

Apacer

Stock Code : 8271



台灣精品
2018

Apacer Technology Inc.

2018 Annual General
Shareholders' Meeting

Meeting Handbook

May 30th, 2018



(This translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail)

Apacer Technology Inc. Rules and Procedures of Shareholders' Meeting

- I. Shareholders' meetings of Apacer Technology Inc. (hereinafter referred to as the "Company") shall be held in accordance with the Rules of Procedures (hereinafter referred to as the "Rules").
- II. Shareholders or their proxies attending a shareholders' meeting shall sign in, and the sign-in procedure shall be replaced with the attendance cards. The number of shares represented at the meeting shall be calculated based on the attendance cards that have been submitted.
- III. Shares shall be the basis for counting the attendees and votes at a shareholders' meeting.
- IV. Shareholders' meetings shall be held at the location where the Company is headquartered or a location convenient for the shareholders to attend the meeting and suitable for convention of the shareholders' meeting. The meeting shall be no earlier than 9 a.m. and no later than 3 p.m.
- V. Any shareholders' meeting shall be convened by the board of directors and chaired by the chairman of the board. If the chairman of the board is on leave or unable to exercise his/her function for whatever reasons, he/she shall appoint one of the directors to act on his/her behalf. Where the chairman of the board does not make such appointment, the board of directors shall select a director to act on behalf of the chairman. If a shareholders' meeting is convened by any person who is not a director of the board and has the right to do so, the meeting shall be chaired by the person.
- VI. Attorneys, certified public accountants or other related persons entrusted by the Company may attend a shareholders' meeting. Any person managing the administrative affairs of a shareholders' meeting shall wear an identification badge or armband.
- VII. Audio or video records for the process of a shareholders' meeting and shall be made and preserved for one (1) year.
- VIII. The chairman of a shareholders' meeting shall call the meeting at the designated starting time. If the shareholders present do not represent a majority of the total issued capital stock, the chairman may postpone the meeting twice at most, and the duration of postponement shall not exceed one hour in total. If the shareholders present after the second postponement, while still not meeting the quorum, represent at least one third of the total issued capital stock, a tentative resolution may be adopted in accordance with Article 175, paragraph 1 of the Company Act. If the shareholders present before the end of the meeting already represent a majority of the total issued capital stock, the chairman may re-propose the tentative resolution for voting at the meeting in accordance with Article 174 of the Company Act.
- IX. If a shareholders' meeting is convened by the board of directors, it shall set the agenda of the meeting. The meeting shall proceed in accordance with the agenda, which may not be changed without a resolution adopted at a shareholders' meeting. During the process of the meeting, the chairman may announce a break at any time that he/she finds appropriate. The chairman may not adjourn the meeting without a resolution before it ends. If the chairman declares an adjournment in violation of the Rules of Procedure, a new chairman shall be elected by the shareholders who are present at the meeting and represent a simple majority of the voting rights to continue the meeting.

- X. Any shareholder to be present at a shareholders' meeting and who wishes to deliver an oral statement shall submit a speaker's slip containing the subject of his/her statement and his/her account name and number. The chairman shall determine the order in which shareholders deliver their oral statements. Any shareholder who has submitted a speaker's slip without delivering his/her statement orally shall be deemed as not delivering any statement. In the event of inconsistencies between the statements delivered orally and through the speaker's slip, the oral statement shall prevail. When a shareholder is delivering his/her oral statement, any other shareholder may not interrupt with his/her own statement in the absence of consent by both the chairman and the speaking shareholder. The chairman shall stop any such interruption.
- XI. Unless the chairman gives his/her consent, no shareholder may deliver oral statements more than twice on the same proposal, and each statement may not be delivered for more than five (5) minutes. If the shareholder's statement violates the Rules of Procedure or exceeds the scope of the proposal, the chairman may stop the delivery of his/her statement.
- XII. Any juridical person to be present at a shareholders' meeting as a proxy may only send one representative to the meeting. If two or more representatives are sent to the meeting, only one of them may be selected to deliver oral statements on a proposal.
- XIII. After shareholders have delivered their oral statements, the chairman may give or have a designated person give a response.
- XIV. If the chairman determines that a proposal has been sufficiently discussed and can be put to a vote, he/she may end the discussion and submit the proposal to a vote.
- XV. Personnel responsible for monitoring and counting the votes on a proposal shall be designated by the chairman. The vote monitoring person shall have the identity of a shareholder. The voting result shall be announced immediately at the meeting. A record of the result shall be made.
- XVI. Except as otherwise provided in the Company Act and the Articles of Incorporation of the Company, a proposal shall be adopted by a majority of the voting rights represented by the shareholders present. A proposal shall be deemed adopted if no objection is raised when the chairman asks the shareholders present for such objection.
- XVII. Where there is an amendment or alternative for a proposal, the chairman shall determine the order in which the amended or alternative proposal and the original one are put to a vote. If one of the proposals is adopted, the other proposals shall be deemed rejected and no further voting is required.
- XVIII. The chairman may direct disciplinary officers (or security guards) to help maintain order at a meeting. A disciplinary officer (or security guard) shall wear an identification armband with the word "Discipline" (or "Security") while performing his/her duties.
- XIX. In the event of force majeure, the chairman may suspend a meeting and announce a time for resumption of the meeting depending on the circumstances. A resolution may be adopted by the shareholders present to resume the meeting in five (5) days without prior notice or announcement.
- XX. Any matter not specified in the Rules of Procedure shall be governed by the Company Act and the Articles of Incorporation of the Company.
- XXI. The Rules of Procedure and any amendment hereto shall take effect upon adoption at the shareholders' meeting.
- XXII. The Rules of Procedure were established on June 22, 2000.
The first amendment was made on June 23, 2003.

Table of Contents

I. Meeting Procedure	4
II. Meeting Agenda	5
III. Report Items.....	6
IV. Proposals for Ratification, Discussion and Election	9
V. Extemporaneous Motions	13
VI. Adjournment.....	13
VII. Appendix	
1. Business Report	14
2. Annual Accountant Check Report and Financial Statements (including Consolidated Financial Statements)	16
3. Comparison Table of Clauses Before and After Amendment of the “Code of Ethical Conduct”.....	34
4. Comparison Table of Clauses Before and After Amendment of the “Ethical Corporate Management Best Practice Principles”	40
5. Comparison Table of Clauses Before and After Amendment of the “Procedures for Ethical Management and Guidelines for Conduct”	44
6. Comparison Table of Clauses Before and After Amendment of the “Articles of Incorporation”.....	47
7. Comparison Table of Clauses Before and After Amendment of the “Procedures for Acquisition and Disposal of Assets”	49
8. Comparison Table of Clauses Before and After Amendment of the “Foreign Exchange Risk Management Policy and Guidelines”	57
9. Comparison Table of Clauses Before and After Amendment of the “Procedures for Lending Funds to Other Parties”	63
10. Comparison Table of Clauses Before and After Amendment of the “Procedures for Endorsements & Guarantees.....	66
11. List of Directors Candidates.....	68
12. List of Directors Candidates Holding a Concurrent Post in Other Companies	72
VIII. Attachment	
1. Articles of Incorporation (before revision)	74
2. Director Election Regulations	79
3. Code of Ethical Conduct.....	81
4. Ethical Corporate Management Best Practice Principles	84
5. Procedures for Ethical Management and Guidelines for Conduct.....	88
6. Procedures for Acquisition and Disposal of Assets (before revision)	96
7. Regulations on Foreign Exchange Risk Management Policy and Guidelines(before revision).....	112
8. Procedures for Lending Funds to Other Parties (before revision)	116
9. Procedures for Endorsements & Guarantees (before revision).....	121
10. Shares Held by Directors and Supervisors.....	127

I. Meeting Procedure

1. Call Meeting to Order
2. Opening Statement of the Chairman
3. Report Items
4. Proposals for Ratification, Discussion and Election
5. Extemporary Motions
6. Adjournment

II. Meeting Agenda

Time: 9:00 a.m., Wednesday, May 30, 2018

Location: 3F, No. 265, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City
(Meeting Room VIP3, Holiday Inn East Taipei)

1. Report Items

- (1) 2017 Annual Business Report.
- (2) Supervisors' Review Report.
- (3) The Distribution of Employees, Directors and Supervisors Remuneration for 2017.
- (4) Amendment to the "Code of Ethical Conduct" of the company.
- (5) Amendment to the "Ethical Corporate Management Best Practice Principles" of the company.
- (6) Amendment to the "Procedures for Ethical Management and Guidelines for Conduct" of the company.

2. Proposals for Ratification, Discussion and Election

- (1) Adoption of 2017 Annual Business Report and Financial Statements.
- (2) Adoption of the Proposal for the Distribution of 2017 Profits.
- (3) Amendment to the "Articles of Incorporation".
- (4) Amendment to the "Procedures for Acquisition and Disposal of Assets".
- (5) Amendment to the "Foreign Exchange Risk Management Policy and Guidelines".
- (6) Amendment to the "Procedures for Lending Funds to Other Parties".
- (7) Amendment to the "Procedures for Endorsements & Guarantees".
- (8) Proposal for the Company's Election of Directors.
- (9) Proposal for releasing the Newly-elected Directors from non-competition restrictions.

3. Extemporary Motions

4. Adjournment

III. Report Items

1. 2017 Annual Business Report
Description: Please refer to Appendix 1, P14-P15.
2. Supervisors' Review Report

Supervisors' Review Report

The individual and consolidated financial statements (including balance sheets, comprehensive income statements, equity statements and cash flow statements) for FY 2017 were prepared by the Board of Directors of the Company. An audit report for the financial statements was prepared jointly by Philip Tang and Grace Chen, certified public accountants of KPMG Taiwan. The supervisors conducted a review of the accountants' audit report and the business report, individual and consolidated financial statements and proposal on profit distribution for FY 2017 made by the Board of Directors according to Article 228 of the Company Act. The review did not find any incompliance. The supervisors present this review report for further examination pursuant to Article 219 of the Company Act.

To

2018 Shareholders' Meeting of Apacer Technology Inc.

Supervisor: George Huang

Supervisor: Zheng Zhong-ren

Supervisor: Huang Ren-hong

February 23, 2018

3. The Distribution of Employees, Directors and Supervisors Remuneration for 2017.

Description: (1) According to Articles 20 and 16-1 of the Articles of Incorporation and relevant provisions of the Company Act, 4% or more of the profit in any fiscal year, if any, shall be appropriated as remuneration for employees, and not more than 1.4% of the profit shall be appropriated as remuneration for directors and supervisors.

(2) As approved by the remuneration committee and Board of Directors, the total amount of cash distributable as remuneration for employees in FY 2017 is NT\$44,817,749.

(3) As approved by the remuneration committee and Board of Directors, the total amount of cash distributable as remuneration for directors and supervisors in FY 2017 is NT\$7,130,096.

(4) The above amounts of distribution are the same as the ones recognized for FY 2017.

4. Amendment to the “Code of Ethical Conduct” of the company.

Description: (1) To benefit from the corporate governance system, an amendment to the “Code of Ethical Conduct” is proposed for establishment of an Audit Committee to perform the functions of supervisors in accordance with Article 14-4 of the Securities and Exchange Act.

(2) For the comparison table of clauses before and after the amendment, please refer to Appendix 3 P34-P39.

5. Amendment to the “Ethical Corporate Management Best Practice Principles” of the company.

Description: (1) To benefit from the corporate governance system, an amendment to the “Ethical Corporate Management Best Practice Principles” is proposed for establishment of an Audit Committee to perform the functions of supervisors in accordance with Article 14-4 of the Securities and Exchange Act.

(2) For the comparison table of clauses before and after the amendment, please refer to Appendix 4 P40-P43.

6. Amendment to the “Procedures for Ethical Management and Guidelines for Conduct” of the company.

Description: (1) To benefit from the corporate governance system, an amendment to the “Procedures for Ethical Management and Guidelines for Conduct” is proposed for establishment of an Audit Committee to perform the functions of supervisors in accordance with Article 14-4 of the Securities and Exchange Act.

(2) For the comparison table of clauses before and after the amendment, please refer to Appendix 5 P44-P46.

IV. Proposals for Ratification, Discussion and Election

Proposal 1

Proposal: Adoption of 2017 Annual Business Report and Financial Statements
(Proposed by the Board of Directors)

Description: (1) 2017 Annual Business Report and Financial Statements (including individual and consolidated balance sheets, comprehensive income statements, equity statements and cash flow statements) of the Company were approved by the Board of Directors and reviewed by the supervisors.

(2) To view the business report, CPA's audit report and financial statements, please refer to Appendices 1 and 2 P14-P33.

(3) This proposal is submitted for ratification.

Resolution:

Proposal 2

Proposal: Adoption of the Proposal for the Distribution of 2017 Profits.
(Proposed by the Board of Directors)

Description: (1) The distributable amount of profit for FY 2017 is NT\$892,520,111. The amount to be distributed as cash dividends to the shareholders is NT\$262,334,298, and the remaining amount of NT\$630,185,813 is retained for distribution in the next fiscal year.

(2) The cash dividend amount of NT\$262,334,298 is distributed pro rata to the shareholders listed in the shareholder register as of the record date. The distributed amount is NT\$2.6 per share, rounded down to the nearest whole dollar. In the case of fractional shares to which the distributed amount is less than NT\$1 per share, the total amount distributed is recognized as "other income" of the Company.

(3) The chairman of the Board of Directors is authorized to determine the record date after this proposal is adopted at the shareholders' meeting.

(4) If the total number of the outstanding shares of the Company is affected due to regulatory change, approval from competent authorities, share buyback, exercise of employee's share warrant or any other factors, it is proposed to authorize the chairman of the board of directors to adjust the rate of profit distribution based on the total amount of the profit distributable to ordinary shares as approved at the shareholders' meeting and the actual number of the outstanding shares as of the record date.

(5) The profit distribution schedule for FY 2017 is as follows:

Apacer Technology Inc.

Profit Distribution Schedule for FY 2017

	NT\$: Dollar	
Undistributed profit at start of FY	\$ 546,066,381	
- Actuarial gains and losses recognized as retained profits	(72,210)	
+ Net profits after taxes in FY 2017	405,418,228	
- 10% of profits set aside as legal reserve	(40,541,823)	
- Profits set aside as special reserve	(18,350,465)	
Distributable profits	<u>892,520,111</u>	
Items of distribution:		
- Cash dividend for shareholders	<u>(262,334,298)</u>	
Undistributed profits at end of FY	<u>\$ 630,185,813</u>	
Chairman:	President:	Accounting manager:
Austin Chen	C.K. Chang	Connie Lai

(6) Submitted for discussion.

Resolution:

Proposal 3

Proposal: Amendment to the "Articles of Incorporation" is submitted for discussion. (Proposed by the Board of Directors)

Description: (1) In accordance with Article 2-2 of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, an amendment to the Articles of Incorporation is proposed to adopt electronic voting as a means for the shareholders to cast votes at a shareholders' meeting. For the comparison table of clauses before and after the amendment, please refer to Appendix 6 P47-P48.

(2) Submitted for discussion.

Resolution:

Proposal 4

Proposal: Amendment to the "Procedures for Acquisition and Disposal of Assets" is submitted for discussion. (Proposed by the Board of Directors)

Description: (1) To benefit from the corporate governance system, an amendment to the "Procedures for Acquisition and Disposal of Assets" is proposed for establishment of an Audit Committee to perform the functions of supervisors in accordance with Article 14-4 of the Securities and Exchange Act after the current term of the directors and supervisors expires (in June 2018). For the comparison table of clauses before and after the amendment, please refer to Appendix 7, P49-P56.

(2) Submitted for discussion.

Resolution:

Proposal 5

Proposal: Amendment to the “Foreign Exchange Risk Management Policy and Guidelines” is submitted for discussion. (Proposed by the Board of Directors)

Description: (1) To benefit from the corporate governance system, an amendment to the “Foreign Exchange Risk Management Policy and Guidelines” is proposed for establishment of an Audit Committee to perform the functions of supervisors in accordance with Article 14-4 of the Securities and Exchange Act after the current term of the directors and supervisors expires (in June 2018). For the comparison table of clauses before and after the amendment, please refer to Appendix 8, P57-P62.

(2) Submitted for discussion.

Resolution:

Proposal 6

Proposal: Amendment to the “Procedures for Lending Funds to Other Parties” is submitted for discussion. (Proposed by the Board of Directors)

Description: (1) To benefit from the corporate governance system, an amendment to the “Procedures for Lending Funds to Other Parties” is proposed for establishment of an Audit Committee to perform the functions of supervisors in accordance with Article 14-4 of the Securities and Exchange Act after the current term of the directors and supervisors expires (in June 2018). For the comparison table of clauses before and after the amendment, please refer to Appendix 9, P63-P65.

(2) Submitted for discussion.

Resolution:

Proposal 7

Proposal: Amendment to “Procedures for Endorsements & Guarantees” is submitted for discussion. (Proposed by the Board of Directors)

Description: (1) To benefit from the corporate governance system, an amendment to the “Procedures for Endorsements & Guarantees” is proposed for establishment of an Audit Committee to perform the functions of supervisors in accordance with Article 14-4 of the Securities and Exchange Act after the current term of the directors and supervisors expires (in June 2018). For the comparison table of clauses before and after the amendment, please refer to Appendix 10, P66-P67.

(2) Submitted for discussion.

Resolution:

Proposal 8

Proposal: Proposal for the Company’s Election of Directors. (Proposed by the Board of Directors)

Description: (1) The current term of the directors (including independent directors) and supervisors of the Company expires on June 14, 2018. A re-election shall be held at the shareholders' meeting in 2018 in accordance with applicable laws.

(2) Nine (9) directors (including 3 independent directors) shall be elected for the next term in accordance with Article 12 of the Articles of Incorporation. Additionally, an Audit Committee is established to perform the functions of supervisors in accordance with Article 12-2 of the Articles of Incorporation.

(3) Pursuant to the Articles of Incorporation, the re-election shall be held under a candidate nomination system and the directors shall be elected at the shareholders' meeting from the roster of nominees. For the roster of nominees, please refer to Appendix 11, P68-P71.

(4) The newly elected directors shall serve a 3-year term (May 30, 2018 to May 29, 2021). The current term of the directors and supervisors shall expire upon the end of the shareholders' meeting.

(5) Submitted for election.

Voting Result:

Proposal 9

Proposal: Proposal for releasing the Newly-elected Directors from non-competition restrictions. (Proposed by the Board of Directors)

- Description: (1) According to Article 209-1 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) A situation may arise in which a director of the Company invests in or manages any other company whose business scope is the same as or similar to that of the Company, and in which the director serves in the same position of that other company. In accordance with applicable laws, it is proposed that if a newly elected director of the Company or his/her representative is involved in the aforementioned situation, he/she shall be exempted from non-compete restrictions. The proposal is subject to approval at the shareholders' meeting. For the directors of the Company who also serve in other companies, please refer to Appendix 12, P72-P73.
- (3) Submitted for discussion.

Resolution:

V. Extemporary Motions

VI. Adjournment

Appendix 1

Business Report

Dear Shareholders:

In 2017, Apacer's consolidated revenue again surpassed NT\$10 billion, and a solid growth in profits was maintained. On behalf of the board of directors, we would like to thank all our employees for their tireless work. We also want to thank you, our shareholders, for your continued support and trust. We hereby express our most sincere gratitude.

Industry 4.0, the Internet of Things (IoT) and cloud are being applied more and more widely. We also see a gradual increase in the flow, storage and computation of all types of big data. With advancement in the DRAM and flash industries, significant annual growth in the demand for memories is expected as emerging end-use applications accelerate. With the development of these trends, Apacer continues to design innovative and leading products with excellent quality and effectiveness and firmly maintain our leading advantage in the field of digital storage.

The consolidated operating revenue in FY 2017 was NT\$10.04 billion and the consolidated gross operating profit was NT\$1.3 billion. The consolidated net profit after tax was NT\$0.4 billion and the earnings per share after tax were NT\$4.02. We briefly present the operating performance in FY 2017 and the operational plan for FY 2018 as follows:

1. Consolidated operating performance in FY 2017:

Unit: NT\$1,000

Items	FY 2017	FY 2016	Increase (decrease)	Increase (decrease) rate
Net revenue	10,043,476	6,822,226	3,221,250	47%
Gross profit	1,298,790	1,156,300	142,490	12%
Operating Income	474,842	406,303	68,539	17%
Total non-operating income and loss	(1,802)	18,906	(20,708)	(110%)
Net Income	404,957	349,291	55,666	16%
Shareholders of the Company	405,418	349,467	55,951	16%
Non-controlling interests	(461)	(176)	(285)	(162%)
Basic Earnings per share	4.02	2.74	1.28	

2. R&D:

With outstanding capabilities in innovation and R&D, we offer comprehensive and optimized user experience and actively invest in industrial IoT technology. As a result, our market share of solid state drives (SSDs) in the world has been the largest for five (5) consecutive years, and our product designs have been honored by the Taiwan Excellence Award for nine (9) consecutive years. These records are a great affirmation of our core capabilities in the industrial control, eSport, mobile app, cloud and IoT fields.

We continue to upgrade our R&D capabilities regarding the embedded SSD storage module through the application of technologies including secure data storage with Opal and accelerated access with HyperCache. By integrating the innovative RGB LED synchronized display control and the patented light guiding technology, we demonstrate the highly effective application of the DRAM module in eSports. Meanwhile, as the trend of industrial IoT and Internet of Vehicles (IoV) moves forward, we further strengthen area connection and

transmission to speed up development of our products. In addition, we continue to invest in optical equipment for industrial inspection and dedicate ourselves to the application of other optical inspection fields with our pioneering optical technologies

3. Operational plan for FY 2018:

(1) Operational guidelines

We focus on developing our core business technology of digital storage, pursue the realization of our core values of trust and innovation, and proactively seek to develop a service ecosystem integrating the storage, reception, analysis, control and sharing of information, in the hopes of taking the lead in the deployment and development of the growing cloud and IoT areas.

(2) Operational objectives

Relying on the advantage of our core technologies in storage, we aim to extend the application service of software, hardware and cyber-physical integration, and to create a framework for green, automated and smart production and service. With the digital storage as the core of our business, we focus on eSports, consumer applications, cloud computing, industrial automation, defense & aerospace engineering, and optical applications. We will continue to work toward our business vision and goal of integrating of IT-enabled information services.

(3) Core policies on production and sale

Industry 4.0 is coming, and demands for big data storage and access in cloud computing, industrial automation, and other fields have greatly increased. By building a differentiation advantage and through real-time management indicators, we aim to enhance the efficiency of sales and distribution services with lean process management and optimized service systems.

(4) Development strategies

Talents are vital business resources and keys to sustainable management, and critical talents can help create business values. We remain committed to the philosophy of “happy business”. Through comprehensive employee benefits and talent supply chains, we are laying a firm foundation for the development of our company.

In 2017, Apacer celebrated its 20th anniversary. To further implement the goal of sustainable management, we actively engage communities and schools to listen to local needs. Following the motto "whatever you take from the society, use them for the society"; we make contributions to communities and schools through volunteer activities and business sponsorship. Also in 2017, Apacer received the Taiwan Corporate Sustainability Award. This honor was further affirmation of the impressive performance Apacer has achieved in storage applications and the policy commitment Apacer has maintained to sustainable development for 20 years.

Looking forward, by staying lean, innovative and prospective, Apacer continues to stand firmly on a leading place in a market environment with information flowing rapidly in vast amount. Apacer will keep working toward our business vision of becoming the top manufacturer in the integration of IT-enabled information services with digital storage as the core technology.

Chairman: Austin Chen

President: C.K. Chang

Accounting Manager: Connie Lai

Appendix 2

Independent Auditors' Report

The Board of Directors
Apacer Technology Inc.:

Opinion

We have audited the consolidated financial statements of Apacer Technology Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in 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 of 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

1. Revenue recognition

Please refer to notes 4(o) and 6(p) for the accounting policy on "Revenue recognition" and "Revenue" for the related disclosures, respectively, of the notes to consolidated financial statements.

Description of key audit matter:

The Group engages primarily in the manufacturing and sales of memory modules and flash memory products, with product diversification and market channels spread globally. The Group recognizes its revenue depending on the various trade terms in each individual sale transaction and the transfer of risks and rewards of ownership of the goods, which are considered to be complex in determining the timing of revenue recognition. Consequently, the revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the design and operating effectiveness of the Group's internal controls over revenue recognition; assessing whether the accounting policy of the timing of revenue recognition is appropriate through understanding the main types of revenues of the Group, and reviewing the sales contracts and the related trade terms with customers; assessing whether the accounting treatment of revenue recognition is appropriate through performing a sample test of the original documents of sales transaction; performing sample tests of sales transactions that took place before and after the balance sheet date, and reviewing the related documents to understand and analyze the reason for any identified sales returns and allowances that took place after the balance sheet date, to assess whether the revenue is recognized within the proper period.

2. Valuation of inventories

Please refer to notes 4(h), 5 and 6(d) for the inventory accounting policy, "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and "Inventories" for the related disclosures, respectively, of the notes to consolidated financial statements.

Description of key audit matter:

The Group's inventories are measured at the lower of cost and net realizable value. Management is required to make judgments and estimates in determining the net realizable value of inventories on the reporting date. The market prices of main raw materials of the Group, constituting the majority amount of product cost, fluctuate rapidly and the life cycle of certain products of the Group are short, which could possibly result in a price decline and obsolescence of inventories, wherein the inventories cost may exceed its net realizable value, as the Group fails to timely respond to market changes. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining and understanding the Group's accounting policy of valuation of inventories, performing a retrospective test to understand the reasonableness of estimations of allowance for inventory valuation loss with reference to actual write-off of inventories in a subsequent period, and evaluating the reasonableness of the accounting policy of valuation of inventories; as well as performing a sample test of the estimated selling price provided by Management to assess the reasonableness of the net realizable value and allowance for inventory valuation loss.

Other Matter

Apacer Technology Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified audit opinion.

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

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

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 independent directors, and supervisors) 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identified and assessed 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. Obtained 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. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded 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. Evaluated 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. Obtained 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 remained solely responsible for our audit opinion.

We communicated 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 identified during our audit.

We also provided 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 determined those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Mei-Yen Chen.

KPMG
Taipei, Taiwan (Republic of China)
February 23, 2018

Notes to Readers

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

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APACER TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(a))	\$ 591,613	13	524,831	14
1110 Financial assets at fair value through profit or loss – current (note 6(b))	688	-	167	-
1170 Notes and accounts receivable, net (notes 6(c) and 7)	1,294,104	28	987,443	26
1200 Other receivables (note 6(c))	76,614	1	50,160	-
1310 Inventories (note 6(d))	1,605,866	35	1,287,167	34
1476 Other financial assets – current	3,109	-	3,122	-
1479 Other current assets	17,483	-	3,823	-
Total current assets	3,589,477	77	2,856,713	74
Non-current assets:				
1523 Available-for-sale financial assets – non-current (note 6(b))	12,117	-	12,117	-
1543 Financial assets carried at cost – non-current (note 6(b))	5,359	-	-	-
1550 Investments accounted for using equity method (note 6(e))	1,721	-	5,867	-
1600 Property, plant and equipment (note 6(f))	899,387	19	902,951	25
1780 Intangible assets (note 6(g))	24,363	1	11,123	-
1840 Deferred income tax assets (note 6(i))	69,320	2	46,266	1
1980 Other financial assets – non-current	7,641	-	5,492	-
1990 Other non-current assets	23,420	1	-	-
Total non-current assets	1,043,328	23	983,816	26
Total assets	\$ 4,632,805	100	3,840,529	100
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (note 6(h))	\$ 492,240	11	129,000	4
2120 Financial liabilities at fair value through profit or loss – current (note 6(b))	354	-	2,278	-
2170 Notes and accounts payable	1,091,974	23	852,193	22
2200 Other payables (notes 6(k), (q) and 7)	317,439	7	300,915	8
2230 Current income tax liabilities	65,931	1	37,282	1
2250 Provisions – current (note 6(i))	15,695	-	15,531	-
2300 Other current liabilities	26,707	1	35,175	1
Total current liabilities	2,010,340	43	1,372,374	36
Non-current liabilities:				
2570 Deferred income tax liabilities (note 6(l))	867	-	446	-
2640 Net defined benefit liabilities (note 6(k))	22,359	1	22,281	1
2645 Guarantee deposits	31,099	1	16,893	-
Total non-current liabilities	54,325	2	39,620	1
Total liabilities	2,064,665	45	1,411,994	37
Equity attributable to shareholders of the Company (notes 6(l) and (m)):				
3100 Common stock	1,008,978	21	1,008,978	26
3200 Capital surplus	358,225	8	359,203	10
3300 Retained earnings	1,250,073	27	1,086,882	28
3400 Other equity	(49,321)	(1)	(30,971)	(1)
Total equity attributable to shareholders of the Company	2,567,955	55	2,424,092	63
36XX Non-controlling interests	185	-	4,443	-
Total equity	2,568,140	55	2,428,535	63
Total liabilities and equity	\$ 4,632,805	100	3,840,529	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APACER TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
4000 Net revenue (notes 6(p), 7 and 14)	\$ 10,043,476	100	6,822,226	100
5000 Cost of revenue (notes 6(d), (f), (g), (i), (j), (k), (q), 7 and 12)	<u>8,744,686</u>	<u>87</u>	<u>5,665,926</u>	<u>83</u>
Gross profit	<u>1,298,790</u>	<u>13</u>	<u>1,156,300</u>	<u>17</u>
Operating expenses (notes 6(c), (f), (g), (j), (k), (q), 7 and 12):				
6100 Selling expenses	546,243	5	488,069	7
6200 Administrative expenses	178,585	2	174,398	3
6300 Research and development expenses	<u>99,120</u>	<u>1</u>	<u>87,530</u>	<u>1</u>
6000 Total operating expenses	<u>823,948</u>	<u>8</u>	<u>749,997</u>	<u>11</u>
Operating income	<u>474,842</u>	<u>5</u>	<u>406,303</u>	<u>6</u>
Non-operating income and loss (notes 6(e), (f), (j) and (r)):				
7010 Other income	5,475	-	8,195	-
7020 Other gains and losses – net	6,263	-	17,487	-
7050 Finance costs	(10,372)	-	(639)	-
7770 Share of losses of associates	<u>(3,168)</u>	<u>-</u>	<u>(6,137)</u>	<u>-</u>
Total non-operating income and loss	<u>(1,802)</u>	<u>-</u>	<u>18,906</u>	<u>-</u>
Income before income tax	473,040	5	425,209	6
7950 Income tax expense (note 6(l))	<u>68,083</u>	<u>1</u>	<u>75,918</u>	<u>1</u>
Net income	<u>404,957</u>	<u>4</u>	<u>349,291</u>	<u>5</u>
Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss:				
8311 Remeasurements of defined benefit plans (notes 6(k))	(87)	-	(6,688)	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss (note 6(l))	<u>15</u>	<u>-</u>	<u>1,137</u>	<u>-</u>
	<u>(72)</u>	<u>-</u>	<u>(5,551)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation of foreign operations (note 6(m))	(18,097)	-	(4,450)	-
8399 Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(18,097)</u>	<u>-</u>	<u>(4,450)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(18,169)</u>	<u>-</u>	<u>(10,001)</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 386,788</u>	<u>4</u>	<u>339,290</u>	<u>5</u>
Net income attributable to:				
Shareholders of the Company	\$ 405,418	4	349,467	5
Non-controlling interests	<u>(461)</u>	<u>-</u>	<u>(176)</u>	<u>-</u>
	<u>\$ 404,957</u>	<u>4</u>	<u>349,291</u>	<u>5</u>
Total comprehensive income attributable to:				
Shareholders of the Company	\$ 386,996	4	339,695	5
Non-controlling interests	<u>(208)</u>	<u>-</u>	<u>(405)</u>	<u>-</u>
	<u>\$ 386,788</u>	<u>4</u>	<u>339,290</u>	<u>5</u>
Earnings per share (in New Taiwan dollars) (note 6(o)) :				
9750 Basic earnings per share	<u>\$ 4.02</u>		<u>2.74</u>	
9850 Diluted earnings per share	<u>\$ 3.97</u>		<u>2.71</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company										Total equity of the Company	Non-controlling interests	Total equity
	Share capital					Retained earnings							
	Common stock	Capital collected in advance	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	equity of the Company		
Balance at January 1, 2016	\$ 1,515,437	550	489,941	209,904	11,277	709,673	930,854	(26,750)	(33,550)	(60,300)	2,876,482	-	2,876,482
Appropriation of earnings:													
Legal reserve	-	-	-	22,839	-	(22,839)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	15,473	(15,473)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(190,077)	(190,077)	-	-	-	(190,077)	-	(190,077)
Net income in 2016	-	-	-	-	-	349,467	349,467	-	-	-	349,467	(176)	349,291
Other comprehensive income in 2016	-	-	-	-	-	(5,551)	(5,551)	(4,221)	-	(4,221)	(9,772)	(229)	(10,001)
Total comprehensive income in 2016	-	-	-	-	-	343,916	343,916	(4,221)	-	(4,221)	339,695	(405)	339,290
Distribution of cash dividend from capital surplus	-	-	(113,110)	-	-	-	-	-	-	-	(113,110)	-	(113,110)
Changes in equity of associates accounted for using equity method	-	-	5,872	-	-	-	-	-	-	-	5,872	-	5,872
Capital reduction	(496,959)	-	-	-	-	-	-	-	-	-	(496,959)	-	(496,959)
Issuance of common stock from exercise of employee stock options	500	(550)	50	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	4,848	4,848
Retirement of restricted shares of stock issued to employees	(10,000)	-	(23,550)	-	-	2,189	2,189	-	33,550	33,550	2,189	-	2,189
Balance at December 31, 2016	1,008,978	-	359,203	232,743	26,750	827,389	1,086,882	(30,971)	-	(30,971)	2,424,092	4,443	2,428,535
Appropriation of earnings:													
Legal reserve	-	-	-	34,947	-	(34,947)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	4,221	(4,221)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(242,155)	(242,155)	-	-	-	(242,155)	-	(242,155)
Net income in 2017	-	-	-	-	-	405,418	405,418	-	-	-	405,418	(461)	404,957
Other comprehensive income in 2017	-	-	-	-	-	(72)	(72)	(18,350)	-	(18,350)	(18,422)	253	(18,169)
Total comprehensive income in 2017	-	-	-	-	-	405,346	405,346	(18,350)	-	(18,350)	386,996	(208)	386,788
Changes in equity of associates accounted for using equity method	-	-	(978)	-	-	-	-	-	-	-	(978)	-	(978)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(4,050)	(4,050)
Balance at December 31, 2017	\$ 1,008,978	-	358,225	267,690	30,971	951,412	1,250,073	(49,321)	-	(49,321)	2,567,955	185	2,568,140

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APACER TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income taxes	\$ <u>473,040</u>	<u>425,209</u>
Adjustments for:		
Depreciation	35,419	30,265
Amortization	7,553	5,631
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(6,650)	4,725
Interest expense	10,372	639
Interest income	(1,267)	(3,987)
Share of losses of associates	3,168	6,137
Gain on disposal of property, plant and equipment	(4,999)	(192)
Impairment loss on non-financial assets	<u>6,994</u>	<u>-</u>
Subtotal	<u>50,590</u>	<u>43,218</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	-	240,000
Notes and accounts receivable	(306,661)	(220,947)
Other receivables	(14,990)	(9,463)
Inventories	(318,699)	(603,140)
Other current assets	<u>(13,647)</u>	<u>10,560</u>
Net changes in operating assets	<u>(653,997)</u>	<u>(582,990)</u>
Changes in operating liabilities:		
Financial liabilities held for trading	4,205	(4,109)
Notes and accounts payable	239,781	226,138
Other payables	20,601	86,501
Provisions	164	(422)
Other current liabilities	(8,468)	15,351
Net defined benefit liabilities	<u>(9)</u>	<u>16</u>
Net changes in operating liabilities	<u>256,274</u>	<u>323,475</u>
Total changes in operating assets and liabilities	<u>(397,723)</u>	<u>(259,515)</u>
Total adjustments	<u>(347,133)</u>	<u>(216,297)</u>
Cash provided by operations	125,907	208,912
Interest received	1,263	4,334
Interest paid	(10,267)	(561)
Income taxes paid	<u>(77,694)</u>	<u>(75,882)</u>
Net cash provided by operating activities	<u>39,209</u>	<u>136,803</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

APACER TECHNOLOGY INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from investing activities:		
Purchase of financial assets carried at cost	(5,359)	-
Additions to property, plant and equipment	(48,265)	(47,019)
Proceeds from disposal of property, plant and equipment	4,999	567
Increase in other financial assets – non-current	(2,149)	(1,147)
Additions to intangible assets	(11,520)	(6,944)
Increase in other non-current assets	(23,420)	-
Net cash flows used in investing activities	<u>(85,714)</u>	<u>(54,543)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	363,240	30,525
Increase in guarantee deposits	14,206	15,706
Cash dividends distributed to shareholders	(242,155)	(190,077)
Capital reduction	-	(496,959)
Cash dividends refund from retirement of restricted shares of stock issued to employees	-	2,189
Capital injection from non-controlling interests	-	4,848
Acquisition of subsidiary's interests from non-controlling interests	(4,050)	-
Distribution of cash dividend from capital surplus	-	(113,110)
Net cash provided by (used in) financing activities	<u>131,241</u>	<u>(746,878)</u>
Effects of foreign exchange rate changes	<u>(17,954)</u>	<u>(4,844)</u>
Net increase (decrease) in cash and cash equivalents	66,782	(669,462)
Cash and cash equivalents at beginning of year	524,831	1,194,293
Cash and cash equivalents at end of year	<u>\$ 591,613</u>	<u>524,831</u>

Accounting Manager Independent Auditors' Report

The Board of Directors
Apacer Technology Inc.:

Opinion

We have audited the parent-company-only financial statements of Apacer Technology Inc. (the "Company"), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of our opinion.

Key Audit Matters

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

Key audit matters for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

1. Revenue recognition

Please refer to notes 4(o) and 6(p) for the accounting policy on "Revenue recognition" and "Revenue" for the related disclosures, respectively, of the notes to parent-company-only financial statements.

Description of key audit matter:

The Company engages primarily in the manufacturing and sales of memory modules and flash memory products, with product diversification and market channels spread globally. The Company recognizes its revenue depending on the various trade terms in each individual sale transaction and the transfer of risks and rewards of ownership of the goods,

which are considered to be complex in determining the timing of revenue recognition. Consequently, the revenue recognition has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the design and operating effectiveness of the Company's internal controls over revenue recognition; assessing whether the accounting policy of the timing of revenue recognition is appropriate through understanding the main types of revenues of the Company, and reviewing the sales contracts and the related trade terms with customers; assessing whether the accounting treatment of revenue recognition is appropriate through performing a sample test of the original documents of sales transaction; performing sample tests of sales transactions that took place before and after the balance sheet date, and reviewing the related documents to understand and analyze the reason for any identified sales returns and allowances that took place after the balance sheet date, to assess whether the revenue is recognized within the proper period.

2. Valuation of inventories

Please refer to notes 4(g), 5 and 6(d) for the inventory accounting policy, "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and "Inventories" for the related disclosures, respectively, of the notes to parent-company-only financial statements.

Description of key audit matter:

The Company's inventories are measured at the lower of cost and net realizable value. Management is required to make judgments and estimates in determining the net realizable value of inventories on the reporting date. The market prices of main raw materials of the Company, constituting the majority amount of product cost, fluctuate rapidly and the life cycle of certain products of the Company are short, which could possibly result in a price decline and obsolescence of inventories, wherein the inventories cost may exceed its net realizable value, as the Company fails to timely respond to market changes. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining and understanding the Company's accounting policy of valuation of inventories, performing a retrospective test to understand the reasonableness of estimations of allowance for inventory valuation loss with reference to actual write-off of inventories in a subsequent period, and evaluating the reasonableness of the accounting policy of valuation of inventories; as well as performing a sample test of the estimated selling price provided by Management to assess the reasonableness of the net realizable value and allowance for inventory valuation loss.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

Those charged with governance (including independent directors, and supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

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

are required to draw attention in our auditor's report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient and appropriate audit evidence regarding the financial information of the investees accounted for using equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained solely responsible for our audit opinion.

We communicated 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 identified during our audit.

We also provided 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 determined those matters that were of most significance in the audit of the parent-company-only financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Mei-Yen Chen.

KPMG
Taipei, Taiwan (Republic of China)
February 23, 2018

Notes to Readers

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

The auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)
APACER TECHNOLOGY INC.

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 387,513	8	356,151	10	2100 Short-term borrowings (note 6(h))		492,240	11
1110 Financial assets at fair value through profit or loss – current (note 6(b))	688	-	16	-	2120 Financial liabilities at fair value through profit or loss – current (note 6(b))		354	-
1170 Notes and accounts receivable, net (note 6(c))	946,059	21	729,501	19	2170 Notes and accounts payable		1,089,675	24
1180 Accounts receivable from related parties (notes 6(c) and 7)	395,808	9	148,041	4	2180 Accounts payable to related parties (note 7)		58	-
1200 Other receivables (note 6(c))	76,260	2	50,071	1	2200 Other payables (notes 6(k) and (q))		277,193	6
1310 Inventories (note 6(d))	1,445,617	32	1,258,241	34	2220 Other payables to related parties (note 7)		1,519	-
1470 Other current assets	8,736	-	1,611	-	2230 Current income tax liabilities		64,591	1
Total current assets	3,260,681	72	2,543,801	68	2250 Provisions – current (note 6(i))		15,695	-
Non-current assets:					2300 Other current liabilities		21,142	1
1523 Available-for-sale financial assets – non-current (note 6(b))	12,117	-	12,111	-	Total current liabilities		1,962,467	43
1543 Financial assets carried at cost – non-current (note 6(b))	5,359	-	-	-	Non-current liabilities:			
1550 Investments accounted for using equity method (note 6(e))	263,246	6	254,021	7	2570 Deferred income tax liabilities (note 6(l))		867	-
1600 Property, plant and equipment (note 6(f))	896,601	20	899,431	24	2640 Net defined benefit liabilities (note 6(k))		22,359	1
1780 Intangible assets (note 6(g))	24,158	1	10,861	-	2645 Guarantee deposits		1,339	-
1840 Deferred income tax assets (note 6(l))	66,097	1	42,571	1	Total non-current liabilities		24,565	1
1980 Other financial assets – non-current	3,308	-	3,211	-	Total liabilities		1,987,032	44
1990 Other non-current assets	23,420	-	-	-	Equity (notes 6(l) and (m)):			
Total non-current assets	1,294,306	28	1,222,221	32	3100 Common stock		1,008,978	22
					3200 Capital surplus		358,225	8
					3300 Retained earnings		1,250,073	27
					3400 Other equity		(49,321)	(1)
					Total equity		2,567,955	56
Total assets	\$ 4,554,987	100	3,766,021	100	Total liabilities and equity		\$ 4,554,987	100
							3,766,025	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)
APACER TECHNOLOGY INC.
Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
4000 Net revenue (notes 6(i), (p) and 7)	\$ 9,844,821	100	6,567,983	100
5000 Cost of revenue (notes 6(d), (f), (g), (i), (j), (k), (q), 7 and 12)	<u>8,810,725</u>	<u>90</u>	<u>5,671,377</u>	<u>86</u>
Gross profit before unrealized gross profit	1,034,096	10	896,606	14
5920 Unrealized gross profit	<u>(6,024)</u>	<u>-</u>	<u>(1,157)</u>	<u>-</u>
Gross profit	<u>1,028,072</u>	<u>10</u>	<u>895,449</u>	<u>14</u>
Operating expenses (notes 6(c), (f), (g), (j), (k), (q), 7 and 12):				
6100 Selling expenses	358,565	4	305,524	5
6200 Administrative expenses	144,472	1	141,358	2
6300 Research and development expenses	<u>99,120</u>	<u>1</u>	<u>87,530</u>	<u>1</u>
6000 Total operating expenses	<u>602,157</u>	<u>6</u>	<u>534,412</u>	<u>8</u>
Operating income	<u>425,915</u>	<u>4</u>	<u>361,037</u>	<u>6</u>
Non-operating income and loss (notes 6(e), (f), (j), (r) and 7):				
7010 Other income	4,835	-	7,633	-
7020 Other gains and losses – net	2,389	-	5,792	-
7050 Finance costs	(10,367)	-	(645)	-
7070 Share of profits of subsidiaries and associates	<u>34,573</u>	<u>1</u>	<u>35,691</u>	<u>-</u>
Total non-operating income and loss	<u>31,430</u>	<u>1</u>	<u>48,471</u>	<u>-</u>
Income before income tax	457,345	5	409,508	6
7950 Income tax expense (note 6(l))	<u>51,927</u>	<u>1</u>	<u>60,041</u>	<u>1</u>
Net income	<u>405,418</u>	<u>4</u>	<u>349,467</u>	<u>5</u>
Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss:				
8311 Remeasurements of defined benefit plans (note 6(k))	(87)	-	(6,688)	-
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss (note 6(l))	<u>15</u>	<u>-</u>	<u>1,137</u>	<u>-</u>
	<u>(72)</u>	<u>-</u>	<u>(5,551)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation of foreign operations (note 6 (m))	(18,350)	-	(4,221)	-
8399 Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(18,350)</u>	<u>-</u>	<u>(4,221)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(18,422)</u>	<u>-</u>	<u>(9,772)</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 386,996</u>	<u>4</u>	<u>\$ 339,695</u>	<u>5</u>
Earnings per share (in New Taiwan dollars) (note 6(o)) :				
9750 Basic earnings per share	<u>\$ 4.02</u>		<u>2.74</u>	
9850 Diluted earnings per share	<u>\$ 3.97</u>		<u>2.71</u>	

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)
APACER TECHNOLOGY INC.

Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Share capital				Retained earnings			Total other equity		
	Common stock	Capital collected in advance	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation differences	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	Total equity
Balance at January 1, 2016	\$ 1,515,437	550	489,941	209,904	11,277	709,673	(26,750)	(33,550)	(60,300)	2,876,482
Appropriation of earnings:										
Legal reserve	-	-	-	22,839	-	(22,839)	-	-	-	-
Special reserve	-	-	-	-	15,473	(15,473)	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(190,077)	-	-	-	(190,077)
Net income in 2016	-	-	-	-	-	349,467	-	-	-	349,467
Other comprehensive income in 2016	-	-	-	-	-	(5,551)	(4,221)	-	(4,221)	(9,772)
Total comprehensive income in 2016	-	-	-	-	-	343,916	(4,221)	-	(4,221)	339,695
Distribution of cash dividend from capital surplus	-	-	(113,110)	-	-	-	-	-	-	(113,110)
Changes in equity of associates accounted for using equity method	-	-	5,872	-	-	-	-	-	-	5,872
Capital reduction	(496,959)	-	-	-	-	-	-	-	-	(496,959)
Issuance of common stock from exercise of employee stock options	500	(550)	50	-	-	-	-	-	-	-
Retirement of restricted shares of stock issued to employees	(10,000)	-	(23,550)	-	-	2,189	-	33,550	33,550	2,189
Balance at December 31, 2016	1,008,978	-	359,203	232,743	26,750	827,389	(30,971)	-	(30,971)	2,424,092
Appropriation of earnings:										
Legal reserve	-	-	-	34,947	-	(34,947)	-	-	-	-
Special reserve	-	-	-	-	4,221	(4,221)	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(242,155)	-	-	-	(242,155)
Net income in 2017	-	-	-	-	-	405,418	-	-	-	405,418
Other comprehensive income in 2017	-	-	-	-	-	(72)	(18,350)	-	(18,350)	(18,422)
Total comprehensive income in 2017	-	-	-	-	-	405,346	(18,350)	-	(18,350)	386,996
Changes in equity of associates accounted for using equity method	-	-	(978)	-	-	-	-	-	-	(978)
Balance at December 31, 2017	\$ 1,008,978	-	358,225	267,690	30,971	951,412	(49,321)	-	(49,321)	2,567,955

Notes: For the years ended December 31, 2017 and 2016, the Company estimated its remuneration to employees amounting to \$44,818 and \$37,598, respectively, and the remuneration to directors and supervisors amounting to \$7,130 and \$6,574, respectively, recognized as cost of revenue or operating expenses in the statements of comprehensive income.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

APACER TECHNOLOGY INC.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Income before income taxes	\$ 457,345	409,508
Adjustments for:		
Depreciation	34,401	29,137
Amortization	7,509	5,565
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(6,650)	4,725
Interest expense	10,367	645
Interest income	(627)	(3,425)
Share of profits of subsidiaries and associates	(34,573)	(35,691)
Gain on disposal of property, plant and equipment	(4,999)	(192)
Impairment loss on non-financial assets	6,994	-
Unrealized gross profit on sales to subsidiaries and associates	6,024	1,157
Subtotal	<u>18,446</u>	<u>1,921</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	-	240,000
Notes and accounts receivable	(216,554)	(140,492)
Accounts receivable from related parties	(247,768)	(57,642)
Other receivables	(21,089)	(8,451)
Inventories	(187,374)	(587,260)
Other current assets	(7,117)	3,267
Net changes in operating assets	<u>(679,902)</u>	<u>(550,578)</u>
Changes in operating liabilities:		
Financial liabilities held for trading	4,205	(4,109)
Notes and accounts payable	238,560	226,713
Accounts payable to related parties	(93)	151
Other payables	38,243	73,200
Other payables to related parties	374	417
Provisions	164	(422)
Other current liabilities	(7,974)	12,838
Net defined benefit liabilities	(9)	16
Net changes in operating liabilities	<u>273,470</u>	<u>308,804</u>
Total changes in operating assets and liabilities	<u>(406,432)</u>	<u>(241,774)</u>
Total adjustments	<u>(387,986)</u>	<u>(239,853)</u>
Cash provided by operations	69,359	169,655
Interest received	627	3,789
Interest paid	(10,262)	(566)
Income taxes paid	(50,657)	(57,694)
Net cash provided by operating activities	<u>9,067</u>	<u>115,184</u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

APACER TECHNOLOGY INC.

Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from investing activities:		
Purchase of financial assets carried at cost	(5,359)	-
Purchase of investments accounted for using equity method	-	(20,474)
Additions to property, plant and equipment	(47,844)	(43,947)
Proceeds from disposal of property, plant and equipment	4,999	553
Increase in refundable deposits	(95)	(775)
Additions to intangible assets	(11,520)	(8,816)
Increase in other non-current assets	(23,420)	-
Net cash flows used in investing activities	<u>(83,239)</u>	<u>(73,459)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	363,240	30,525
Increase (decrease) in guarantee deposits	(15,554)	15,706
Cash dividends distributed to shareholders	(242,155)	(190,077)
Capital reduction	-	(496,959)
Cash dividends refund from retirement of restricted shares of stock issued to employees	-	2,189
Distribution of cash dividend from capital surplus	-	(113,110)
Net cash provided by (used in) financing activities	<u>105,531</u>	<u>(751,726)</u>
Net increase (decrease) in cash and cash equivalents	31,359	(710,001)
Cash and cash equivalents at beginning of year	<u>356,154</u>	<u>1,066,155</u>
Cash and cash equivalents at end of year	<u>\$ 387,513</u>	<u>356,154</u>

Appendix 3

Comparison Table of Clauses Before and After Amendment of the “Code of Ethical Conduct”

Original Article	Amended Article	Description
<p>Article 1: Purpose of and basis for adoption</p> <p>For the purpose of encouraging directors, supervisors, and managerial officers of the Company (including presidents or their equivalents, assistant presidents or their equivalents, deputy assistant presidents or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and helping interested parties better understand the ethical standards of the Company, Apacer Technology Inc. establishes the Code of Ethical Conduct as a basis for compliance.</p>	<p>Article 1: Purpose of and basis for adoption</p> <p>For the purpose of encouraging directors, supervisors, and managerial officers of the Company (including presidents or their equivalents, assistant presidents or their equivalents, deputy assistant presidents or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and helping interested parties better understand the ethical standards of the Company, Apacer Technology Inc. establishes the Code of Ethical Conduct as a basis for compliance.</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 2: Content of the code</p> <p>The Code of Ethical Conduct of the Company contains the following eight matters:</p> <p>(1) Prevention of conflicts of interest:</p> <p>Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company, for example when a director, supervisor, or managerial officer of the Company is unable to</p>	<p>Article 2: Content of the code</p> <p>The Code of Ethical Conduct of the Company contains the following eight matters:</p> <p>(1) Prevention of conflicts of interest:</p> <p>Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company, for example when a director, supervisor, or managerial officer of the Company is unable to perform</p>	<p>The texts related to the supervisors in the Article are deleted and a text related to the Audit Committee is added in line with setup of the Company’s Audit Committee in the future.</p>

Original Article	Amended Article	Description
<p>perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship, the company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or purchase (or sale) of goods involving the affiliated enterprise to which such director, supervisor, or managerial officer belongs. The company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for directors, supervisors, and managerial officers to voluntarily explain whether there is any potential conflict between them and the Company.</p> <p>(2) Minimizing incentives to pursue personal gain: The company shall prevent its directors, supervisors, or managerial officers from engaging in any of the following activities:</p> <ol style="list-style-type: none"> 1. Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions; 	<p>their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship, the company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or purchase (or sale) of goods involving the affiliated enterprise to which such director, supervisor, or managerial officer belongs. The company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for directors, supervisors, and managerial officers to voluntarily explain whether there is any potential conflict between them and the Company.</p> <p>(2) Minimizing incentives to pursue personal gain: The company shall prevent its directors, supervisors, or managerial officers from engaging in any of the following activities:</p> <ol style="list-style-type: none"> 1. Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions; 2. Obtaining personal gain by using company property or 	

Original Article	Amended Article	Description
<p>2. Obtaining personal gain by using company property or information or taking advantage of their positions;</p> <p>3. Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors, supervisors, or managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.</p> <p>(3) Confidentiality: The directors, supervisors, and managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.</p> <p>(4) Fair trade: Directors, supervisors, and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or</p>	<p>information or taking advantage of their positions;</p> <p>3. Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors, supervisors, or managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.</p> <p>(3) Confidentiality: The directors, supervisors, and managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.</p> <p>(4) Fair trade: Directors, supervisors, and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair</p>	

Original Article	Amended Article	Description
<p>misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p> <p>(5) Safeguarding and proper use of company assets: All directors, supervisors, and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used.</p> <p>(6) Legal compliance: Directors, supervisors, and managerial officers shall comply with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.</p> <p>(7) Encouraging reporting on illegal or unethical activities: The company shall raise awareness of ethics internally and encourage employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. To encourage employees to report illegal conduct, the Company shall establish a concrete whistle-blowing system and make employees aware that the Company will use its best efforts to ensure the safety of informants</p>	<p>trading practices.</p> <p>(5) Safeguarding and proper use of company assets: All directors, supervisors, and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used.</p> <p>(6) Legal compliance: Directors, supervisors, and managerial officers shall comply with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.</p> <p>(7) Encouraging reporting on illegal or unethical activities: The company shall raise awareness of ethics internally and encourage employees to report to a company supervisor, <u>the Audit Committee,</u> managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. To encourage employees to report illegal conduct, the Company shall establish a concrete whistle-blowing system and make employees aware that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals.</p> <p>(8) Disciplinary measures: When a director, supervisor, or</p>	

Original Article	Amended Article	Description
<p>and protect them from reprisals. (8) Disciplinary measures: When a director, supervisor, or managerial officer violates the code of ethical conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Rewards and Punishments Management Regulations, and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The company establishes a relevant complaint system to provide the violator with remedies.</p>	<p>managerial officer violates the code of ethical conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Rewards and Punishments Management Regulations, and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The company establishes a relevant complaint system to provide the violator with remedies.</p>	
<p>Article 3: Procedures for exemption Any exemption for directors, supervisors, or managerial officers from compliance with the Company's Code of Ethical Conduct must be adopted by a resolution of the board of directors, and the information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption must be disclosed without delay on the MOPS, in</p>	<p>Article 3: Procedures for exemption Any exemption for directors,supervisors, or managerial officers from compliance with the Company's Code of Ethical Conduct must be adopted by a resolution of the board of directors, and the information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption must be disclosed without delay on the MOPS, in order that the</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company's Audit Committee in the future.</p>

Original Article	Amended Article	Description
<p>order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemptions from the Code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstances under which such an exemption occurs.</p>	<p>shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.</p>	
<p>Article 5: Enforcement The company's Code of Ethical Conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to each supervisor, and submitted to a shareholders meeting.</p>	<p>Article 5: Enforcement The company's Code of Ethical Conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to each supervisor <u>each member of the Audit Committee</u>, and submitted to a shareholders meeting.</p>	<p>The texts related to the supervisors in the Article are deleted and a text related to the Audit Committee is added in line with setup of the Company's Audit Committee in the future.</p>
<p>Article 6: Supplementary provisions The Code was established on March 5, 2010. The first amendment was made on March 12, 2015.</p>	<p>Article 6: Supplementary provisions The Code was established on March 5, 2010. The first amendment was made on March 12, 2015. <u>The second amendment was made on December 14, 2017. (All the clauses amended with respect to the supervisors shall apply only after a full re-election is conducted on May 30, 2018 upon expiration of the term in office of all the current directors and supervisors.)</u></p>	<p>A new amendment date and the application condition are added.</p>

Appendix 4

Comparison Table of Clauses Before and After Amendment of the “Ethical Corporate Management Best Practice Principles”

Original Article	Amended Article	Description
<p>Article 5: Organization and responsibility</p> <p>The directors, supervisors, managers, employees, mandatories, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p>	<p>Article 5: Organization and responsibility</p> <p>The directors,supervisors, managers, employees, mandatories, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 6: Procedures for Ethical Management and Guidelines for Conduct</p> <p>The company shall establish operational procedures and guidelines to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: (omitted)</p>	<p>Article 6: Procedures for Ethical Management and Guidelines for Conduct</p> <p>The company shall establish operational procedures and guidelines to guide directors,supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: (omitted)</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 7: Educational training and evaluation</p> <p>The chairman, president, or senior management of the</p>	<p>Article 7: Educational training and evaluation</p> <p>The chairman, president, or senior management of the Company</p>	<p>The texts related to the supervisors in the Article are deleted in line with</p>

Original Article	Amended Article	Description
<p>Company shall communicate the importance of corporate ethics to its directors, employees, and mandatories on a regular basis. The company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandatories, and substantial controllers and invite the Company's commercial transaction counterparts so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>shall communicate the importance of corporate ethics to its directors, employees, and mandatories on a regular basis. The company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandatories, and substantial controllers and invite the Company's commercial transaction counterparts so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>setup of the Company's Audit Committee in the future.</p>
<p>Article 10: Review and amendment of the Ethical Corporate Management Best Practice Principles The company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions,</p>	<p>Article 10: Review and amendment of the Ethical Corporate Management Best Practice Principles The company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions,</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company's Audit Committee in the future.</p>

Original Article	Amended Article	Description
<p>based on which the adopted Ethical Corporate Management Best Practice Principles will be reviewed and improved with a view to achieving better implementation of ethical management.</p>	<p>based on which the adopted Ethical Corporate Management Best Practice Principles will be reviewed and improved with a view to achieving better implementation of ethical management.</p>	
<p>Article 11: Enforcement The Ethical Corporate Management Best Practice Principles of the Company shall be implemented after the board of directors grants the approval, and shall be sent to each supervisor and reported to the shareholders' meeting. The same procedure shall be followed when the Principles are amended. Where the Company has appointed any independent directors, when the Ethical Corporate Management Best Practice Principles are submitted to the board of directors for discussion pursuant to the preceding paragraph, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board</p>	<p>Article 11: Enforcement The Ethical Corporate Management Best Practice Principles of the Company shall be implemented after the board of directors grants the approval, and shall be sent to each supervisor <u>the Audit Committee</u> and reported to the shareholders' meeting. The same procedure shall be followed when the Principles are amended. Where the Company has appointed any independent directors, when the Ethical Corporate Management Best Practice Principles are submitted to the board of directors for discussion pursuant to the preceding paragraph, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless</p>	<p>The texts related to the supervisors in the Article are deleted and a text related to the Audit Committee is added in line with setup of the Company's Audit Committee in the future.</p>

Original Article	Amended Article	Description
<p>meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</p> <p>Where the Company has established an Audit Committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the Audit Committee.</p>	<p>there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</p> <p>Where the Company has established an Audit Committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the Audit Committee.</p>	
<p>Article 12: Supplementary provisions</p> <p>The Ethical Corporate Management Best Practice Principles were established on November 2, 2010.</p> <p>The first amendment was made on March 12, 2015.</p>	<p>Article 12: Supplementary provisions</p> <p>The Ethical Corporate Management Best Practice Principles were established on November 2, 2010.</p> <p>The first amendment was made on March 12, 2015.</p> <p><u>The second amendment was made on December 14, 2017. (All the clauses amended with respect to the supervisors shall apply only after a full re-election is conducted on May 30, 2018 upon expiration of the term in office of all the current directors and supervisors.)</u></p>	<p>A new amendment date and the application condition are added.</p>

**Comparison Table of Clauses Before and After
Amendment of the “Procedures for Ethical Management
and Guidelines for Conduct”**

Original Article	Amended Article	Description
<p>Article 2: Applicable subjects For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, supervisor, managerial officer, employee or mandatory of the Company or any of its subsidiaries, or any person having substantial control over such entities. Any personnel of the Company using a third party to offer, promise, request, or accept any improper benefits will be presumed to be the act of such personnel.</p>	<p>Article 2: Applicable subjects For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, supervisor, managerial officer, employee or mandatory of the Company or any of its subsidiaries, or any person having substantial control over such entities. Any personnel of the Company using a third party to offer, promise, request, or accept any improper benefits will be presumed to be the act of such personnel.</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 11: Avoidance of conflict of interest When a director, supervisor, or managerial officer of the Company or any of its subsidiaries or any other stakeholders attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, supervisor, managerial officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that</p>	<p>Article 11: Avoidance of conflict of interest When a director, supervisor, or managerial officer of the Company or any of its subsidiaries or any other stakeholders attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, supervisor, managerial officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company’s Audit Committee in the future.</p>

Original Article	Amended Article	Description
<p>proposal, shall recuse himself or herself from any discussion and voting. He/she may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among them, and may not support each other in an inappropriate manner.</p>	<p>in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting. He/she may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among them, and may not support each other in an inappropriate manner.</p>	
<p>Article 24: Enforcement These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each supervisor and reported to the shareholders meeting. When these Procedures and Guidelines are submitted to the board of directors for discussion, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</p>	<p>Article 24: Enforcement These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each supervisor <u>each member of the Audit Committee</u> and reported to the shareholders meeting. When these Procedures and Guidelines are submitted to the board of directors for discussion, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of</p>	<p>The texts related to the supervisors in the Article are deleted and a text related to the Audit Committee is added in line with setup of the Company's Audit Committee in the future.</p>

Original Article	Amended Article	Description
	directors meeting.	
<p>Article 25: Supplementary provisions</p> <p>These Procedures and Guidelines were established on March 12, 2015.</p> <p>The first amendment was made on March 10, 2016.</p>	<p>Article 25: Supplementary provisions</p> <p>These Procedures and Guidelines were established on March 12, 2015.</p> <p>The first amendment was made on March 10, 2016.</p> <p><u>The second amendment was made on December 14, 2017.</u></p> <p><u>(All the clauses amended with respect to the supervisors shall apply only after a full re-election is conducted on May 30, 2018 upon expiration of the term in office of all the current directors and supervisors.)</u></p>	<p>A new amendment date and the application condition are added.</p>

Appendix 6

Comparison Table of Clauses Before and After Amendment of the Articles of Incorporation

Original Article	Amended Article	Description
<p>Article 11</p> <p>Except as otherwise provided by the Company Law, a resolution may be adopted by the holders of a simple majority of the voting rights represented at a shareholders' meeting at which a majority of the total issued capital stocks are present.</p>	<p>Article 11</p> <p>Except as otherwise provided by the Company Law, a resolution may be adopted by the holders of a simple majority of the voting rights represented at a shareholders' meeting at which a majority of the total issued capital stocks are present.</p> <p><u>Where electronic means as one of the avenues for the exercise of voting rights by shareholders at a shareholders' meeting, procedures related thereto shall be carried out according to relevant regulations of the competent authority.</u></p>	<p>Article 2-2 of the "Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings" shall prevail.</p>
<p>Article 24</p> <p>The Articles of Incorporation were established on Marcy 31, 1997.</p> <p>The first amendment was made on July 3, 1997.</p> <p>The second amendment was made on November 11, 1997.</p> <p>The third amendment was made on October 14, 1999.</p> <p>The fourth amendment was made on June 22, 2000.</p> <p>The fifth amendment was made on April 30, 2001.</p> <p>The sixth amendment was made on June 20, 2002.</p> <p>The seventh amendment was made on June 23, 2003.</p>	<p>Article 24</p> <p>The Articles of Incorporation were established on Marcy 31, 1997.</p> <p>The first amendment was made on July 3, 1997.</p> <p>The second amendment was made on November 11, 1997.</p> <p>The third amendment was made on October 14, 1999.</p> <p>The fourth amendment was made on June 22, 2000.</p> <p>The fifth amendment was made on April 30, 2001.</p> <p>The sixth amendment was made on June 20, 2002.</p> <p>The seventh amendment was made on June 23, 2003.</p> <p>The eighth amendment was made</p>	<p>A new amendment date is added.</p>

Original Article	Amended Article	Description
<p>The eighth amendment was made on May 24, 2004.</p> <p>The ninth amendment was made on December 6, 2005.</p> <p>The tenth amendment was made on June 20, 2006.</p> <p>The eleventh amendment was made on May 31, 2007.</p> <p>The twelfth amendment was made on September 14, 2007.</p> <p>The thirteenth amendment was made on June 16, 2009.</p> <p>The fourteenth amendment was made on May 26, 2010.</p> <p>The fifteenth amendment was made on June 13, 2012.</p> <p>The sixteenth amendment was made on June 25, 2013.</p> <p>The seventeenth amendment was made on June 3, 2016.</p> <p>The eighteenth amendment was made on May 26, 2017.</p> <p>All the clauses amended with respect to substitution of an Audit Committee for the supervisors shall apply only after a full re-election is conducted in June, 2018 upon expiration of the term in office of all the current directors or supervisors.</p>	<p>on May 24, 2004.</p> <p>The ninth amendment was made on December 6, 2005.</p> <p>The tenth amendment was made on June 20, 2006.</p> <p>The eleventh amendment was made on May 31, 2007.</p> <p>The twelfth amendment was made on September 14, 2007.</p> <p>The thirteenth amendment was made on June 16, 2009.</p> <p>The fourteenth amendment was made on May 26, 2010.</p> <p>The fifteenth amendment was made on June 13, 2012.</p> <p>The sixteenth amendment was made on June 25, 2013.</p> <p>The seventeenth amendment was made on June 3, 2016.</p> <p>The eighteenth amendment was made on May 26, 2017.</p> <p>(All the clauses amended with respect to substitution of an Audit Committee for the supervisors shall apply only after a full re-election is conducted in June, 2018 upon expiration of the term in office of all the current directors or supervisors).</p> <p><u>The nineteenth amendment was made on May 30, 2018.</u></p>	

Comparison Table of Clauses Before and After Amendment of the “Procedures for Acquisition and Disposal of Assets”

Original Article	Amended Article	Description
<p>Article 12</p> <p>When the Company acquires or disposes real property or any assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not enter into any transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. Purpose, necessity and expected benefits of/from acquisition or proposal of assets. 2. The reason for choosing the related party as a transaction counterpart. 3. With respect to acquisition of real property from a related party, information about assessment of the reasonableness of the 	<p>Article 12</p> <p>When the Company acquires or disposes real property or any assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not enter into any transaction contract or make a payment until the following matters <u>have been adopted by more than half of all the Audit Committee members,</u> approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. Purpose, necessity and expected benefits of/from acquisition or proposal of assets. 2. The reason for choosing the related party as a transaction counterpart. 3. With respect to acquisition of real property from a related party, information about assessment of the reasonableness of the pre-determined transaction terms as 	<p>The texts related to the supervisors in the Article are deleted and the texts related to the review procedure of the Audit Committee are added in line with setup of the Company's Audit Committee in the future.</p>

Original Article	Amended Article	Description
<p>pre-determined transaction terms as specified in Article 15 and Article 16.</p> <p>4. The date and price on and at which the related party originally acquired the real property, the original transaction counterpart of the related party, and the relationship of the counterpart with the Company and the related party.</p> <p>5. The monthly cash flow forecasts for the year commencing from the month in which the contract is intended to be entered into, assessment of the necessity of the transaction, and the reasonableness of the use of funds.</p> <p>6. The appraisal report from a professional appraiser or the opinion of a CPA as specified in Article 10 and Article 11.</p> <p>7. Restrictions and other important covenants for the transaction concerned.</p> <p>The calculation of transaction amount referred to in the preceding paragraph shall be done in accordance with Paragraph 2, Article 30 herein. "Within one (1) year" refers to the year preceding the date on which the current transaction occurs.</p> <p>The part that has been approved by the board of directors and recognized by the supervisors according to the Procedure does</p>	<p>specified in Article 15 and Article 16.</p> <p>4. The date and price on and at which the related party originally acquired the real property, the original transaction counterpart of the related party, and the relationship of the counterpart with the Company and the related party.</p> <p>5. The monthly cash flow forecasts for the year commencing from the month in which the contract is intended to be entered into, assessment of the necessity of the transaction, and the reasonableness of the use of funds.</p> <p>6. The appraisal report from a professional appraiser or the opinion of a CPA as specified in Article 10 and Article 11.</p> <p>7. Restrictions and other important covenants for the transaction concerned.</p> <p>The calculation of transaction amount referred to in the preceding paragraph shall be done in accordance with Paragraph 2, Article 30 herein. "Within one (1) year" refers to the year preceding the date on which the current transaction occurs. The part that has been <u>adopted by more than half of all the Audit Committee members,</u> approved by the board of directors-and recognized by the supervisors according to the Procedure does not need to be counted in the transaction amount.</p>	

Original Article	Amended Article	Description
not need to be counted in the transaction amount.		
<p>Article 15</p> <p>Where the Company acquires real property from a related party and all the results of the appraisal made in accordance with Article 13 and Article 14 are lower than the transaction price, the following measures shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside against the difference between the real property transaction price and the appraised cost. 2. Supervisors shall be subject to Article 218 of the Company Act. 3. The implementation status pursuant to Subparagraph 1 and Subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. 	<p>Article 15</p> <p>Where the Company acquires real property from a related party and all the results of the appraisal made in accordance with Article 13 and Article 14 are lower than the transaction price, the following measures shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside against the difference between the real property transaction price and the appraised cost. 2. Supervisors <u>Independent director members of the Audit Committee</u> shall be subject to Article 218 of the Company Act. 3. The implementation status pursuant to Subparagraph 1 and Subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. 	<p>The texts related to the supervisors in the Article are deleted and a text related to substitution of the Audit Committee's independent director members for the supervisors is added in line with setup of the Company's Audit Committee in the future.</p>
<p>Article 19</p> <p>The Company shall establish a log book and the details of the types and amounts of the derivatives trading that the Company is engaged in, the date of the approval that the board of directors grants, and the matters required to be carefully assessed under Article 17, Subparagraph 4</p>	<p>Article 19</p> <p>The Company shall establish a log book and the details of the types and amounts of the derivatives trading that the Company is engaged in, the date of the approval that the board of directors grants, and the matters required to be carefully assessed under Article 17, Subparagraph 4 and Article 18, Paragraph 1,</p>	<p>The texts related to the supervisors in the Article are deleted in line with setup of the Company's Audit Committee in the future.</p>

Original Article	Amended Article	Description
<p>and Article 18, Paragraph 1, Subparagraph 2 and Paragraph 2, Subparagraph 1 shall be recorded in detail in the log book for reference.</p> <p>The internal audit personnel of the Company shall periodically understand the suitability of the internal control over the trading of derivatives. Such personnel are required to conduct a monthly audit of the trading department for its compliance with the derivatives trading procedure and make an audit report. Where any material violation is identified, a written notice shall be sent to each supervisor.</p>	<p>Subparagraph 2 and Paragraph 2, Subparagraph 1 shall be recorded in detail in the log book for reference. The internal audit personnel of the Company shall periodically understand the suitability of the internal control over the trading of derivatives. Such personnel are required to conduct monthly audits of the trading department for its compliance with the derivatives trading procedure and make an audit report. Where any material violation is identified, a written notice shall be sent to each supervisor <u>Audit Committee member</u>.</p>	
<p>Article 28 Others</p> <p>1. Any part that is not specified in the Procedures shall be subject to relevant laws as well as regulations of the Company. Where the competent authority amends the original issuance order by letter with respect to the procedures for acquisition or disposal of assets, the Company shall abide by the amendment in the new issuance order by letter. The Procedures shall be approved by the board of directors and then sent to each supervisor and reported to the shareholders' meeting for approval. The same procedure</p>	<p>Article 28 Others</p> <p>1. Any part that is not specified in the Procedures shall be subject to relevant laws as well as regulations of the Company. Where the competent authority amends the original issuance order by letter with respect to the procedures for acquisition or disposal of assets, the Company shall abide by the amendment in the new issuance order by letter.</p> <p>2. The Procedures shall be approved by the board of directors and then sent to each supervisor and <u>adopted by more than half of all the Audit Committee members, approved by the board of directors, and reported</u></p>	<p>The texts related to the supervisors in the Article are deleted and a text related to substitution of the Audit Committee's independent director members for the supervisors is added in line with setup of the Company's Audit Committee in</p>

Original Article	Amended Article	Description
<p>shall be followed when the Procedures are amended. Where any director expresses dissent and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to each supervisor.</p> <p>3. Where any director expresses dissent to any matters of the Company that are subject to approval of the board of directors under the Procedures or other laws or regulations and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to each supervisor.</p> <p>4. Where the Company has appointed any independent directors, when the Procedures or the acquisition or disposal trading of assets are submitted to the board of directors for discussion pursuant to the preceding two paragraphs, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an Audit Committee has been established in accordance with relevant laws, the establishment or amendment of the Procedures shall be adopted</p>	<p>to the shareholders' meeting for approval. The same procedure shall be followed when these Procedures are amended. Where any director expresses dissent and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to each supervisor <u>each member of the Audit Committee.</u></p> <p><u>3. If no approval of more than half of all the Audit Committee members as required in the preceding paragraph is obtained, the Procedures may be implemented after approved by more than two-thirds of all the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The terms "all the Audit Committee members" and "all the directors" in the preceding paragraph shall be counted based on the actual number of such members or directors currently holding their positions.</u></p> <p>43. Where any director expresses dissent to any matters of the Company that are subject to approval of the board of directors under the Procedures or other laws or regulations and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to each supervisor <u>each member of the Audit Committee.</u></p> <p><u>54.</u> Where the Company has</p>	<p>the future.</p>

Original Article	Amended Article	Description
<p>by more than half of all the Audit Committee members and submitted to the board of directors for a resolution.</p> <p>6. If no approval of more than half of all the Audit Committee members as required in the preceding paragraph is obtained, the Procedures may be implemented after approved by more than two-thirds of all the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</p> <p>7. The terms "all the Audit Committee members" in Paragraph 5 and "all the directors" in the preceding paragraph shall be counted based on the actual number of such members or directors currently holding their positions.</p> <p>8. Where an Audit Committee has been established in accordance with relevant laws, Article 15, Paragraph 1, Subparagraph 2 shall apply mutatis mutandis to the independent director members of the Audit Committee while the rest provisions regarding supervisors shall apply mutatis mutandis to the Audit Committee.</p> <p>9. The chairman may establish more conservative management principles in accordance with the Procedures. These principles</p>	<p>appointed any independent directors, when the Procedures or the acquisition or disposal trading of assets are submitted to the board of directors for discussion pursuant to the preceding two paragraphs, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>5. Where an Audit Committee has been established in accordance with relevant laws, the establishment or amendment of the Procedures shall be adopted by more than half of all the Audit Committee members and submitted to the board of directors for a resolution.</p> <p>6. If no approval of more than half of all the Audit Committee members as required in the preceding paragraph is obtained, the Procedures may be implemented after approved by more than two-thirds of all the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</p> <p>7. The terms "all the Audit Committee members" in Paragraph 5 and "all the directors" in the preceding paragraph shall be counted based on the actual number of such members or directors currently holding their positions.</p>	

Original Article	Amended Article	Description
<p>shall be implemented in priority after approved by two-thirds of the directors at a board of directors meeting at which two-thirds of the directors are present. The same procedure shall be followed when these principles are amended.</p>	<p>8. Where an Audit Committee has been established in accordance with relevant laws, Article 15, Paragraph 1, Subparagraph 2 shall apply mutatis mutandis to the independent director members of the Audit Committee while the rest provisions regarding supervisors shall apply mutatis mutandis to the Audit Committee.</p> <p>69. The chairman may establish more conservative management principles in accordance with the Procedures. These principles shall be implemented in priority after approved by two-thirds of the directors at a board of directors meeting at which two-thirds of the directors are present. The same procedure shall be followed when these principles are amended.</p>	
<p>Article 29 These Procedures were established on April 24, 2000. The first amendment was made on June 23, 2003. The second amendment was made on May 31, 2007. The third amendment was made on September 2, 2008. The fourth amendment was made on June 13, 2012. The fifth amendment was made on June 25, 2013. The sixth amendment was made on June 13, 2014. The seventh amendment was</p>	<p>Article 29 These Procedures were established on April 24, 2000. The first amendment was made on June 23, 2003. The second amendment was made on May 31, 2007. The third amendment was made on September 2, 2008. The fourth amendment was made on June 13, 2012. The fifth amendment was made on June 25, 2013. The sixth amendment was made on June 13, 2014. The seventh amendment was made</p>	<p>A new amendment date and the application condition are added.</p>

Original Article	Amended Article	Description
made on May 26, 2017.	on May 26, 2017. The eighth amendment was made on May 30, 2018.	

Comparison Table of Clauses Before and After Amendment of the “ Foreign Exchange Risk Management Policy and Guidelines”

Original Article	Amended Article	Description
<p>1. Purpose of and basis for adoption</p> <p>Purpose: To effectively management the foreign currency expenses and receipts, assets and liabilities of the Company, take actions to addressing the risks of fluctuating foreign exchange, and achieve the goal of no foreign exchange losses.</p> <p>Basis: These Regulations are established according to Subparagraph 2, Paragraph 1 of the Company's "Procedures for Acquisition or Disposal of Assets".</p>	<p>4. Article 1 Purpose of and basis for adoption</p> <p>Purpose: To effectively management the foreign currency expenses and receipts, assets and liabilities of the Company, take actions to addressing the risks of fluctuating foreign exchange, and achieve the goal of no foreign exchange losses, Basis: these Regulations are established according to <u>Article 18</u>, Subparagraph Paragraph 2, Paragraph Subparagraph 1 of the Company's "Procedures for Acquisition or Disposal of Assets".</p>	<p>The provisions and texts are amended to perfect the sentence.</p>
<p>2. Scope</p> <p>Applicable within the normal operation conditions of the following companies:</p> <p>1. 2-1 Apacer Technology Inc.</p> <p>2. 2-2 Any subsidiary in which it holds more than 90% of shares.</p>	<p>2. Article 2 Scope</p> <p>Applicable within the normal operation conditions of the following companies:</p> <p>2-1 Apacer Technology Inc. (<u>hereinafter referred to the Company</u>), 2-2 and any subsidiary in which <u>the Company</u> holds more than 90% of shares.</p>	<p>The provisions and texts are amended to perfect the sentence.</p>
<p>3. Principles and guidelines</p> <p>3-1 Trading principles and guidelines</p> <p>3-1-1 Trading types: (omitted)</p> <p>3-1-2 Operating or hedging</p>	<p>Article 3 Principles and guidelines</p> <p>3. 3-1 Trading principles and guidelines</p> <p>3-1-1 <u>1.</u> Trading types: (omitted)</p> <p>3-1-2 <u>2.</u> Operating or hedging</p>	<p>The provisions and texts are amended to perfect the sentence.</p>

Original Article	Amended Article	Description
<p>strategies: (omitted)</p> <p>3-1-3 Division of responsibilities:</p> <p>3-1-3-1 Operating unit: (omitted)</p> <p>3-1-3-2 Finance department: (omitted)</p> <p>3-1-4 Trading limit: (omitted)</p> <p>3-1-5 Performance evaluation guidelines: (omitted)</p> <p>3-1-6 Max. amount of loss: The authorizing person must be informed when the amount of loss reaches the upper limit, and the authorized manager shall give instructions to take relevant measures. Where the amount of loss occupies 25% or more of the total or a single contract price, announcement shall be made in accordance with laws and regulations. In this case, relevant information shall be delivered to the supervisors and a report shall be made to the board of directors.</p>	<p>strategies: (omitted)</p> <p>3-1-33 <u>33</u> Division of responsibilities:</p> <p>3-1-3-1 <u>(1)</u> Operating unit: (omitted)</p> <p>3-1-3-2 <u>(2)</u> Finance department: (omitted)</p> <p>3-1-44 <u>44</u> Trading limit: (omitted)</p> <p>3-1-55 <u>5</u> Performance evaluation guidelines:(omitted)</p> <p>3-1-66 <u>66</u> Max. amount of loss: (1st paragraph omitted)</p> <p>The authorizing person must be informed when the amount of loss reaches the upper limit, and the authorized manager shall give instructions to take relevant measures.</p> <p>Where the amount of loss occupies 25% or more of the total or a single contract price, announcement shall be made in accordance with laws and regulations. In this case, relevant information shall be delivered to the supervisors <u>Audit Committee members</u> and a report shall be made to the board of directors.</p>	<p>The texts related to the supervisors in the Article are deleted and the texts related to the review and approval conducted by the Audit Committee and the reports to the board of directors are added in line with setup of the Company's Audit Committee in the future.</p>
<p>4. 3-2 Operating procedure</p> <p>3-2-1 Authorized amount: (omitted)</p> <p>The Authorized Amount Table is established with reference to the growth of the Company's turnover and the change of the risk position. It shall be approved by the President and</p>	<p>5. 3-2 <u>Article 4</u> Operating procedure</p> <p>3-2-1 <u>1</u> Authorized amount: The Authorized Amount Table is established with reference to the growth of the Company's turnover and the change of the risk position. It shall be approved by the President and CFO to become effective and subject to Article 3-79 <u>79</u>. The same</p>	<p>The provisions and texts are amended to perfect the sentence.</p>

Original Article	Amended Article	Description
<p>CFO to become effective and subject to Article 3-7. The same is applicable when the Authorized Amount Table is amended. Refer to Attachment 1 for the Authorized Amount Table.</p> <p>It is the basis for controlling the operation and position of the Company.</p> <p>3-2-2 Implementation unit: (omitted)</p>	<p>procedure shall be followed when the Authorized Amount Table is amended.</p> <p>Refer to Attachment 1 for the Authorized Amount Table. It is the basis for controlling the operation and position of the Company.</p> <p>33-2-2 <u>2.</u> Implementation unit: (omitted)</p>	
<p>6. 3-3 Public announcement and regulatory reporting procedures.</p> <p>3-3-1 Every subsidiary shall report the trading conditions in the previous month to the finance department of the parent company for summarization and consolidated announcement within three (3) business days after the end of the month.</p> <p>3-3-2 The finance departments of the parent company collect the data of the subsidiaries and make announcement after confirming their correctness.</p> <p>3-3-3 The finance department shall make the announcement within the 10th day every month.</p>	<p>7. 3-3 <u>Article 5</u> Announcement and reporting procedures.</p> <p>3-3-11. Every subsidiary shall report the trading conditions in the previous month to the finance department of the parent company for summarization and consolidated announcement within three (3) business days after the end of the month.</p> <p>3-3-22. The finance departments of the parent company collect the data of the subsidiaries and make announcement after confirming their correctness.</p> <p>3-3-33. The finance department shall make the announcement within the 10th day every month.</p>	<p>The provisions and texts are amended to perfect the sentence.</p>
<p>8. 3-4 Accounting (extracts)</p> <p>9. Avoid the risk of misuse financial products</p>	<p>10. 3-4 <u>Article 6</u> Accounting (extracts)</p> <p>11. Avoid the risk of misuse <u>misusing</u> financial products</p>	<p>The provisions and texts are amended to perfect the sentence.</p>

<p>3-5 Risk management measures (omitted)</p>	<p>3-5<u>Article 7</u> Risk management measures (omitted)</p>	<p>The provisions and texts are amended to perfect the sentence.</p>
<p>12. 3-6 Internal audit system The internal audit personnel shall periodically understand the suitability of the internal control. Such personnel are required to conduct regular audits of the trading department for its compliance with the “Procedures for Acquisition or Disposal of Assets” and make an audit report. Where any material violation is identified, a written notice shall be sent to each supervisor.</p>	<p>13. 3-6<u>Article 8</u> Internal audit system The internal audit personnel shall periodically understand the suitability of the internal control. Such personnel are required to conduct regular audits of the trading department for its compliance with the “Procedures for Acquisition or Disposal of Assets” and make an audit report. Where any material violation is identified, a written notice shall be sent to each <u>supervisor, Audit Committee member.</u></p>	<p>The texts related to the supervisors in the Article are deleted and the texts related to the written notice to the Audit Committee members are added in line with setup of the Company’s Audit Committee in the future.</p>
<p>3-7 The Regulations shall be approved by the board of directors and then sent to each supervisor and reported to the shareholders' meeting for approval. The same procedure shall be followed when the Regulations are amended.</p>	<p>3-7<u>Article 9 Enforcement</u> The Regulations shall be approved by the board of directors and then sent to each supervisor and reported to the shareholders' meeting for approval. The same procedure shall be followed when the Regulations are amended. <u>be adopted by more than half of all the Audit Committee members, resolved at the board of directors meeting, and reported to the shareholders' meeting for approval. The same procedure shall be followed when the Regulations are amended.</u> <u>Where any director expresses dissent and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of</u></p>	<p>The texts related to the supervisors in the Article are deleted and the texts related to the review and approval conducted by the Audit Committee and the reports to the board of directors are added in line with setup of the Company’s Audit Committee in the future.</p>

	<p><u>the director to the Audit Committee. If no approval of more than half of all the Audit Committee members as required in the preceding paragraph is obtained, the Regulations may be implemented after approved by more than two-thirds of all the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>The terms “all the Audit Committee members” and “all the directors” in the preceding two paragraphs shall be counted based on the actual number of such members or directors currently holding their positions.</u></p>	
<p>The Regulations were established on August 30, 2004. The first amendment was made on September 2, 2008. The second amendment was made on May 26, 2010.</p>	<p><u>Article 10 Supplementary provisions</u> <u>The Regulations were established on August 30, 2004.</u> The first amendment was made on September 2, 2008. The second amendment was made on May 26, 2010. <u>The third amendment was made on May 30, 2018.</u></p>	<p>The provisions and texts are amended to perfect the sentence.</p>
<p>Attachment 1 Authorized Amount Table for Trading of Financial FX Hedging Products</p> <p>This Authorized Amount Table is prepared as follows in accordance with Article 3-2-1 of the “Regulations on Engaging in Commercial Foreign Exchange Risk Management Related Financial Products”: (omitted)</p>	<p>Attachment 1 Authorized Amount Table for Trading of Financial FX Hedging Products</p> <p>This Authorized Amount Table is prepared as follows in accordance with <u>Article 3-2-14, Paragraph 1</u> of the “Regulations on Engaging in Commercial Foreign Exchange Risk Management Related Financial Products”: (omitted)</p> <p>1. Foreign exchange trading limit</p>	<p>The provisions and texts are amended to perfect the sentence.</p>

<p>1. Foreign exchange trading limit (omitted)</p> <p>2. Trading limits of other products: Trading of any other products shall be filed as a project to the board of directors for approval.</p>	<p>(omitted)</p> <p>2. Trading limits of other products: Trading of any other products shall be filed submitted as a project to the board of directors for approval.</p>	
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Comparison Table of Clauses Before and After Amendment of the “Procedures for Lending Funds to Other Parties”

Original Article	Amended Article	Description
<p>Article 12</p> <p>The internal auditors of the Company shall conduct audits at least on a quarterly basis on the Procedures and their implementation, and prepare written audit record. In the event that a material violation is found, the auditors shall immediately notify each supervisor in writing.</p>	<p>Article 12</p> <p>The internal auditors of the Company shall conduct audits at least quarterly on the Procedures and their implementation, and prepare written audit records. In the event that a material violation is found, the auditors shall immediately notify each supervisor <u>each member of the Audit Committee</u> in writing.</p>	<p>The texts related to the supervisors in the Article are deleted and the procedure related to Audit Committee members are added in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 14</p> <p>Where a borrower of the Company was originally in conformity with Article 1 but no longer met the requirements thereof latter, or the loan amount exceeds the specified limit due to change of the calculation basis, the Company shall adopt a rectification plan and submit it to each supervisor. The company shall make improvement within the schedule specified in the plan and report to the board of directors.</p>	<p>Article 14</p> <p>Where a borrower of the Company was originally in conformity with Article 1 but no longer met the requirements thereof latter, or the loan amount exceeds the specified limit due to change of the calculation basis, the Company shall adopt a rectification plan and submit it to each supervisor <u>each member of the Audit Committee</u>. The company shall make improvements within the schedule specified in the plan and report to the board of directors.</p>	<p>The texts related to the supervisors in the Article are deleted and the procedure related to Audit Committee members are added in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 15</p> <p>The Procedures and any amendment hereto shall, after</p>	<p>Article 15</p> <p>The Procedures shall and any amendment hereto shall, after</p>	<p>The texts related to the supervisors in the Article are deleted</p>

Original Article	Amended Article	Description
<p>receiving approval from the Chairman of the board of directors and the board meeting, be submitted to each supervisor and the shareholders' meeting. The Procedures and any amendment hereto shall be implemented after they are approved by the shareholders' meeting.</p>	<p>receiving approval from the Chairman of the board of directors and the board meeting, be submitted to each supervisor and the shareholders' meeting. The Procedures and any amendment hereto shall be implemented after they are approved by the shareholders' meeting. <u>be adopted by more than half of all the Audit Committee members, resolved at the board of directors meeting, and reported to the shareholders' meeting for approval. The same procedure shall be followed when the Regulations are amended. Where any director expresses dissent and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to the Audit Committee. If no approval of more than half of all the Audit Committee members as required in the preceding paragraph is obtained, the Regulations may be implemented after approved by more than two-thirds of all the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The terms "all the Audit Committee members" and "all the directors" in the preceding</u></p>	<p>and the texts related to the review and approval conducted by the Audit Committee and the reports to the board of directors are added in line with setup of the Company's Audit Committee in the future.</p>

Original Article	Amended Article	Description
	<u>two paragraphs shall be counted based on the actual number of such members or directors currently holding their positions.</u>	
<p>Article 18 The Procedures were established on April 24, 2000. The first amendment was made on April 15, 2002. The second amendment was made on June 23, 2003. The third amendment was made on June 16, 2009. The fourth amendment was made on May 26, 2010. The fifth amendment was made on June 25, 2013.</p>	<p>Article 18 The Procedures were established on April 24, 2000. The first amendment was made on April 15, 2002. The second amendment was made on June 23, 2003. The third amendment was made on June 16, 2009. The fourth amendment was made on May 26, 2010. The fifth amendment was made on June 25, 2013. The sixth amendment was made on May 25, 2018.</p>	<p>A new amendment date and the application condition are added.</p>

Comparison Table of Clauses Before and After Amendment of the “Procedures for Endorsements & Guarantees”

Original Article	Amended Article	Description
<p>Article 13 2. The internal auditors of the Company shall conduct audits at least quarterly on the Procedures and their implementation, and prepare written audit record. In the event that a material violation is found, the auditors shall immediately notify each supervisor in writing.</p>	<p>Article 13 2. The internal auditors of the Company shall conduct audits at least quarterly on the Procedures and their implementation, and prepare written audit record. In the event that a material violation is found, the auditors shall immediately notify each supervisor <u>each member of the Audit Committee</u> in writing.</p>	<p>The texts related to the supervisors in the Article are deleted and the procedure related to Audit Committee members are added in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 15 Where a counterpart of the endorsement/guarantee was originally in conformity with Article 2 but no longer met the requirements thereof latter, or the endorsement/guarantee amount exceeds the specified limit due to change of the calculation basis, the Company shall adopt a rectification plan and submit it to each supervisor. The company shall make improvement within the schedule specified in the plan and report to the board of directors.</p>	<p>Article 15 Where a counterpart of the endorsement/guarantee was originally in conformity with Article 2 but no longer met the requirements thereof latter, or the endorsement/guarantee amount exceeds the specified limit due to change of the calculation basis, the Company shall adopt a rectification plan and submit it to each supervisor <u>each member of the Audit Committee</u>. The company shall make improvements within the schedule specified in the plan and report to the board of directors.</p>	<p>The texts related to the supervisors in the Article are deleted and the procedure related to Audit Committee members are added in line with setup of the Company’s Audit Committee in the future.</p>
<p>Article 16 The Procedures and any amendment hereto shall, after receiving approval from the board of directors, be submitted to each supervisor and presented to the shareholders’ meeting. The Procedures and any amendment hereto shall be</p>	<p>Article 16 The Procedures and any amendment hereto shall, after receiving approval from the board of directors, be submitted to each supervisor and presented to the shareholders’ meeting. The Procedures and any amendment hereto shall be implemented upon adoption by the shareholders’</p>	<p>The texts related to the supervisors in the Article are deleted and the texts related to the review and approval conducted by the Audit Committee and the reports to the board of</p>

Original Article	Amended Article	Description
<p>implemented upon adoption by the shareholders' meeting.</p>	<p>meeting. <u>After receiving approval from a majority of all the Audit Committee members, be submitted to the board of directors for approval and presented to the shareholders' meeting for adoption.</u> <u>Where any director expresses dissent and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to the Audit Committee.</u> <u>If no approval of more than half of all the Audit Committee members as required in the preceding paragraph is obtained, the Regulations may be implemented after approved by more than two-thirds of all the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.</u> <u>The terms "all the Audit Committee members" and "all the directors" in the preceding two paragraphs shall be counted based on the actual number of such members or directors currently holding their positions.</u></p>	<p>directors are added in line with setup of the Company's Audit Committee in the future.</p>
<p>Article 19 The Procedures was established on June 22, 2000. The first amendment was made on June 23, 2003. The second amendment was made on May 24, 2004. The third amendment was made on May 31, 2007. The fourth amendment was made on June 16, 2009. The fifth amendment was made on May 26, 2010. The sixth amendment was made on June 25, 2013.</p>	<p>Article 19 The Procedures was established on June 22, 2000. The first amendment was made on June 23, 2003. The second amendment was made on May 24, 2004. The third amendment was made on May 31, 2007. The fourth amendment was made on June 16, 2009. The fifth amendment was made on May 26, 2010. The sixth amendment was made on June 25, 2013. The seventh amendment was made on May 30, 2018.</p>	<p>A new amendment date and the application condition are added.</p>

List of Directors Candidates

Title	Candidate	Education & Experience	Current position	No. of shares held
Director	Austin Chen	M.B.A., Department of Management Science, National Chiao Tung University Acer Inc., Vice President CINCHY Corp., Assistant Manager	Apacer Technology Inc. Chairman. Apacer Technology (BVI) Inc. Director Darwin Precisions Corp., Independent Director JoiUp Technology Inc., Director's Representative.	1,525,633
	Phison Electronics Corp.	N/A	N/A	10,050,000
	Teddy Lu	M.S. in Electrical Engineering and M.B.A., University of California B.S., Department of Electro-physics, National Chiao Tung University Acer Inc., Operation and Investment Management Business Section, President	iD SoftCapital Brand Consulting Inc., Chairman YODN Lighting Corp., Chairman Dragon Investment Fund I Co., Ltd., Director Global Strategic Investment Inc., Director Apacer Technology Inc., Director Cyber Power Systems, Inc., Director iD SoftCapital Inc., Director RDC Semiconductor Co., Ltd., Director Formosa21, Inc., Director Stans Foundation, Director OtO Photonics Inc., Director's Representative JoiUp Technology Inc., Director EcoLumina Technologies, Inc., Director's Representative	5,699,906

Title	Candidate	Education & Experience	Current position	No. of shares held
Director	C.K. Chang	M.B.A., Baruch College, City University of New York M.S. in Electrical Engineering, Polytechnic School of Engineering, New York University Apacer Memory America Inc., President	Apacer Technology Inc., Director/ President Apacer Technology B.V., Director Apacer Technology Japan Corp., Director Apacer Electronic (Shanghai) Co., Ltd, Director's Representative	196,825
	George Huang	B.S., Department of Communications Engineering, National Chiao Tung University Acer Inc., Chairman Acer Inc., CFO Acer Inc., Co-founder	Acer Inc., Director Apacer Technology Inc., Supervisor Les enfants Co. Ltd., Director Motech Industries Inc., Director PChome Online Inc., Independent Director BIONET Corp., Independent Director	1,207,041
	Haydn Hsieh	Department of Electrical Engineering, Tatung University Acer Inc., Portable Computer Business Group, President and Senior Vice President Wistron Corp., Senior Vice President Wistron NeWeb Corp., CEO	Wistron NeWeb Corp., Chairman Wistron Corp., Director aEnrich Technology Corp., Director Raydium Semiconductor Corp., Independent Director Apacer Technology Inc., Director	0

Title	Candidate	Education & Experience	Current position	No. of shares held
Independent Director	Max Wu	B.S., Department of Electronics Engineering, National Chiao Tung University Hua Nan Management Consulting Co., Chairman InveStar Capital, Inc., Partner Acer America Corp., President	Birch Venture Capital, Inc., Chairman Spring Foundation of NCTU, Chairman Novatek Microelectronics Corp., Director YODN Lighting Corp., Director Apacer Technology Inc., Independent Director Wistron NeWeb Corp., Director Antec, Inc., Supervisor Gigastone Corp., Independent Director	68,325
	Philip Peng	M.B.A., Department of Business Administration, National Chengchi University iD SoftCapital Inc., Director/ President Acer Inc., Director's Representative Acer Inc., Senior Vice President/CFO Wistron Corp., Director Wistron NeWeb Corp., Supervisor	AU Optronics Corp., Independent Director Acer Inc., Director's Representative AOPEN Inc., Director's Representative Wistron NeWeb Corp., Director Wistron ITS Corp., Director iD SoftCapital Inc., Director/ President SmartStar Technology Inc., Chairman Global Strategic Investment Inc., Director's Representative Dragon Investment Fund Co., Ltd., Director's Representative iD SoftCapital Innovation Consulting Inc., Supervisor's Representative	527

Title	Candidate	Education & Experience	Current position	No. of shares held
Independent Director	Hui-chuan Hsieh	Ph.D. in Finance, University of Houston Co-operative Assets Management Co., Ltd., President China Development Asset Management Corp., President China Development Industrial Bank, Department of Investment, Assistant Manager	AU Optronics Corp., Independent Director Darwin Precisions Corp., Independent Director	0

The Company has established a complete system for the election of directors and uses the Corporate Governance Best Practice Principles as a reference. The board of directors is organized in consideration of the need for diversity and professional skills/experiences in finance and relevant industries. Independent Director Max Wu has many years of experience in the technology industry. He is able to offer insightful perspectives and ideas about industry risks and business operations.

Appendix 12

List of Directors Candidates Holding a Concurrent Post in Other Companies

Title	Candidate	Current position
Director	Austin Chen	JoiUp Technology Inc., Director's Representative Darwin Precisions Corp., Independent Director
Director	Teddy Lu	iD SoftCapital Brand Consulting Inc., Chairman YODN Lighting Corp., Chairman Dragon Investment Fund I Co., Ltd., Director Global Strategic Investment Inc., Director OtO Photonics Inc., Director's Representative EcoLumina Technologies, Inc., Director's Representative Apacer Technology Inc., Director Cyber Power Systems, Inc., Director iD SoftCapital Inc., Director RDC Semiconductor Co., Ltd., Director Formosa21, Inc., Director JoiUp Technology Inc., Director Stans Foundation, Director
Director	George Huang	Acer Inc., Director Les enfants Co. Ltd., Director Motech Industries Inc., Director PChome Online Inc., Independent Director BIONET Corp., Independent Director
Director	Haydn Hsieh	Wistron NeWeb Corp., Chairman Wistron Corp., Director aEnrich Technology Corp., Director Raydium Semiconductor Corp., Independent Director
Independent Director	Max Wu	Birch Venture Capital, Inc., Chairman Spring Foundation of NCTU, Chairman Novatek Microelectronics Corp., Director YODN Lighting Corp., Director Wistron NeWeb Corp., Director Gigastone Corp., Independent Director Antec, Inc., Supervisor

Title	Candidate	Current position
Independent Director	Philip Peng	iD SoftCapital Inc., Director/ President SmartStar Technology Inc., Chairman AU Optronics Corp., Independent Director Wistron NeWeb Corp., Director Wistron ITS Corp., Director Acer Inc., Director's Representative AOPEN Inc., Director's Representative Global Strategic Investment Inc., Director's Representative Dragon Investment Fund Co., Ltd., Director's Representative iD SoftCapital Innovation Consulting Inc., Supervisor's Representative
Independent Director	Hui-chuan Hsieh	AU Optronics Corp., Independent Director Darwin Precisions Corp., Independent Director

Apacer Technology Inc. Articles of Incorporation

CHAPTER I – GENERAL PROVISIONS

Article 1: The Company is incorporated in accordance with the Company Law and has the name Apacer Technology Inc.

Article 2: The business of this Company shall include the following items:

- 1 CC01120 Manufacture and duplication of data storage media
- 2 CC01080 Manufacture of electronic parts and components
- 3 F401010 International trade
- 4 F118010 Wholesale of computer software
- 5 F119010 Wholesale of electronic materials
- 6 F218010 Retail of computer software
- 7 F219010 Retail of electronic materials
- 8 I301010 Computer software services
- 9 I301020 Data processing services
- 10 I301030 Electronic information supply services
- 11 CC01101 Manufacture of controlled telecom radio frequency devices
- 12 F401021 Import of controlled telecom radio frequency devices
- 13 F113070 Wholesale of telecom devices
- 14 F213060 Retail of telecom devices
- 15 CC01030 Manufacture of electric appliances and audiovisual electric products
- 16 CC01110 Manufacture of computers and peripheries
- 17 E701040 Installation of simple telecom equipment
- 18 F113050 Wholesale of computing and business machinery equipment
- 19 F113110 Wholesale of batteries
- 20 F213110 Retail of batteries
- 21 F399040 Retail business without shops
- 22 I501010 Product design
- 23 JE01010 Leasing business
- 24 ZZ99999 All other business items that are not prohibited or restricted by laws and regulations, except those that are subject to special approval

Article 3: Where the Company is a shareholder of limited liability in another company, the restriction that the total investment shall not exceed forty percent (40%) of the paid-up capital specified in Article 13 of the Company Act shall not apply to its investment in such company.

Article 4: The headquarters of the Company is located in New Taipei City, Taiwan, R.O.C. If the Company considers it necessary, it may, with a resolution adopted at a meeting of the board of directors, set up branches or offices in Taiwan.

Article 5: Announcement of the Company is subject to the regulations of the securities regulation body.

CHAPTER II - CAPITAL STOCK

Article 6: The total amount of the Company's capital stock is NT\$ 2 billion divided into 200 million billion shares at a par value of NT\$10 per share, and the board of directors is authorized to issue these shares at different phases. NT\$ 150 million of the aforesaid total capital stock shall be divided into 15 million shares at a par value of NT\$10 per share and reserved for exercising stock options against stock option certificates. The board of directors is authorized to issue these shares at different phases upon its resolution.

Article 6-1: The Company may as a listed company at the emerging stock market issue employee stock option certificates at a subscription price less than the market price. Where the Company may, after becoming a listed company at the stock exchange or OTC market, issue employee stock option certificates at a price lower than the closing price of the Company's common stocks on the issue date, the issue of the certificates must be subject to the approval of more than two-thirds of the voting rights represented at a shareholders' meeting at which a majority of the total issued capital stocks are present. The Company may, after becoming a listed company at the stock exchange market, transfer shares to employees at a price less than the average of the actual repurchase price of shares, but the transfer must be subject to the approval of more than two-thirds of the voting rights represented at the latest shareholders' meeting at which a majority of the total issued capital stocks are present.

Article 7: After approval for registration, the share certificates of this Company shall be issued in registered form, signed by, and affixed with the seals of, at least three directors of this Company, and authenticated by the competent registrar. All the stocks of the Company are registered and must be signed by or affixed with the stamps of at least three directors and numbered. The stocks may be released only after they are authenticated by the competent authority or its designated issue and registration organs. The Company may issue shares without printing physical stocks, but shall register these shares with a securities depository body. The same is applicable to issue of other securities.

Article 7-1: Any plan of the Company to withdraw the public offer of its shares shall be submitted to the shareholders' meeting for approval. This provision shall not be modified or amended during the period in which the Company is listed at the emerging stock, stock exchange or OTC market.

Article 8: All the matters concerning shares shall be handled in accordance with the regulations of the competent authority except as otherwise provided by laws.

CHAPTER III - SHAREHOLDERS' MEETINGS

Article 9: Shareholders' meetings are held in the form of either regular or special meeting. The regular meeting is held once every year, and the board of directors shall convene the regular meeting within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the law if necessary.

Article 10: The shareholder who is unable to attend a shareholders' meeting for whatever reasons may appoint a proxy by presenting the letter of attorney provided by the Company and explicitly filling out it with the scope of proxy. Where one person has been appointed to act as a proxy for two or more shareholders, unless such person is a trust business or a stock service agent approved by the competent securities authority, the votes exercised by such person and exceeding three percent (3%) of all the issued capital stock of the Company shall not be counted.

The letter of attorney referred to in the previous paragraph proxies shall be delivered to the Company five (5) days before the shareholders' meeting. In case of repetition, only the letter of attorney received earlier shall be effective.

Article 11: Except as otherwise provided by the Company Law, a resolution at any shareholders' meeting may be adopted by the holders of a simple majority of the voting rights represented at a shareholders' meeting at which a majority of the total issued capital stocks are present.

CHAPTER IV - DIRECTORS AND COMMITTEES

Article 12: The Company shall have seven (7) ~ nine (9) directors elected at the shareholders' meeting from the roster of nominees. A candidate nomination system is applied for the election. The directors shall have a term of office for three (3) years and are eligible for re-election. The total capital stock held by all the directors shall not be less than the percentage specified by the competent authority according to relevant laws. The Company may buy liability insurance for the directors who shall take the responsibility for the damage in accordance with laws within the scope of their duties.

Article 12-1: The Company shall have three (3) or more independent directors to be included in the number of directors specified in the preceding paragraph. Independent directors are elected at the shareholders' meeting from the roster of nominees, and a candidate nomination system is applied for the election. The professional competence, shareholding, restriction on part-time jobs, methods for nomination, election and appointment of independent directors, and other matters to be followed are subject to the regulations of the competent securities authority.

Article 12-2: The Company shall establish Audit Committee comprised of all the independent directors. The Audit Committee or the members of the Audit Committee shall be responsible for performing the duties of the supervisors specified in the Company Act, Securities and Exchange Act and other relevant laws and regulations.

Article 13: The board of directors shall consist of directors of the Company. The chairman of the board of directors shall be elected by a majority of directors at a meeting at which more than two-thirds of the directors are present. The chairman of the board of directors shall externally represent the Company. The board of directors shall set up all kinds of functional committees. Directors shall be informed respectively with a 7-day prior notice about any meeting of the board of directors. The Company may hold the board of directors meeting at any time in case of emergency events. The board of directors meeting may be convened by letter, e-mail or facsimile.

Article 14: The board of directors shall have the following authority:

1. To review and supervise annual operation plans;
2. To decide budgets and review final accounts;
3. To propose allocation of profits or make-up of losses;
4. To propose capital increase or decrease plans;
5. To review and consider significant capital expenditure plans;
6. To establish or terminate branches (including offices);
7. To propose and discuss Articles of Incorporation or its amendments;
8. To decide important contracts or other important matters;
9. To decide whether to invest in other businesses or dispose of shares held in the investment businesses;

10. To review and consider major dealings between the Company and its related partners (including affiliated companies);
11. To appoint or remove the president and/or vice president;
12. To decide disposal or purchase of important assets, systems, and regulations; and
13. Other powers granted at any shareholders' meeting or in accordance with laws and regulations.

Article 15: Where the chairman of the board of directors is on leave or cannot exercise his powers or perform his duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Law. Where a director is unable to attend the meeting of the board of directors personally for whatever reasons, he/she may appoint another director as his proxy to attend the meeting by issuing a letter of attorney. Each director may act as a proxy for only one director.

Article 16: Unless otherwise provided for in the Company Act, resolutions at the meeting of the board of directors shall be adopted by one-half of the directors at a meeting at which one-half of the directors are present.

Article 16-1: The Board of Directors is authorized to determine the compensation recommended by the Remuneration Committee for the director with reference to the extent of his/her involvement in and value of his/her contribution to the operation of the Company and the standards of the industry in Taiwan and overseas no matter whether the Company has profits or losses. Where there is profit in any fiscal year, not more than four per thousand (14‰) of the profit shall be appropriated as remuneration for directors. Where the Company has any accumulated loss, the remuneration shall be appropriated from the balance after such accumulated loss has been covered. The criteria for allocation of the remuneration shall be recommended by the Remuneration Committee to the Board of Directors for approval.

CHAPTER V - MANAGERS

Article 17: This Company may have one CEO and several Deputy CEOs, presidents, business division presidents and vice presidents. Their appointment, discharge and compensation shall be subject to Article 29 of the Company Act. The managers of the Company have the right to manage the affairs of and sign for the Company within their respective authority.

CHAPTER VI - ACCOUNTING

Article 18: The board of directors shall prepare the (1) business report; (2) financial report; and (3) profit allocation or loss make-up proposal at the end of each fiscal year and submit them to the shareholders' meeting for approval.

Article 19: As the prosperity and development trend of the industry to which the Company belongs change, the Company adopts a balanced dividend policy depending on the yearly surplus and overall external environment as well as relevant laws and regulations, long-term development plans of the Company, and healthy financial structures. Where any cash dividend shall be distributed, it shall occupy at least ten percent (10%) of all the dividends of the current year.

Article 20: Where there is profit in any fiscal year, four percent (4%) or more of the profit shall be appropriated as remuneration for employees. Where the Company has any accumulated loss, the remuneration shall be appropriated from the balance

after such accumulated loss has been covered. The employees' remuneration referred to in the previous paragraph may be distributed in the form of cash or stock. The employees eligible for the distribution may include the employees of the affiliated companies who meet the requirements specified by the board of directors.

Article 21: The earnings of the Company, if any, in the total final account at the end of any fiscal year shall be used to pay all relevant taxes and make up the losses of the previous years. The Company shall then set aside with ten percent (10%) of the said earnings as a legal reserve, unless such legal reserve amounts to the total authorized capital of the Company. Thereafter, the Company shall set aside or reverse a special reserve in accordance with applicable laws and regulations or any instructions of the competent authority. The remainder of the reserve together with the earnings of the previous years that have not been distributed may be allocated to shareholders as dividends. The Company shall not distribute dividends or bonuses when there is no profit, unless the distribution of reserves is required by relevant laws and regulations.

Article 22: The Company may provide endorsements or guarantees externally in relation to its business or investment.

CHAPTER 7 - SUPPLEMENTARY PROVISIONS

Article 23: Any matters that are not specified in these Articles of Incorporation shall be subject to the Company Act and other laws and regulations.

Article 24: The Articles of Incorporation were established on Marcy 31, 1997.

The first amendment was made on July 3, 1997.

The second amendment was made on November 11, 1997.

The third amendment was made on October 14, 1999.

The fourth amendment was made on June 22, 2000.

The fifth amendment was made on April 30, 2001.

The sixth amendment was made on June 20, 2002.

The seventh amendment was made on June 23, 2003.

The eighth amendment was made on May 24, 2004.

The ninth amendment was made on December 6, 2005.

The tenth amendment was made on June 20, 2006.

The eleventh amendment was made on May 31, 2007.

The twelfth amendment was made on September 14, 2007.

The thirteenth amendment was made on June 16, 2009.

The fourteenth amendment was made on May 26, 2010.

The fifteenth amendment was made on June 13, 2012.

The sixteenth amendment was made on June 25, 2013.

The seventeenth amendment was made on June 3, 2016.

The eighteenth amendment was made on May 26, 2017.

All the clauses amended with respect to substitution of an Audit Committee for the supervisors shall apply only after a full re-election is conducted in June, 2018 upon expiration of the term in office of all the current directors or supervisors.

Apacer Technology Inc. Director Election Regulations

1. Except otherwise prescribed by the Company Act, other relevant laws and regulations, or the Company's Articles of Incorporation, election of directors shall be subject to the Regulations.
2. A candidate nomination system is applied to the election of directors. They shall be elected at the shareholders' meeting from the roster of nominees announced by the Company.
3. The number of the directors to be appointed shall be determined in accordance with the number allowed in the Articles of Incorporation. Election of the independent and non-independent directors shall be conducted together, but the votes shall be counted and the directors shall win the election separately.
4. The Company shall make ready, distinguish the ballots and indicate the number of voting rights.
5. Directors shall be elected through cumulative voting. When electing the directors, each share shall be entitled to the number of voting rights equal to number of the directors to be elected. The holder of the shares may cast all the votes for one candidate or distribute the votes among different candidates. The candidates who receive more votes representing the voting rights will in sequence win the election for the positions of independent or non-independent directors. Where two (2) or more candidates receive the same number of votes beyond the allowed number of directors, the winner shall be determined by drawing lots. One lot may be drawn by the chairman for each of the absentees.
6. The winning of the election will become invalid if the requirements of Article 26-3, Paragraph 3 and Paragraph 4 of the Securities and Exchange Act are not met
7. The voter shall indicate the name of the candidate and the shareholder account number on the ballot. Where the candidate is not a shareholder, the ID card number (or passport number if a foreigner is involved) of the candidate shall be indicated on the ballot and drop it in the ballot box. Where the candidate is a legal entity, the full registered name of the legal entity and the name of its legal representative may be entered in the Candidate field.
8. When the voting begins, the chairman shall appoint several vote monitoring and counting personnel to take charge of relevant tasks. Vote monitoring personnel may be appointed from among the shareholders in attendance.
9. A ballot shall be null and void if such ballot:
 - (1) is not dropped in the ballot box;
 - (2) is not a ballot prepared by the Company;
 - (3) is not completed by a voter and is blank;
 - (4) contains the account name or number of a candidate that is not in conformity to the shareholders' register;
 - (5) contains any words or notations in addition to the account name and number of the candidate as well as the number of cast votes in terms of the voting right;
 - (6) contains any alteration to the candidate's account name and number or the number of cast votes in terms of the voting right;
 - (7) contains words or marks which are illegible or unrecognizable;
 - (8) contains the same account name of a candidate as that of a shareholder and the

- account number of such shareholder is not provided for distinguishing purpose.
10. The ballot box shall be prepared by the board of director. It shall be opened and examined in public by ballot monitoring personnel.
 11. The ballots shall be counted on the spot right after the voting, and the chairman shall announce the results of the counting and a record shall be made.
The vote monitoring personnel shall monitor the counting of the ballots and the chairman shall announce the results on the spot immediately.
 12. These Regulations and any amendments hereto shall take effect upon approval at a Shareholders' Meeting.
 13. These Regulations were established on June 22, 2000.
The first amendment was made on April 15, 2002.
The second amendment was made on May 31, 2007.
The third amendment was made on May 26, 2017.
(All the clauses amended with respect to the supervisors shall apply only when a full re-election is conducted in June 2018 upon expiration of the term in office of all the current directors or supervisors.)

Apacer Technology Inc. Code of Ethical Conduct

- Article 1 Purpose of and basis for adoption
For the purpose of encouraging directors, supervisors, and managerial officers of the Company (including presidents or their equivalents, assistant presidents or their equivalents, deputy assistant presidents or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and helping interested parties better understand the ethical standards of the Company, Apacer Technology Inc. establishes the Code of Ethical Conduct as a basis for compliance.
- Article 2 Content of the code
The Code of Ethical Conduct of the Company contains the following eight matters:
1. Prevention of conflicts of interest:
Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company, for example when a director, supervisor, or managerial officer of the Company is unable to perform their duties in an objective and efficient manner, or when a person takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship, the company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or purchase (or sale) of goods involving the affiliated enterprise to which such director, supervisor, or managerial officer belongs. The company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for directors and managerial officers to voluntarily explain whether there is any potential conflict between them and the Company.
 2. Minimizing incentives to pursue personal gain:
The company shall prevent its directors or managerial officers from engaging in any of the following activities:
 - (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions;
 - (2) Obtaining personal gain by using company property or information or taking advantage of their positions;
 - (3) Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors or managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.
 3. Confidentiality:
The directors and managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information

includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

4. Fair trade:

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

5. Safeguarding and proper use of company assets:

All directors and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used.

6. Legal compliance:

Directors and managerial officers shall comply with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.

7. Encouraging reporting on illegal or unethical activities:

The company shall raise awareness of ethics internally and encourage employees to report to the Audit Committee, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. To encourage employees to report illegal conduct, the Company shall establish a concrete whistle-blowing system and make employees aware that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals.

8. Disciplinary measures:

When a director or managerial officer violates the code of ethical conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the Rewards and Punishments Management Regulations, and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The company establishes a relevant complaint system to provide the violator with remedies.

Article 3 Procedures for exemption

Any exemption for directors or managerial officers from compliance with the Company's Code of Ethical Conduct must be adopted by a resolution of the board of directors, and the information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption must be disclosed without delay on the MOPS. This is done in order for the shareholders to evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

Article 4 Method of disclosure

The company shall disclose the Code of Ethical Conduct it establishes, and any amendments to hereto, on the company website, in its annual reports and

prospectuses and on the MOPS.

Article 5 Enforcement

The company's Code of Ethical Conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, delivered to each member of the Audit Committee, and submitted to a shareholders meeting.

Article 6 The Code was established on March 5, 2010.

The first amendment was made on March 12, 2015.

The second amendment was made on December 14, 2017.

Apacer Technology Inc. Ethical Corporate Management Best Practice Principles

Article 1 Purpose and scope

These Ethical Corporate Management Best Practice Principles (hereinafter referred to as the “Principles”) are established to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.

The Principles are applicable to the Company and its subsidiaries, any foundation to which the Company has directly or indirectly made contribution of accumulative funds exceeding 50%, and other institutions or juridical persons, such as group enterprises and organizations, which are substantially controlled by the Company (hereinafter collectively referred to as the “Company and Subsidiaries”). The “accumulative funds exceeding 50 percent” referred to in the previous paragraph means 50 percent of the total funds that the foundation has.

Article 2 Compliance with laws and regulations

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 3 Commitment and implementation

The Company and Subsidiaries shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 4 Ethical corporate management of commercial activities

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparts and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with any agents, suppliers, clients, or other trading counterparts, the Company shall include in such contracts terms requiring compliance with the ethical corporate management policy, and that in the event the trading counterparts are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 5 Organization and responsibility

The directors, managers, employees, mandatories, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the

preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 6 Procedures for Ethical Management and Guidelines for Conduct

The company shall establish operational procedures and guidelines to guide directors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparts suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Article 7 Educational training and evaluation

The chairman, president, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandatories on a regular basis.

The company shall periodically organize training and awareness programs for directors, managers, employees, mandatories, and substantial controllers and invite the Company's commercial transaction counterparts so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 8 Whistle-blowing and discipline

The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

Article 9 Disclosure of information

The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

Article 10 Review and amendment of the Ethical Corporate Management Best Practice Principles

The company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted Ethical Corporate Management Best Practice Principles will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 11 Enforcement

The Ethical Corporate Management Best Practice Principles of the Company shall be implemented after the board of directors grants the approval, and shall be sent to the Audit Committee and reported to the shareholders' meeting. The same procedure shall be followed when the Principles are amended.

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

Article 12 The Ethical Corporate Management Best Practice Principles were established on November 2, 2010.
The first amendment was made on March 12, 2015.
The second amendment was made on December 14, 2017.

Apacer Technology Inc.
Procedures for Ethical Management and Guidelines for Conduct

- Article 1 Purpose of adoption and scope of application
The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct. These Procedures for Ethical Management and Guidelines for Conduct (hereinafter referred to as the “Procedures and Guidelines”) are established pursuant to the provisions of the Ethical Corporate Management Best Practice Principles of the Company and the applicable laws and regulations at the places where the Company and its business groups and organizations operate, with a view of providing all personnel of the Company with clear directions for the performance of their duties.
The application scope of these Procedures and Guidelines is same as the scope in Article 1 of the Ethical Corporate Management Best Practice Principles.

- Article 2 Applicable subjects
For the purposes of these Procedures and Guidelines, the term "personnel of the corporation" refers to any director, managerial officer, employee or mandatory of the corporation or any of its subsidiaries, or any person having substantial control over such entities.
Any personnel of the Company using a third party to offer, promise, request, or accept any improper benefits will be presumed to be the act of such personnel.

- Article 3 Unethical conduct
For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly offers, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.
The counterparts of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.

- Article 4 Types of benefits
For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

- Article 5 Responsible unit
The Company shall designate the Human Resource Department as the solely

responsible unit (hereinafter referred to as the "responsible unit") under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the board of directors:

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 6 Prohibition against providing or accepting improper benefits

Except under one of the following circumstances, when offering, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

7. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
8. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
9. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
10. Attendance at folk festivals that are open to and invite the attendance of the general public.
11. Rewards, emergency assistance, condolence payments, or honorariums from the management.
12. Other conducts that comply with the regulations of the Company.

Article 7 Procedures for handling the acceptance of improper benefits

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party offering or promising the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within three (3) days from the acceptance of the benefit, and the responsible unit of the Company shall be notified if necessary.
2. If a relationship of interest does exist between the party offering or promising the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit of the Company. Where the benefit cannot be returned, then within three (3) days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit of the Company for handling.

"A relationship of interest between the party offering or promising the benefit and the official duties of the Company's personnel" as referred to in the preceding paragraph means one of the following circumstances:

1. When the two (2) parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of the Company shall make a proposal, based on the nature and value of the benefit under Paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by the President of the Company.

Article 8 Prohibition of and handling procedure for facilitating payments

The Company and the subsidiaries of the Company shall neither provide nor promise any facilitating payment.

If any personnel of the Company provide or promise a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit of the Company. Upon receipt of the report under the preceding paragraph, the responsible unit of the Company shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

Article 9 Political impartiality

The Company and its subsidiaries shall maintain political impartiality and not be involved in political contributions. The personnel of the Company shall not talk about and engage in any political activities or post political related posters, publicities or speech materials during the work or at the workplace.

- Article 10 Procedures for handling charitable donations or sponsorships
Charitable donations or sponsorships that the Company and its subsidiaries provide shall be dealt with in accordance with the following provisions and reported to the supervisor in charge for approval, and a notification shall be given to the responsible unit of the Company. If the donation is given to a related party or when the amount provided to a non-related party is NT\$30 million or more, the donation or sponsorship shall be provided only after it has been submitted to and approved by the board of directors:
1. The donation or sponsorship is in compliance with the laws and regulations of the country where the Company is doing business.
 2. The decision shall be documented.
 3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
 4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterpart of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
 5. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.
- Article 11 Avoidance of conflict of interest
When a director or managerial officer of the Company or any of its subsidiaries or any other stakeholders attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, supervisor, managerial officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among them, and may not support each other in an inappropriate manner.
If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.
No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel affect his/her job performance by participating in any commercial activities other than those of the Company.
- Article 12 Intellectual properties protection
the Company set up a trade secret management unit and legal affairs office in charge of formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of the implementation to ensure the sustained

effectiveness of the procedures.

All the employees of the Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of the Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of the Company unrelated to their individual duties.

Article Prohibition against unfair competition acts

13

The Company and its subsidiaries shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article Product and service protection for the stakeholders

14

The Company and its subsidiaries shall collect and understand the applicable laws and regulations and international standards that they shall observe with respect to their products and services. They shall also gather and publish all the guidelines to have the personnel of the Company to ensure the transparency and security of the information on the products and services in the course of their research and development, procurement, manufacture, provision, or sale. The Company shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Where there are media reports, or sufficient facts to determine, that the Company's products or services are likely to bring about any hazard to the safety and health of consumers or other stakeholders, the Company shall recall those products or suspend the services right away, verify the facts and present a review and improvement plan.

The responsible unit of the Company shall report the event referred to in the preceding paragraph, the actions taken, and any subsequent reviews and corrective measures to the board of directors.

Article Prohibition against insider trading and Non-disclosure agreement

15

All the personnel of the Company shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or major contract of the Company shall be required to sign a non-disclosure agreement in which they undertake that they will not disclose to any other party any trade secrets or other material information of the Company acquired, and that they may not use such information without the prior consent of the Company.

- Article 16 Announcement to outside parties of the ethical management policies
The Company and its subsidiaries shall disclose their policies of ethical management in their internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policies in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel be fully aware of their principles and rules with respect to the ethical management.
- Article 17 Ethical management evaluation prior to development of commercial relationships
Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparts in commercial dealings, the Company and its subsidiaries shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.
When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures to review its commercial counterpart with respect to the following matters in order to gain a comprehensive knowledge of its ethical management:
1. The enterprise's nationality, location of business operations, organizational structure, management policy, and place where it makes payments.
 2. Whether the enterprise has adopted an ethical management policy and the status of its implementation.
 3. Whether the enterprise's business operation place is located in a country with a high risk of corruption.
 4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
 5. The long-term business condition and degree of goodwill of the enterprise.
 6. Consultation with the enterprise's business partners on their opinion of the enterprise.
 7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.
- Article 18 Statement of ethical management policy to counterparts in commercial dealings
Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterpart about the Company's ethical management policy and related regulations, and shall clearly refuse to offer, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.
- Article 19 Avoidance of commercial dealings with unethical operators
All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparts in commercial interactions that are involved in unethical conduct. When any counterpart or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterpart and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 20 Incorporation of terms of ethical management in contracts
Before entering into a contract with another party, the Company and its subsidiaries shall gain a thorough knowledge of the status of the other party's ethical management, and shall incorporate compliance with the ethical management policy of the Company in the contract which shall at least contains the following terms and conditions:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the offer, promise, request, or acceptance was made, and the monetary amount or other improper benefits that was offered promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate with the other party in the investigation. If there is any resultant damage to either party, the party may claim from the other party, and may also deduct the full amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Set specific and reasonable payment terms, including the place and method of payment as well as the requirement for compliance with related tax laws and regulations.

Article 21 Handling unethical conduct of the Company's personnel
If the Company and its subsidiaries discover or are informed of any unethical conduct in which any of their personnel is involved, they shall find out the facts right away. If the personnel involved violate related laws or the ethical management policy and regulations of the Company and its subsidiaries, such personnel shall be requested to stop related conduct immediately. In these circumstances, appropriate measurements shall be taken and damage compensation may be claimed through legal proceedings if necessary in order to protect the reputation and the right of the Company.
With respect to the unethical conduct that has occur, the Company and its subsidiaries shall charge relevant units with the tasks of reviewing the internal control system and operation procedure and proposing corrective measures to prevent recurrence.
The responsible unit of the Company shall report the unethical conduct, the actions taken, and any subsequent reviews and corrective measures to the board of directors.

Article 22 Handling unethical conduct of others towards the company
If any personnel of the Company discover that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and procuratorial authorities. Where a public service agency or public official is involved, the Company shall notify the anti-corruption agency of the government.

Article 23 Employee training and evaluation
The responsible unit of the Company shall organize one awareness session

each year and arrange for the chairman, president, or senior management to communicate the importance of ethics to the directors, employees, and mandatories.

The Company shall link ethical management to employee performance evaluation and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of the Company seriously violate ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.

The Company shall disclose on its intranet site the name and title of the violator, the date and detailed information of the violation, and the actions taken in response.

Article 24 Enforcement

These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each member of the Audit Committee and reported to the shareholders meeting.

When these Procedures and Guidelines are submitted to the board of directors for discussion, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

Article 25 Supplementary Provisions

These Procedures and Guidelines were established on March 12, 2015.

The first amendment was made on March 10, 2016.

The second amendment was made on December 14, 2017.

Apacer Technology Inc.

Procedures for Acquisition and Disposal of Assets

- Article 1 Purpose of and legal basis
These Procedures are established according to the “Securities and Exchange Act”, the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, and other relevant laws and regulations to enforce the management of the Company’s “Procedures for Acquisition or Disposal of Assets” (hereinafter referred to as the “Procedures”).
- Article 2 The term "assets" as used in these Procedures includes the following:
1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 2. Real property (including land, houses and buildings, investment property and rights to use land) and equipment.
 3. Memberships.
 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
 5. Derivatives.
 6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or Transfer of Shares in accordance with law.
 7. Other major assets.
- Article 3 Definition
Terms used in these Regulations are defined as follows:
1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
 2. Assets acquired or disposed through mergers, demergers, acquisitions, or Transfer of Shares in accordance with laws: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to Transfer of Shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as the "Transfer of Shares") under Article 156, Paragraph 8 of the Company Act.
 3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 4. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors’ resolutions, or other date that can confirm the counterpart

and monetary amount of the transaction, whichever date is earlier shall prevail. For investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

5. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4

Assessment and operation procedures for acquisition or disposal of assets

1. Acquisition or disposal of securities
 - (1) For the acquisition or disposal of securities on the centralized securities exchange or over-the-counter market, the handling unit shall submit the reason, object, and price reference basis of planned acquisition or disposal to the responsible authority for final decision.
 - (2) For the acquisition or disposal of securities not trading on the centralized securities exchange or over-the-counter market, the handling unit shall submit the reason, object, trading counterpart, transfer price, collection and payment terms, and price reference basis of planned acquisition or disposal to the responsible authority for final decision prior to the date of occurrence.
2. For the acquisition or disposal of real property and other fixed assets, memberships, intangible assets, and assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws, the handling unit shall submit the reason, object, trading counterpart, transfer price, collection and payment terms, and the price reference basis of planned acquisition or disposal to the responsible authority for final decision prior to the date of occurrence.
3. For the assessment of derivatives, the financial manager shall convene a regular meeting of related personnel to review the operation strategy and performance. In principle, the trading position and performance shall be reported to the finance department head of the Financial Management Division weekly, to the CFO monthly, and to the President quarterly.
4. All the operations related to acquisition and disposal of assets shall be conducted in accordance with the internal control regulations of the Company.

Article 5 Approval procedures for acquisition or disposal of assets

1. Price determination method and reference basis

- (1) The price of the securities trading on the centralized securities exchange or over-the-counter market shall be determined based on the current market price. The price of the securities that are not acquired or disposed on the centralized securities exchange or over-the-counter market be determined in consideration of the net asset value of each share, profitability, potential of development, and the current transaction price.
- (2) For the acquisition or disposal of real property and other fixed assets, the Company shall do price comparison, bargain or bidding. The price of real property should be determined with reference to the announced current value, assessed current value and the actual transaction price of the nearby real property.
- (3) For the acquisition or disposal of memberships, the price shall be determined in full consideration of the anticipated added value and profit in the future.
- (4) For the acquisition or disposal of patents, copyrights, trademark rights, franchise rights, and other intangible assets, the price shall be determined in overall consideration of the factors such as anticipated profit, the level of technical development and innovation, the status of legal protection, the condition of authorization and implementation, and the production or implementation cost, along with any factor concerning the licensor and licensee.

2. Authorization amount and level

For acquisition or disposal of any assets in the following circumstances, the responsible unit of the Company shall make decision within its authorization. However, any acquisition or disposal subject to Article 185 of the Company Act shall be reported to the shareholders' meeting for approval beforehand:

- (1) Acquisition or disposal of securities: Except the following circumstances, the board of directors shall approve the acquisition or disposal.
 - i. The board of the directors authorizes the President to approve and execute to the amount of NT\$ 30 million and report to the board of directors for reference afterwards.
 - ii. For the acquisition or disposal of securities trading on the centralizes securities exchange or over-the-counter market, the board of the directors authorizes the President to approve and execute to the amount of NT\$ 50 million and report to the board of directors for reference afterwards.
 - iii. When investing in short-term government bonds, domestic bond funds, financial bonds and short-term idle funds of The USA government bonds, the President is authorized to approve and execute the investment if it is less than NT\$ 50 million each deal or day. Otherwise, the consent of the chairman of the board is needed.
- (2) Acquisition or disposal of any real property needs the approval from the board of the directors, unless the board of the directors authorizes the President to approve and execute to the amount of

NT\$ 50 million and report to the board of directors for reference afterwards.

- (3) Acquisition or disposal of any fixed assets needs the approval from the board of directors if the transaction price is more than NT\$ 50 million. Otherwise, the board of the directors authorizes the chairman of the board to approve and execute to the amount from more than NT\$ 30 million to less than NT\$ 50 million (incl.), or authorizes the President to approve and execute to the amount of NT\$ 30 million.
 - (4) Acquisition or disposal of any derivatives is authorized with reference to the growth of the Company's turnover and the change of the risk position. It shall be approved by the President and CFO to become effective and reported to the board of directors for reference. Any amendment shall be approved by the chairman of the board. Details of the authorized amount will be regulated separately.
 - (5) For the acquisition or disposal of patents, copyrights, trademark rights, franchise rights, and other intangible assets, the board of directors authorizes the chairman of the board to approve and execute to the amount of NT\$ 50 million.
3. Handling unit:
The unit of the Company in charge of handling the securities and derivatives is the Financial Management Division of the Financial Management Division, while the unit in charge of handling the real property and other fixed assets, intangible assets, memberships, and assets acquired or disposed through mergers, demergers, acquisitions, or Transfer of Shares in accordance with laws is the using department and related responsible units.

Article 6 Procedures for public announcement and reporting

1. Information related to the assets that the Company acquires or deposes and meet the following conditions shall be announced and reported on the website designated by the Securities and Futures Institute within two (2) days from the date of occurrence according to the nature of the assets and in the specified format:
 - (1) Acquisition or disposal of real property or any assets other than real property from or to a related party and the transaction amount reaches 20 percent (20%) or more of paid-in capital, ten percent (10%) or more of the company's total assets, or NT\$300 million or more.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the upper limits of aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
 - (4) Where the type of the asset acquired or disposed is equipment for business use, the trading counterpart is not a related party, and the transaction amount meets any of the following criteria:
 - i. The paid-in capital of the Company is less than NT\$10 billion and the transaction amount reaches NT\$500 million or more;
 - ii. The paid-in capital of the Company is NT\$10 billion or more and the transaction amount reaches NT\$1 billion or more;

- (5) Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction amount reaches NT\$500 million or more (calculated based on the amount the Company expects to invest in the transaction).
- (6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the Mainland China area reaches 20 percent (20%) or more of the Company's paid-in capital or NT\$300 million.

This shall not apply to the following circumstances:

- i. Trading of government bonds;
 - ii. Trading of bonds under repurchase/resale agreements; or
 - iii. Subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. The amount of transactions referred to in the previous paragraph shall be calculated as follows:
 - (1) The amount of any individual transaction;
 - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying assets with the same trading counterpart in the preceding year;
 - (3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project in the preceding year;
 - (4) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities in the preceding year.
 - (5) "In the preceding year" as used in the preceding three subparagraphs refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted in the transaction amount.
 3. The Company shall compile monthly reports on the status of the derivatives that the Company and any of its non-public subsidiaries in Taiwan traded up to the end of the preceding month, and shall enter the information in the prescribed format into the information reporting website designated by the Securities and Futures Institute before the 10th day of each month.
 4. When the Company at the time of public announcement makes an error or omission in any items required by laws and regulations to be publicly announced and so is required to correct them, all of such items shall be publicly announced and reported again in their entirety within two (2) days from the date on which the Company identifies such error or omission.
 5. When acquiring or disposing any assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and

the documented opinions of the CPA, attorney, and securities underwriter at the Company's headquarters. Except as otherwise specified in laws, these documents shall be retained at least for five (5) years.

6. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this article, a public report of relevant information shall be made on the information reporting website designated by the Securities and Futures Institute within two (2) days from the date of occurrence:
 - (1) Any change, termination, or rescission of a contract signed with regard to the original transaction;
 - (2) The merger, demerger, acquisition, or transfer of shares not completed on or before the scheduled date set forth in the contract;
 - (3) Any change to the originally publicly announced and reported information.
7. For the calculation of ten percent (10%) of total assets set forth in Paragraph 1, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall apply.

Article 7 Scope and limit of acquisition or disposal of assets

1. In addition to the assets for business use, the Company may invest in real property and securities not for business use subject to the following limits:
 - (1) The total amount of the assets not for business use shall not exceed the shareholder's equity of the Company that has been audited by the CPAs and forty percent (40%) of the long-term liability;
 - (2) The total amount of investment in securities shall not exceed the shareholder's equity of the Company that has been audited by the CPAs;
 - (3) The amount of investment in any securities shall not exceed forty percent (40%) of the shareholder's equity of the Company that has been audited by the CPAs.
2. The following limitations shall apply to the acquisition or disposal of assets by a subsidiary that has stock or combined stock holdings of the Company reaching fifty percent or more:
 - (1) The subsidiary is not allowed to purchase real property not for business use;
 - (2) The total amount of investment in securities shall not exceed forty percent (40%) of the shareholder's equity of the Company that has been audited by the CPAs.
 - (3) The amount of investment in any securities shall not exceed twenty percent of the shareholder's equity of the Company that has been audited by the CPAs.

- Article 8 Control procedures for acquisition or disposal of assets with a subsidiary as the counterpart
1. For the acquisition or disposal of assets with a subsidiary in which the Company invests as the counterpart, a “Procedures for Acquisition or Disposal of Assets” shall be established in accordance with regulations and submitted to the board of directors for reference. The same procedure is applicable to the amendment of such procedures.
 2. For the assets acquired or disposed by any subsidiary of the Company, which is not a domestic public company, the Company shall make public announcement, report, and send a duplicate to relevant authorities if such acquisition or disposal meets the criteria of announcement and reporting.
 3. Acquisition or disposal of assets made by the subsidiary referred to in the previous paragraph shall be subject to the criteria of announcement and reporting set forth in Article 6, Paragraph 1. The paid-in capital and total assets of the Company shall apply to calculation of the twenty percent of the paid-in capital or ten percent of the total assets specified in the same article.

- Article 9 Penalties for violation of the Procedures by related persons
- Any related persons the company who act in violation of the Procedures shall be subject to penalties in accordance with the relevant regulations on personnel management of the Company.

- Article 10 Professional appraiser's appraisal reports
- In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, and when the Company acquires or disposes from or to a related party and the transaction amount reaches ten percent (10%) or more of the company's total assets, shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions:
1. Where due to special circumstances that is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
 2. Where the transaction amount is NT\$1 billion or more, appraisals from two (2) or more professional appraisers shall be obtained.
 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (1) The discrepancy between the appraisal result and the transaction

amount is 20 percent (20%) (20%) or more of the transaction amount.

- (2) The discrepancy between the appraisal results of two or more professional appraisers is ten percent (10%) or more of the transaction amount.
4. No more than three (3) months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Where the publicly announced current value for the same period is used and not more than six (6) months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 11 CPA's opinion

1. Where any one of the following circumstances applies and the transaction amount reaches 20 percent (20%) of the paid-in capital or NT\$300 million or more, except for transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence to render an opinion on the reasonableness of the transaction price. Where the CPA needs to use the report of an expert as evidence, he/she shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
 - (1) Acquisition or disposal of securities that are not trading on the stock exchange or over-the-counter market
 - (2) Acquisition or disposal of private placements of securities.
2. Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent (20%) of the paid-in capital or NT\$300 million or more, except for transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence to render an opinion on the reasonableness of the transaction price. The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
3. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be a replacement of the appraisal report or CPA opinion.
4. If the transaction amount between the Company and the related party reaches ten percent (10%) or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

Transaction with related party

- Article 12 When the Company acquires or disposes real property or any assets other than real property from or to a related party and the transaction amount reaches 20 percent (20%) or more of paid-in capital, ten percent (10%) or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not enter into any transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by

the supervisors:

1. Purpose, necessity and expected benefits of/from acquisition or execution of assets.
2. The reason for choosing the related party as a transaction counterpart.
3. With respect to acquisition of real property from a related party, information about assessment of the reasonableness of the pre-determined transaction terms as specified in Article 13 and Article 14.
4. The date and price on and at which the related party originally acquired the real property, the original transaction counterpart of the related party, and the relationship of the counterpart with the Company and the related party.
5. The monthly cash flow forecasts for the year commencing from the month in which the contract is intended to be entered into, assessment of the necessity of the transaction, and the reasonableness of the use of funds.
6. The appraisal report from a professional appraiser or the opinion of a CPA as specified in Article 10 and Article 11.
7. Restrictions and other important covenants for the transaction concerned.

The calculation of transaction amount referred to in the preceding paragraph shall be done in accordance with Paragraph 2, Article 30 herein. "Within one (1) year" refers to the year preceding the date on which the current transaction occurs. The part that has been approved by the board of directors and recognized by the supervisors according to the Procedure does not need to be counted in the transaction amount.

Article 13 When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent (70%) or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one (1) year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparts.
3. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
4. Where the Company acquires real property from a related party and appraises the cost of the real property in accordance with the preceding three subparagraphs, shall also engage a CPA to check the appraisal and render a specific opinion.

5. Where a public company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 12 and the preceding four subparagraphs do not apply:
 - (1) The related party acquired the real property through inheritance or as a gift.
 - (2) More than five (5) years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 - (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

- Article 14 When the results of the Company's appraisal conducted in accordance with Subparagraphs 1, 2 and 3 of the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 15, unless the following circumstances exist, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA:
1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
 2. Where the Company acquires real property from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an

adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. Transactions for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction. Within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

- Article 15 Where the Company acquires real property from a related party and all the results of the appraisal made in accordance with Article 13 and Article 14 are lower than the transaction price, the following measures shall be taken:
1. A special reserve shall be set aside against the difference between the real property transaction price and the appraised cost.
 2. Supervisors shall be subject to Article 218 of the Company Act.
 3. The implementation status pursuant to Subparagraph 1 and Subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

Engaging in derivatives transaction.

- Article 16 When engaging in derivatives trading, the Company shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into the Procedures:
1. Trading principles and strategies: This shall include the types of derivatives that may be traded, operating or
 2. hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss of total trading and individual contracts;
 3. Risk management measures;
 4. Internal audit system;
 5. Regular evaluation methods and the handling of irregular circumstances.

- Article 17 When engaging in derivatives trading, the Company shall adopt the following risk management measures:
1. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks;
 2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement;
 3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding

subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making;

4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice (2) per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors; and
5. Other important risk management measures.

Article 18 Supervision and management principles for the board of directors:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk;
2. Periodically assess whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

Supervision and management principles for the senior management personnel authorized by the board of directors:

1. Periodically assess the risk management measures currently taken are appropriate and are thoroughly implemented in accordance with these Procedures and the detailed regulations established by the Company for engaging in transaction of derivatives;
2. When irregular circumstances are identified in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report shall be submitted to the board of directors immediately. The independent director shall be present at the meeting and give opinions.

The Company shall report to the most recent meeting of the board of directors after authorizing relevant personnel to engage in transaction of derivatives in accordance with the derivatives trading procedure that it establishes.

Article 19 The Company shall establish a log book and the details of the types and amounts of the derivatives trading that the Company is engaged in, the date of the approval that the board of directors grants, and the matters required to be carefully assessed under Article 17, Subparagraph 4 and Article 18, Paragraph 1, Subparagraph 2 and Paragraph 2, Subparagraph 1 shall be recorded in detail in the log book for reference.

The internal audit personnel of the Company shall periodically understand the suitability of the internal control over the trading of derivatives. Such personnel are required to conduct a monthly audit of the trading department for its compliance with the derivatives trading procedure and make an audit report. Where any material violation is identified, a written notice shall be sent to each supervisor.

Corporation mergers, demergers, acquisitions, or Transfer of Shares.

Article 20 When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give

an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness given by an expert may be exempted in the case that the Company merges a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital of the respective subsidiaries.

Article 21 Before the shareholders' meeting, the company shall prepare a public report to shareholders detailing important contractual contents and matters relevant to the merger, demerger, or acquisition, and send it along with the expert's opinion referred to in the preceding article and the notice of shareholders' meeting to the shareholders for reference in deciding whether to approve the merger, demerger, or acquisition, unless the provision of any other laws exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition. Where the shareholders' meeting of the Company or any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the Company shall, without delay, publicly explain the reason, the follow-up measures, and the expected date of the next shareholders' meeting.

Article 22 Except as otherwise specified in other laws or the FSC is notified in advance of extraordinary circumstances and grants consent, the Company and the companies participating in a merger, demerger, or acquisition shall convene a board of directors' meeting and shareholders' meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a fully documented record of information upon request of the competent authority and retain it well for reference. When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall, within two (2) days counting inclusively from the date on which the resolution is adopted by the board of directors, report the information to the competent authority for reference in the prescribed format and via the Internet-based information system. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company and the provisions of Paragraphs 2 and 3 shall apply.

Article 23 Any person participating in or privy to the plan of the Company regarding the merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the contents of the plan prior to public disclosure of the information and may not trade, in

their own name or under the name of another person, in any stock or other equity security of any companies related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 24 When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price except for the circumstances below, and shall explicitly specify the circumstances permitting the alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets that affects the Company's financial status.
3. An event, such as a major disaster or major change in technology that affects the shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other prerequisites for alteration that have been stipulated in the contract and publicly disclosed.

Article 25 The contract for participation of the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract;
2. Principles for handling the equity-type securities previously issued or the treasury stock previously bought back by any company that is demerged or extinguished in a merger;
3. The number of the treasury stocks that a participating company is allowed to buy back according to laws after the record date of calculation of the share exchange ratio and the handling principles in such case;
4. The manner of handling changes in the number of participating entities or companies;
5. Expected execution progress and completion date of the plan; and
6. Scheduled date and relevant procedure for convening the legally mandated shareholders' meeting in case that the plan exceeds the deadline without completion.

Article 26 After the public disclosure of the Company's participating in the merger, demerger, acquisition, or share transfer, if the Company intends to carry out another merger, demerger, acquisition, or share transfer with other companies, all of the participating companies shall carry out the procedures or legal actions again that have been completed for the previous merger, demerger, acquisition, or share transfer. Where the number of the participating companies decreases and the shareholders'

meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, the Company may be exempted from calling another shareholders' meeting to resolve the matter again.

Article 27 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with such company and the latter is required to abide by the provisions of Article 22, Article 23 and Article 26.

Article 28 Other matters

1. Any part that is not specified in the Procedures shall be subject to relevant laws as well as regulations of the Company. Where the competent authority amends the original issuance order by letter with respect to the procedures for acquisition or disposal of assets, the Company shall abide by the amendment in the new issuance order by letter.
2. The Procedures shall be approved by the board of directors and then sent to each supervisor and reported to the shareholders' meeting for approval. The same procedure shall be followed when the Procedures are amended. Where any director expresses dissent and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to each supervisor.
3. Where any director expresses dissent to any matters of the Company that are subject to approval of the board of directors under the Procedures or other laws or regulations and it is recorded in the minutes or a written statement, the Company shall deliver the dissent of the director to each supervisor.
4. Where the Company has appointed any independent directors, when the Procedures or the acquisition or disposal trading of assets are submitted to the board of directors for discussion pursuant to the preceding two paragraphs, it shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
5. Where an Audit Committee has been established in accordance with relevant laws, the establishment or amendment of the Procedures shall be adopted by more than half of all the Audit Committee members and submitted to the board of directors for a resolution.
6. If no approval of more than half of all the Audit Committee members as required in the preceding paragraph is obtained, the Procedures may be implemented after approved by more than two-thirds of all the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.
7. The terms "all the Audit Committee members" in Paragraph 5 and "all the directors" in the preceding paragraph shall be counted based on the actual number of such members or directors currently holding their positions.
8. Where an Audit Committee has been established in accordance with relevant laws, Article 15, Paragraph 1, Subparagraph 2 shall apply mutatis mutandis to the independent director members of the Audit Committee while the rest provisions regarding supervisors shall apply

mutatis mutandis to the Audit Committee.

9. The chairman may establish more conservative management principles in accordance with the Procedures. These principles shall be implemented in priority after approved by two-thirds of the directors at a board of directors meeting at which two-thirds of the directors are present. The same procedure shall be followed when these principles are amended.

Article 29 These Procedures were established on April 24, 2000.
The first amendment was made on June 23, 2003.
The second amendment was made on May 31, 2007.
The third amendment was made on September 2, 2008.
The fourth amendment was made on June 13, 2012.
The fifth amendment was made on June 25, 2013.
The sixth amendment was made on June 13, 2014.
The seventh amendment was made on May 26, 2017.

Apacer Technology Inc. Foreign Exchange Risk Management Policy and Guidelines

The Regulations were established on August 30, 2004.
The first amendment was made on September 2, 2008.
The second amendment was made on May 26, 2010.

1. Purpose of and basis for adoption
Purpose: To effectively management the foreign currency expenses and receipts, assets and liabilities of the Company, take actions to addressing the risks of fluctuating foreign exchange, and achieve the goal of no foreign exchange losses.
Basis: These Regulations are established according to Subparagraph 2, Paragraph 1 of the Company's "Procedures for Acquisition or Disposal of Assets".
2. Scope
Applicable within the normal operation conditions of the following companies:
 - 2-1 Apacer Technology Inc.
 - 2-2 Any subsidiary in which it holds more than 90% of shares.
3. Principles and guidelines
 - 3-1 Trading principles and guidelines
 - 3-1-1 Trading types:
Operations of foreign exchange based financial products are mainly limited to spot, forward, option, and swap transactions. Requirements for any derivatives shall be subject to approval from the board of directors.
 - 3-1-2 Operating or hedging strategies:
The purpose is to prevent risks with selected financial products and dedicated bank operations.
 - 3-1-3 Division of responsibilities:
 - 3-1-3-1 Operating unit: Provide estimated hedge positions as a reference for the finance department.
 - 3-1-3-2 Finance department: Understand the market information, judge the trend and risk, be familiar with financial products, confirm execution of transactions, make reports available as required by laws, and provide adequate and real-time information as a reference for the management, sales, purchase, accounting, fund procurement and other departments.
 - 3-1-4 Trading limit:
The foreign exchange net position generated from the business operation of the Company is the core. In addition to existing assets and liabilities, it contains the net position that the purchase and sales departments expect to be generated from the foreign currency transactions in the coming twelve (12) months. The hedging amount of the Company shall generally not exceed the above-mentioned foreign exchange net position. Approval from the President and CFO is needed for the net position generated from any foreign currency transactions over six (6) months.
 - 3-1-5 Performance evaluation guidelines:

The performance evaluation basis is the exchange rate cost of the Company's book net position and the profit and loss generated from the transactions of derivative financial products. The finance department evaluates and reviews the operation performance against the market price every week, and submits the results to the CFO and President or his designated person to review and improve the hedging strategies adopted.

3-1-6 Max. amount of loss:

The Company only allows financial transactions for hedging purpose. The upper limits for the losses of all contracts or any single contract in a foreign exchange based financial transaction are listed below according to the risk and the position specified in the contract:

Authorization level	Upper limit of the losses in the total amount of all contacts or any single contract
Chairman	20%
President	15%
CFO	10%
Highest finance department head	5%

The authorizing person must be informed when the amount of loss reaches the upper limit, and the authorized manager shall give instructions to take relevant measures. Where the amount of loss occupies 25% or more of the total or a single contract price, announcement shall be made in accordance with laws and regulations. In this case, relevant information shall be delivered to the supervisors and a report shall be made to the board of directors.

3-2 Operating procedure

3-2-1 Authorized amount:

The Authorized Amount Table is established with reference to the growth of the Company's turnover and the change of the risk position. It shall be approved by the President and CFO to become effective and subject to Article 3-7. The same is applicable when the Authorized Amount Table is amended. Refer to Attachment 1 for the Authorized Amount Table. It is the basis for controlling the operation and position of the Company.

3-2-2 Implementation unit:

Transaction and management of financial products must be carried out by the personnel of high professional competence. Therefore, the financial department is currently appropriate responsible unit for the transaction.

3-3 Public announcement and regulatory reporting procedures.

3-3-1 Every subsidiary shall report the trading conditions in the previous month to the finance department of the parent company for summarization and consolidated announcement within three (3) business days after the end of the month.

3-3-2 The finance departments of the parent company collect the data of the subsidiaries and make announcement after confirming their correctness.

3-3-3 The finance department shall make the announcement within the tenth (10th) day every month.

3-4 Accounting

Accounting affairs of the Company related to any financial products are dealt with according to the applicable Statements of Financial Accounting Standards and the orders by letter of the competent authorities. Required reports are provided and realized and unrealized gains and losses are calculated on a regular basis for the management to make assessment.

3-5 Risk management measures

(1) Credit risk management

Since changes of different factors in the market may easily bring about operation risk of derivatives, the following shall be observed for management of market risks:

- (i) Counterparts of the trade: Mainly domestic and overseas leading financial institutions.
- (ii) Products of the trade: Mainly the products that domestic and overseas leading financial institutions provide.

(2) Market risk management

The open foreign exchange markets that banks provide are in priority and forward markets are currently not taken into account.

(3) Liquidity risk management

The financial products of higher liquidity are preference to ensure they are liquid in the market. The entrusted financial institution must have adequate information and are capable of trading in any market at any time.

(4) Cash flow risk management

The Company shall use the own funds for transaction of derivatives to ensure stable turnover of the Company's operating funds.

(5) Operational risk management

1. The authorized amount and operation process of the Company must be observed and incorporated in the internal audit to avoid operational risks.
2. The personnel engaging in transaction of derivatives shall not be the same personnel engaging in confirmation or transfer operation, or vice versa.
3. The personnel in charge of measurement, monitoring and control of risks shall work in the department different from that for which the personnel referred to in the previous subparagraph work. They shall report to the board of directors or the top manager not responsible for the decision of transactions or positions.
4. The position of derivatives held shall be assessed at least once every week, and the hedging transaction required for the business shall be assessed at least twice every month. The assessment report shall be submitted to the top manager authorized by the board of directors.

(6) Commodity risk management

The internal transaction personnel shall have complete and proper professional knowledge of financial products, and ask banks to disclose risks completely and, thus, avoid the risk of misusing financial products.

(7) Legal risk management

No documents shall be officially signed with any financial institution before they are reviewed by the personnel specializing in foreign exchange or legal affairs or a legal consultant to avoid legal risks.

3-6 Internal audit system

The internal audit personnel shall periodically understand the suitability of the internal control. Such personnel are required to conduct regular audits of the

trading department for its compliance with the “Procedures for Acquisition or Disposal of Assets” and make an audit report. Where any material violation is identified, a written notice shall be sent to each supervisor.

3-7 The Regulations shall be approved by the board of directors and then sent to each supervisor and reported to the shareholders' meeting for approval. The same procedure shall be followed when the Regulations are amended.

Regulations on Engaging in Commercial Foreign Exchange Risk Management Related
Financial Products (Attachment 1)
Apacer Technology Inc.
Authorized Amount Table for Trading of Financial FX Hedging Products

This Authorized Amount Table is prepared as follows in accordance with Article 3-2-1 of the “Regulations on Engaging in Commercial Foreign Exchange Risk Management Related Financial Products”:

1. Foreign exchange trading limit

	Daily transaction amount
Chairman	US\$10 million or more
President	US\$10 million
CFO	US\$5 million
Highest finance department head	US\$3 million

Where the daily trading value goes beyond the authorized amount of the person dealing with the transaction, the approval from a person who meets the requirements of the authorized amount is needed. Where any positions of other currencies are generated, the amount shall be subject to the requirements of the above table after it is exchanged to the US dollar of equal amount.

2. Trading limits of other products:

Trading of any other products shall be filed as a project to the board of directors for approval.

Apacer Technology Inc.

Procedures for Funds to Other Parties

All the matters of the Company related to the loaning of funds to other shall be governed by these Procedures.

Article 1 **Borrowers of loans**

The Company shall only lend funds to any party (hereinafter referred to as the “borrower”) according to the Procedures if the lending is needed to do business with the Company or meet the short-term financing requirement of the subsidiary in which the Company holds at least 50% of the shares, between the foreign companies in which the Company directly or indirectly holds 100% of the voting shares, or for any intended equity investment.

Article 2 **Loaning assessment standards**

1. For any borrower applying for a loan to the Company due to business transaction, the amount of each loan shall not exceed the total value of the business transactions between the Company and the borrower in the most recent year. The total value of the business transactions shall mean the total amount of purchases or sales, whichever is higher.
2. For any borrower applying for a loan to the Company due to the need for short-term financing, the loan is limited to any subsidiary in which the Company holds at least 50% of the shares or which needs the loan for intended equity investment.

Article 3 **Total amount of loans and limits for individual borrowers**

1. The total amount of loans shall not exceed 50% of the net value of the Company as shown in the latest financial statements that have been audited or reviewed by a CPA. The total amount of loans needed for any short-term financing shall not exceed 20% of the net value of the Company as shown in the latest financial statements audited or reviewed by the CPA.
2. Limits for individual borrowers in the case of business transactions
The limit for each borrower shall be determined based on the following criteria:
 - (1) For any company of which the Company holds at least 50% of the shares, the amount of loans shall not exceed 10% of the net value of the Company.
 - (2) For any company of which the Company holds no more than 50% of the shares, the amount of loans shall not exceed 40% of the net value of that company.
 - (3) For any other borrower, the amount of loans shall not exceed 25% of the net value of the borrower.
3. Limits for individual borrower in the case of the need for short-term financing
The limit for each borrower shall be determined based on the following criteria:
 - (1) For any company of which the Company holds at least 50% of the

shares, the amount of loans shall not exceed 10% of the net value of the Company.

- (2) For any company of which the Company holds no more than 50% of the shares, the amount of loans shall not exceed 40% of the net value of that company.
- (3) For the short-term financing between any foreign companies in which the Company directly or indirectly holds 100% of the voting shares, the amount of loans may exceed 40% of the net value of the lending company, provided that the board of directors of the Company must give approval.
- (4) For any other borrower, the amount of loans shall not exceed 25% of the net value of the borrower.

In the event that short-term financing is needed for intended equity investment, the application for the loan shall be submitted on a case-by-case basis to the board of directors for approval, and the amount shall not exceed the above-mentioned limits.

Article 4 Duration of loans and calculation of interest

The duration of the loan that any borrower acquires from the Company shall not exceed one year. The term may be extended beyond one year if an application is submitted to and approved by the board of directors. The chairman of the board is authorized to determine the method of calculating the interest.

Article 5 Funds loaning procedure

1. To apply for a loan to the Company, the borrower shall prepare relevant certificates of the applying company as well as a photocopy of the ID card of the applying company's representative and other required financial information. The borrower shall submit a written application along with these documents to the Financial Management Division of the Company for a financing limit. The Financial Management Division shall conduct a credit investigation and submit the application to the board of directors for approval.
2. After the financing limit has been approved, the borrower shall fill out an application form and submit it to the Financial Management Division for withdrawing the funds.

Article 6 Loan review procedure

1. When applying for a loan to the Company, the borrower shall specify the purpose and necessity of the loan. The Financial Management Division shall decide whether to accept the application.
2. The Financial Management Division shall conduct a thorough credit investigation on the business condition of the borrower. For any application with good credit rating and legitimate loaning purpose, the person responsible for handling the application shall make a credit investigation report with comments and a proposal of loaning criteria, and submit them to the board of directors for approval.
3. In addition to conducting a credit investigation on the borrower, the Financial Management Division shall assess the potential impact of the loan on operational risks, financial conditions and shareholders' equities, and submit its comments along with the credit investigation report to the

board of directors for approval.

4. When applying for withdrawing the funds from the Company, the borrower shall provide a promissory note or collateral the value of which is equivalent to the amount of the funds as a guarantee. The value of the collateral shall be evaluated and determined by the Financial Management Division.
5. Before loaning funds to others, the Company shall carefully assess whether the loan is in conformity with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the Procedures. The assessment results specified in Article 6 shall be submitted to the board of directors for approval and authorization to any other person is not allowed.
6. Any loan agreement between the Company and a subsidiary or between subsidiaries shall be approved by the board of directors in accordance with the preceding paragraph. The chairman of the board may be authorized to, within one year and under a certain limit approved by the board, loan the funds to the same borrower in installments or on a revolving basis.
7. As for the “a certain limit” referred to in the preceding paragraph”, the authorized amount with regard to any loan from the Company or a subsidiary to a single company shall not exceed 10% of the net value shown in the latest financial statements of the Company, except for the loan between foreign companies in which the Company directly or indirectly holds 100% of the voting shares; in such case, the authorized amount is unlimited.

Article 7 Procedures for public announcement and reporting

1. On or before the 10th day of every month, the Company shall enter the balance of loans of the Company and subsidiaries in the previous month in the Market Observation Post System.
2. For the Company and subsidiaries, any balance of loans fulfilling one of the following criteria shall be entered in the Market Observation Post System within two (2) days from the date of occurrence:
 - (1) The aggregate balance of loans to others by the Company and its subsidiaries reaches at least 20% of the net value shown in the latest financial statements of the Company which have been audited or reviewed by the CPAs;
 - (2) The aggregate balance of loans to a single company by the Company and its subsidiaries reaches at least 10% of the net value shown in the latest financial statements of the Company which have been audited or reviewed by the CPAs;
 - (3) The aggregate added amount of loans of the Company and its subsidiaries reaches at least NT\$10 million and at least 2% of the net value shown in the latest financial statements of the Company or a subsidiary.

The Company shall, on behalf of any of its subsidiaries that are not a public company of the Republic of China, announce and report any matters that such subsidiary is required to announce and report pursuant to Paragraph 2, Subparagraph 3.

The “date of occurrence” referred to in Paragraph 2 means the date of contract signing, date of payment, dates of boards of directors’ resolutions, or

other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

- Article 8 Subsequent control measures and overdue loan handling procedure
1. The Financial Management Division of the Company shall, for the purpose of review by competent authorities and related persons, prepare a register containing the basic information of borrowers, the dates on which the board of directors gives approval and the approved limits, the loan dates, the loan amounts, collateral, interest conditions, and the methods and dates of loan repayment.
 2. After a loan has been provided, the Financial Management Division shall pay more attention to the financial, business and credit conditions of the borrower and guarantor. If the loan is guaranteed by collateral, the Financial Management Division shall pay attention to the value of collateral for any variation. In the event of any significant change, the Financial Management Division shall notify the chairman of the board and take proper measures as instructed by the chairman.
 3. In the event that the borrower makes a loan repayment on or before the due date, the interest due shall be calculated first. After the interest and principal are fully repaid, the promissory note may be written off and returned to the borrower, or the mortgage may be canceled.
 4. The borrower shall repay the principal and interest of a loan when it is due. If the borrower fails to repay a loan on the due date and an extension is necessary, the borrower shall submit a written request to the board of directors for approval. A loan may be extended twice at most, with the extension period each time not exceeding three (3) months. If the borrower fails to comply with these requirements, the Company may dispose of the collateral provided by the borrower or seek recourses to claim the loan against the guarantor in accordance with applicable laws.

- Article 9 Penalties for violation of the Procedures by related persons
- Any related person of the Company who has acted in violation of the Procedures shall be subject to penalties in accordance with the relevant regulations on personnel management of the Company.

- Article 10 Procedures for control of subsidiaries
- Any subsidiary over which the Company has control shall establish its own "Procedures for Lending Funds to Others". These procedures shall be submitted to the board of directors for approval and reference. The provisions of the procedures established by the subsidiary shall follow those of these Procedures, provided that the total loan amount and the limit for an individual borrower shall conform to the following criteria:
1. For the subsidiary in which the Company directly or indirectly holds 100% of the shares, the total loan amount and the limit for an individual borrower shall be based on the net value of the Company and calculated in accordance with the Procedures;
 2. For the subsidiary in which the Company does not directly or indirectly hold 100% of the shares, the total loan amount and the limit for an individual borrower shall be based on the net value of the subsidiary and calculated in accordance with the Procedures.

- Article 11 The Company shall evaluate and recognize the loss contingency of a loan. The Company shall adequately disclose the information regarding a loan in the financial report, and provide relevant data to the CPAs for necessary review and preparation of proper review reports.
- Article 12 The internal auditors of the Company shall conduct audits at least on a quarterly basis on the Procedures and their implementation, and prepare written audit record. In the event that a material violation is found, the auditors shall immediately notify each supervisor in writing.
- Article 13 When submitting the Procedures to the board of directors for discussion and approval of a loan, the Company shall adequately take into account the opinion of every independent director. Assenting and dissenting opinions and the reasons for the dissent shall be recorded in the minutes of the board meeting.
- Article 14 Where a borrower of the Company was originally in conformity with Article 1 but no longer met the requirements thereof latter, or the loan amount exceeds the specified limit due to change of the calculation basis, the Company shall adopt a rectification plan and submit it to each supervisor. The company shall make improvement within the schedule specified in the plan and report to the board of directors.
- Article 15 The Procedures and any amendment hereto shall, after receiving approval from the chairman of the board of directors and the board meeting, be submitted to each supervisor and the shareholders' meeting. The Procedures and any amendment hereto shall be implemented after they are approved by the shareholders' meeting.
- Article 16 The chairman of the board may adopt a more restrictive interpretation or application of the procedures, criteria, restrictions, conditions, limits or other matters stipulated in the Procedures, provided that this interpretation or application shall be implemented only after approved by two-thirds of the directors at a board of directors meeting at which two-thirds of the directors are present. The same procedure shall be followed when such interpretation or application is amended.
- Article 17 The subsidiary and parent companies referred to in the Procedures shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
The "net value" in the Procedures shall mean the equity attributable to the owners of the parent company shown in the balance sheet as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- Article 18 The Procedures were established on April 24, 2000.
The first amendment was made on April 15, 2002.
The second amendment was made on June 23, 2003.
The third amendment was made on June 16, 2009.
The fourth amendment was made on May 26, 2010.
The fifth amendment was made on June 25, 2013.

Apacer Technology Inc.

Procedures for Endorsements & Guarantees

All of the matters of the Company related to the offer of endorsements/guarantees shall be governed by the Procedures.

Article 1 **Scope of application**

“Endorsements/guarantees” referred to in the Procedures shall mean the following:

1. Financing endorsements/guarantees, including:
 - (1) Bill discount financing;
 - (2) Endorsements/guarantees offered to finance other companies;
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee: Endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees: Endorsements or guarantees beyond the scope of the above two subparagraphs.
4. Any creation of pledge or mortgage on the chattel or real property of the Company as a security for the loans of another company shall also comply with the Procedures.

Article 2 **Counterparts of endorsements/guarantees**

The Company shall only offer an endorsement/guarantee to the party meeting one of the following conditions, and may require it to provide collateral if necessary:

1. The party engaging in business transaction with the Company;
2. The subsidiary in which the Company holds more than 50% of the voting shares;
3. Companies in which the Company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net value of the Company. This restriction shall not apply to the endorsements/guarantees made between companies in which the Company directly or indirectly holds 100% of the voting shares.
4. Capital contributing shareholders offer an endorsement/guarantee to their jointly invested company in proportion to their individual shareholding percentages

Article 3 **Endorsement/guarantee assessment standards**

For any party applying for an endorsement/guarantee to the Company due to business dealings, the amount of each endorsement/guarantee shall not exceed the total value of the business transactions between the Company and the applicant in the most recent year. The total value of the business transactions shall mean the total amount of purchases or sales, whichever is higher.

- Article 4 Amount limits of endorsements/guarantees
1. The total amount of an endorsement/guarantee offered to any other company shall not exceed 40% of the net value of the Company as shown in the latest financial statements audited or reviewed by the CPAs.
 2. The total amount of an endorsement/guarantee offered to a single company shall not exceed 20% of the net value of the Company as shown in the latest financial statements audited or reviewed by the CPAs.
 3. The total amount of an endorsement/guarantee offered by the Company and subsidiaries to any other company shall not exceed 40% of the net value of the Company as shown in the latest financial statements audited or reviewed by the CPAs.
 4. The total amount of an endorsement/guarantee offered by the Company and subsidiaries to a single company shall not exceed 20% of the net value of the Company as shown in the latest financial statements audited or reviewed by the CPAs.
 5. The limits specified in Subparagraphs 3 and 4 shall also apply to an endorsement/guarantee offered by the Company to any company in which the Company holds at least 50% of the shares through reinvestment.

- Article 5 Procedures for endorsements/guarantees
1. Any company applying for an endorsement/guarantee to the Company shall fill out the "Endorsement/Guarantee Application Form" containing the subject of the endorsement/guarantee, the name of the applying company, the result of risk assessment, the amount of the endorsement/guarantee, the content of collateral, and the criteria and date of discharging the liability of the endorser/guarantor. The application form shall be reviewed by the Financial Management Division of the Company and submitted to the chairman of the board of directors for approval, subject to ratification at the meeting of the board. In the event the amount of the endorsement/guarantee exceeds the limit that the chairman of the board is authorized to approve, approval shall be obtained through a resolution at the meeting of the board.
 2. An endorsement/guarantee is automatically canceled after the due date. To cancel an endorsement/guarantee before it is due; the company receiving the endorsement/guarantee shall fill out and submit the "Cancellation Form".

- Article 6 Procedures for review of endorsements/guarantees
1. Any company applying for an endorsement/guarantee to the Company shall specify the necessity and reasons of the endorsement/guarantee. The Financial Management Division shall decide whether to accept the application.
 2. The Financial Management Division shall conduct a credit investigation and risk assessment on the applying company. For any application with good credit rating and legitimate purpose of endorsement/guarantee, the person responsible for processing the application shall prepare a credit investigation report along with comments and a proposal of endorsement/guarantee criteria, and submit them to the board of directors for approval.
 3. In addition to conducting a credit investigation and risk assessment on

the applying company, the Financial Management Division shall assess the possible impact of the endorsement/guarantee on operational risks, financial conditions and shareholders' rights, and submit comments along with the credit investigation report to the board of directors for approval.

4. Depending on the credit rating of the applying company, the Company may require the applying company to provide a promissory note or collateral the value of which is equivalent to the amount of the endorsement/guarantee as a security. The value of the collateral shall be evaluated and determined by the Financial Management Division.
5. Except for the case of an endorsement/guarantee between the companies in which the Company directly or indirectly holds 100% of the voting shares, any endorsement/guarantee between the companies in which the Company directly or indirectly holds at least 90% of the voting shares shall be approved by a resolution at the meeting of the board if it is a endorsement/guarantee specified in Article 2, Paragraph 4.
6. In case of an endorsement/guarantee offered by the Company and subsidiaries to a subsidiary whose net value is lower than 50% of its paid-up capital, the date and condition for discharging the liability of the endorser/guarantor shall be clearly indicated. The financial condition of the subsidiary shall be reviewed risk assessment shall be conducted on a regular basis.

In the case of a subsidiary whose shares have no par value or have a par value other than NT\$10 per share, the "paid-up capital" in Paragraph 6 shall be the sum of the share capital plus paid-up capital in excess of par.

Article 7 Procedures for control of subsidiaries

1. Any subsidiary in which the Company has reinvested and held at least 50% of the shares shall establish its own "Procedures for Endorsements/Guarantees", which shall be submitted to the board of directors for approval and reference. The provisions of the procedures established by the subsidiary shall follow those of the Procedures.
2. In case of an endorsement/guarantee offered by a subsidiary in which the Company has reinvested and held at least 50% of the shares, or an endorsement/guarantee offered between the companies in which the Company directly and indirectly holds 100% of the voting shares, the endorsement/guarantee shall be approved by the chairman of the board of directors and submitted to the board for reference. The public announcement and reporting of the endorsement/guarantee shall be conducted in accordance with the Procedures.

Article 8 Procedures for the use and custody of seals

1. The seal of the Company registered with the Ministry of Economic Affairs shall be the exclusive seal used for endorsements/guarantees offered by the Company. The seal shall be under custody of a person designated by the chairman of the board of directors. The appointment and any change of a person shall be approved by the board of directors. The seal may be applied or used to issue negotiable instruments only in accordance with relevant procedures of the Company.
2. In the event the Company offers a guarantee to a foreign company, the letter of guarantee issued by the Company shall be signed by the person authorized by the board of directors.

- Article 9 Levels of decision making and authorization
Risk assessment shall be conducted in accordance with Article 5 before an endorsement/guarantee is offered, subject to approval by a resolution at the meeting the board of directors. The board may however authorize the chairman of the board of directors to give approval of an endorsement/guarantee within a certain amount, with ratification from the board after the endorsement/guarantee is offered.
- Article 10 Procedures for public announcement and reporting
1. On or before the 10th day of every month, the Company shall report the balance of endorsements/guarantees of the Company and subsidiaries in the previous month to the Market Observation Post System.
 2. For the Company and subsidiaries, any balance of endorsements/guarantees fulfilling one of the following criteria shall be entered in the Market Observation Post System within two (2) days from the date of occurrence:
 - (1) The balance of endorsements/guarantees of the Company and its subsidiaries is at least 50% of the net value shown in the latest financial statements of the Company;
 - (2) The balance of endorsements/guarantees offered by the Company and its subsidiaries to a single company is at least 20% of the net value shown in the latest financial statements of the Company;
 - (3) The aggregate amount of endorsements/guarantees offered by the Company and its subsidiaries to a single company is at least NT\$10 million, and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to such enterprise is at least 30% of the net value shown in the latest financial statements of the Company;
 - (4) The aggregate added amount of endorsements/guarantees offered by the Company and its subsidiaries is at least NT\$30 million and at least 5% of the net value shown in the latest financial statements of the Company or a subsidiary.
The Company shall, on behalf of any of its subsidiaries that are not a public company of the Republic of China, announce and report any matters that such subsidiary is required to announce and report pursuant to Paragraph 2, Subparagraph 4.
- The “date of occurrence” referred to in Paragraph 2 means the date of contract signing, date of payment, dates of boards of directors’ resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.
- Article 11 Penalties for violation of the Procedures by related persons
Any related person of the Company who has acted in violation of the Procedures shall be subject to penalties in accordance with the relevant regulations on personnel management of the Company.
- Article 12 The Company shall evaluate and recognize the loss contingency of an endorsement/guarantee. The Company shall adequately disclose the information regarding a loan in the financial report, and provide relevant data to the CPAs for necessary review and preparation of proper review reports.

- Article 13
1. Regarding matters related to endorsements/guarantees, the Company shall prepare a register containing the parties receiving endorsements/guarantees, the amounts of endorsements/guarantees, the dates on which the board of directors or the chairman of the board gives approval, the dates of endorsements/guarantees, and any other matter on which careful assessment is required by the Procedures.
 2. The internal auditors of the Company shall conduct audits at least quarterly on the Procedures and their implementation, and prepare written audit record. In the event that a material violation is found, the auditors shall immediately notify each supervisor in writing.
- Article 14
1. Where the Company needs to exceed the limits set out in the Procedures to satisfy its business requirements, and where the conditions set out in the Procedures are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Procedures accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.
 2. During the discussion at the above-mentioned board meeting, the Company shall adequately take into account the opinion of every independent director. Assenting, dissenting opinions, and the reasons for the dissent shall be recorded in the minutes of the board meeting.
 3. When submitting the Procedures to the board of directors for discussion and approval of an endorsement/guarantee to others, the Company shall adequately take into account the opinion of every independent director. Assenting and dissenting opinions and the reasons for the dissent shall be recorded in the minutes of the board meeting.
- Article 15
- Where a counterpart of the endorsement/guarantee was originally in conformity with Article 2 but no longer met the requirements thereof latter, or the endorsement/guarantee amount exceeds the specified limit due to change of the calculation basis, the Company shall adopt a rectification plan and submit it to each supervisor. The company shall make improvement within the schedule specified in the plan and report to the board of directors.
- Article 16
- The Procedures and any amendment hereto shall, after receiving approval from the board of directors, be submitted to each supervisor and presented to the shareholders' meeting. The Procedures and any amendment hereto shall be implemented upon adoption by the shareholders' meeting.
- Article 17
- The chairman may establish more conservative management principles in accordance with the Procedures. These principles shall be implemented after approved by two-thirds of the directors at a board of directors meeting at which two-thirds of the directors are present. The same procedure shall be followed when these principles are amended.

- Article 18 The subsidiary and parent companies referred to in the Procedures shall be defined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
The “net value” in the Procedures shall mean the equity attributable to the owners of the parent company shown in the balance sheet as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- Article 19 The Procedures was established on June 22, 2000.
The first amendment was made on June 23, 2003.
The second amendment was made on May 24, 2004.
The third amendment was made on May 31, 2007.
The fourth amendment was made on June 16, 2009.
The fifth amendment was made on May 26, 2010.
The sixth amendment was made on June 25, 2013.

Attachment 10

Shares Held by Directors and Supervisors (information up until April 1, 2018, the book closure date)

Director

Name	Representative	No. of shares held
Austin Chen		1,525,633
Teddy Lu		5,699,906
C. K. Chang		196,825
Haydn Hsieh		0
Yang Jun-yong		580,699
Hong Xing-cheng (independent director)		0
Wu Guang-yi (independent director)		68,325
Total		8,071,388

Supervisors

Name	Representative	No. of shares held
George Huang		1,207,041
Zheng Zhong-ren		0
Huang Ren-hong		0
Total		1,207,041

1. Up until April 1, 2018, the book closure date, the paid-up capital of the Company is NT\$1,008,978,070, and the total number of shares issued is 100,897,807.
2. In accordance with the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, the legal number of shares held by the directors and supervisors of the current term of the Company shall be as follows: For all directors, the legal number of shares is 8,000,000. For all supervisors, the legal number of shares is 800,000.
3. The numbers of shares held by individual and all directors and supervisors recorded in the shareholder register are in conformity with the legal percentages.

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