, however, that the Dividends payable to the Members hereunder shall not be less than 2% of the balance of the profits after deduction of the amount set out in sub-clauses (i) and (ii), among which, cash dividends shall not be less than 10% of the total Dividends declared. The distribution of Dividends by cash will be rounded down to New Taiwan dollars. The sum of aforesaid rounded-down amounts which are less than one New Taiwan dollars (NT\$1.00) will be recognized as other non-operational income of the Company.
- 34.2 No Dividend or other distribution shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or any reserve, fund, or account as otherwise permitted by the Statute, provided, however, that such distribution shall only be paid out of the statutory reserve if the amount of the statutory reserve exceeds 25% of the Company's paid-in capital and that the maximum amount to be paid out of the statutory reserve is limited to the amount by which the statutory reserve exceeds 25% of the Company's paid-in capital. Except as otherwise provided by the rights attached to any Shares, all Dividends and other distributions shall be paid according to the number of the Shares that a Member

holds. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date, that Share shall rank for Dividend accordingly.

- 34.3 The Board may deduct from any Dividend or other distribution payable to any Member all sums of money (if any) then payable by him to the Company for any reason.
- 34.4 The Board may resolve that any Dividend or other distribution be paid wholly or partly by the distribution of specific assets and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Board may settle the same as they think expedient and in particular may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees in such manner as may seem expedient to the Board.
- 34.5 The Board may, before resolving to pay any Dividend or other distribution, set aside such sums as they think proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, at the discretion of the Directors, be employed in the business of the Company.
- 34.6 Any Dividend, other distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any Dividends, other distributions, bonuses, or other monies payable in respect of the Share held by them as joint holders.
- 34.7 No Dividend or other distribution shall bear interest against the Company.
- 34.8 The Board shall fix any date as the record date for determining the Members entitled to receive any Dividend or other distribution. The Register of Members shall be closed for a period of five days before the relevant fixed record date or such other period as may be required by the Applicable Public Company Rules or the Statute.
- 34.9 Any Dividend or other distribution which cannot be paid to a Member and/or which remains unclaimed after six months from the date on which such Dividend or other distribution becomes payable may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the Dividend or other distribution shall remain as a debt due to the Member. Any Dividend or other

distribution which remains unclaimed after a period of six years from the date on which such Dividend or other distribution becomes payable shall be forfeited and shall revert to the Company.

### **35 Capitalisation**

Unless otherwise provided for in the Articles, subject to the Statute, the Board may, with the authority of a Supermajority Resolution, at any time capitalise any sum standing to the credit of any of the Company's reserve accounts of funds (including the share premium account and Capital Redemption Reserve) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst such Members had the same been a distribution of profits by way of Dividend or other distributions and apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalisation, with full power given to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalisation and matters incidental or relating thereto and any agreement made under such authority shall be effective and binding on all such Members and the Company.

### **36 Books of Account**

- 36.1 The Board shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books of account shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- 36.2 The instruments of proxy, documents, forms/statements and information in electronic media prepared in accordance with the Articles and relevant laws and regulations shall be kept for at least one year; provided, however, that if a Member institutes a lawsuit with respect to such instruments of proxy, documents, forms/statements and/or information, they shall be kept until the conclusion of the lawsuit if the lawsuit period is longer than one year.

## 37 **Audit Committee**

37.1 The Company shall establish an Audit Committee. The Audit Committee shall comprise solely of Independent Directors and the number of committee members shall not be less than three. One of the Audit Committee members shall be appointed as the convener to convene meetings of the Audit Committee from time to time and at least one of the Audit Committee members shall have accounting or financial expertise. A valid resolution of the Audit Committee requires approval of one-half or more of all its members. The rules and procedures of meeting of the Audit Committee shall be adopted by the Board in accordance with the Articles and the Applicable Public Company Rules.

37.2 Any of the following matters of the Company shall require the consent of one-half or more of all Audit Committee members and be submitted to the Board for resolution:

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

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

## 38 **Notices**

38.1 Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by courier, post, cable, telex, fax or e-mail to him or to his address as shown in the Register of Members or to such other address given for such purpose or by means of public announcement.

- 38.2 Where a notice is sent by courier, service of the notice shall be deemed to be effected by delivery of the notice to a courier company, and shall be deemed to have been received on the third day (not including Saturdays or Sundays or public holidays in the Cayman Islands) following the day on which the notice was delivered to the courier. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) following the day on which the notice was posted. Where a notice is sent by cable, telex or fax, service of the notice shall be deemed to be effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.
- 38.3 A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices which are required to be given under these Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
- 38.4 Notice of every general meeting shall be given in any manner authorised by the Articles to every holder of Shares carrying an entitlement to receive such notice on the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members and every person upon whom the ownership of a Share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member where the Member but for his death or bankruptcy would be entitled to receive notice of the meeting, and no other person shall be entitled to receive notices of general meetings.

## **39 Winding Up**

- 39.1 If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the number of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the

winding up, the surplus shall be distributed amongst the Members in proportion to the number of the Shares held by them at the commencement of the winding up This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

- 39.2 If the Company shall be wound up the liquidator may, subject to the rights attached to any Shares and with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in proportion to the number of the Shares held by them in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

#### **40 Indemnity and Insurance**

- 40.1 Unless otherwise provided in these Articles, every Director and officer of the Company, together with every former Director and former officer of the Company (each an "Indemnified Person") shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or wilful default or breach of their duties as referred to in Article 27.4 or 29.5. No Indemnified Person shall be liable to the Company for any loss or damage incurred by the Company as a result (whether direct or indirect) of the carrying out of their functions unless that liability arises through the actual fraud or wilful default or breach of their duties as referred to in Article 27.4 or 29.5 of such Indemnified Person. No person shall be found to have committed actual fraud or wilful default or breach of their duties as referred to in Article 27.4 or 29.5 under this Article unless or until a court of competent jurisdiction shall have made a finding to that effect.
- 40.2 The Company shall advance to each Indemnified Person reasonable attorneys' fees and other costs and expenses incurred in connection with the defence of any action, suit, proceeding or investigation involving such Indemnified Person for which indemnity will or could be sought. In connection with any advance of any expenses hereunder, the Indemnified Person shall execute an undertaking to repay the advanced amount to the Company if it shall be determined by final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification

pursuant to this Article. If it shall be determined by a final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification with respect to such judgment, costs or expenses, then such party shall not be indemnified with respect to such judgment, costs or expenses and any advancement shall be returned to the Company (without interest) by the Indemnified Person.

- 40.3 The Board, on behalf of the Company, may purchase and maintain insurance for the benefit of any Director or other officer of the Company against any liability which, by virtue of any rule of law, would otherwise attach to such person in respect of any negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company.

**41 Financial Year**

Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31st December in each year and, following the year of incorporation, shall begin on 1st January in each year.

**42 Transfer by Way of Continuation**

If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

**43 Appointment of Litigious and Non-litigious Agent**

So long as the Shares are listed on the TSE, the Company shall, by a resolution of the Directors, appoint or remove a litigious and non-litigious agent pursuant to the Applicable Public Company Rules to act as the Company's responsible person in the ROC to handle matters stipulated in the ROC Securities and Exchange Act and the relevant rules and regulations thereto.

Fulgent Sun International (Holding) Co., Ltd  
Shares held by the Directors  
Date of Termination of Stocks Transfer: April 10, 2017

Positions	Names	Shares held	Percentage
Chairman	LIN, WEN-CHIH (Note3)	23,599, 117	17%
Director	LIAO,FANG-CHU(Note4)	19,423,049	13.99%
Director	YU, MIN-SHENG	4,425,471	3.19%
Director	LIAO,CHIH-CHENG (Note5)	122,114	0.09%
Director	CHEN,FU-CHUAN (Note6)	-	-
Independent director	YANG,HSIANG-LI (Note7)	-	-
Independent director	HU, KUN-TE (Note8)	-	-
Independent director	CHANG, KUN-HSIEN (Note9)	-	-
Independent director	HSU, AI-CHI (Note10)	-	-
Independent director	KUO, SHAO-LUNG	-	-
<b>Total shares held by the Directors</b>		<b>47,569,751</b>	<b>34.27%</b>

The Company has issued 138,836,477 shares as in April 10, 2017.

Note : 1. No regulations of Article 26 of Securities and Exchange Act are applied to the Company.

2. The audit committee is set for the Company, so there is no held amount of shares of supervisors.
3. Including the 20,894,843 shares Chairman LIN, WEN-CHIH indirectly holds from LASPORTIVA INT'L CO., LTD
4. Including 18,029,594 shares Director LIAO, FANG-CHU indirectly holds from MEINDL INT'L CO., LTD.
5. LIAO, CHIH-CHENG had been elected as the Director of the Company on June 15, 2016.
6. Director CHEN, FU-CHUAN had relieved of the office on the overall election of directors on June 15, 2016.
7. Independent Director YANG, HSIANG-LI had relieved of the office on the overall election of directors on June 15, 2016.
8. Independent Director HU, KUN-TE had relieved of the office on the overall election of directors on June 15, 2016.
9. CHANG, KUN-HSIEN had been elected as the Independent Director on June 15, 2016.
10. HSU, AI-CHI had been elected as the Independent Director on June 15, 2016.

Fulgent Sun International (Holding) Co., Ltd  
Related information of employees and directors' remuneration

1. The related information of employees and directors' remuneration listed in Articles of Incorporation  
Based on the Articles of Incorporation of the Company, the Company shall, in accordance with the resolutions of the Board of Directors and the resolution of the surplus adopted by the resolution of the shareholders' meeting, (1) make up the annual loss on the annual net profit and obtain 10% of the remaining profits as the statutory surplus (2) in accordance with the rules of the public offering company or in accordance with the requirements of the competent authorities to provide special surplus reserve; (3) may not exceed the surplus of the surplus of the surplus; the amount of the accumulated surplus reserve is equivalent to the total capital of the Company; 3% as directors' remuneration and 3% of the remaining profits as employees of the Company and its employees.
  
2. The estimated basis of the amount of employees' remuneration and the amount of the remuneration of the directors, the basis for the calculation of the dividends of the stock dividends and the actual treatment amount when the difference is estimated:
  - (1) After the end of the business year, when there is a significant change in the amount of the resolution of the board of directors, the change will be adjusted for the annual expenses. At the date of the resolution of the shareholders' meeting, if the amount is still changed, it will be adjusted according to the accounting changes and shall be recorded in the annual resolution of the shareholders' meeting.
  - (2) If the amount of dividends paid by the shareholders' committee is determined by dividing the amount of the remuneration of the shares by the value of the stock market, the stock market value shall be the closing price of the day before the date of the resolution of the shareholders' After the impact) for the calculation basis.
  
3. The related information of proposed distribution of employees and directors' remuneration approved by the Board of Directors:  
Approve by the Board of Directors of the Company on March 8, 2017
  - (1) The proposed distribution of employees and the directors' remuneration are 5,000,000 NTD for each.
  - (2) There is no difference between the above assigned amount and the original remunerated remuneration for employee and the directors, which are 5,000,000 NTD for each.