



U.D. Electronic Corp.

Handbook for the 2016 Annual Meeting of Shareholders

Meeting Time: June 16, 2016

Location: No. 200, Sec. 1, Daxing W. Rd., Taoyuan
Dist., Taoyuan City 330, Taiwan
(Fullon Hotel Taoyuan)

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U.D. Electronic Corp.
Procedure for the 2016 Shareholders' Meeting

Meeting Time: 9:00 AM on Thursday, June 16, 2016

Location: No. 200, Sec. 1, Daxing W. Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)
(Fullon Hotel Taoyuan)

1. Call the meeting to order (report the shares in attendance)
2. Chairperson remarks
3. Discussion matters
 - a. Amend certain sections of the Articles of Incorporation of the Company
4. Management presentation
 - a. 2015 Business Report
 - b. 2015 Supervisors Audit Report
 - c. 2015 profit distribution of employees' bonus and compensation of directors and supervisors
 - d. The status of the initial issuance of Domestic Unsecured Convertible Bond of the Company
5. Proposal matters
 - a. Adoption of the 2015 Business Report and Financial Statements
 - b. Adoption of the Proposal for Distribution of 2015 Profits
6. Motions
7. Adjournment

Discussion Matters

Report No. 1 Proposed by the Board of Directors

Proposal: Amend the Articles of Incorporation of the Company. Please discuss.

Explanation:

1. In accordance with the updated provision of Article 235-1 regarding the distribution of employees' bonus and compensation of directors and supervisors in Presidential Decree Reference No. 10400058161 dated May 20, 2015, the Company has amended the Articles of Incorporation.
2. Please refer to page 4 (Appendix 1) for details.
3. Please discuss.

Resolution:

Management Presentation

1. 2015 Business Report. Please review.

Explanation: 2015 Business Report, please refer to page 7 (Appendix 2) for details.

2. 2015 supervisors audit report, please review.

Explanation: 2015 supervisors audit report, please refer to page 10 (Appendix 3) for details.

3. 2015 distribution of employees' bonus and compensation of directors and supervisors.

Explanation:

- (1) Based on the amended Article 20 of the Article of Incorporation of the Company, when the Company has profit during the current year (earning is defined as the profit before tax prior to subtract the distribution of employees' bonus and compensation of directors and supervisors), the Company shall appropriate 3% to 15% of the profit as a bonus to employees' in stock or cash dividend, as resolved by the Board of Directors. The employees to receive bonus may include employees serving with affiliates who meet specific requirements. The Company may also appropriate for no more than 3% of the aforementioned profit as the compensation of directors and supervisors, as resolved by the Board of Directors.
- (2) The Company's earning, the profit before tax prior to subtract the distribution of employees' bonus and compensation of directors and supervisors, is \$242,311,788. We propose to appropriate 6.6% to employees' bonus, or \$16,000,000, and 1.98% to the compensation of directors and supervisors, or \$4,800,000. Both appropriations are in cash dividend.

4. The initial issuance of the Company's 2013 Domestic Unsecured Convertible Bond. Please review.

Explanation: The status of the initial issuance of the Company's 2013 Domestic Unsecured Convertible Bond is as follows:

- a. The initial issuance of the Company's 2013 Domestic Unsecured Convertible Bond was issued on November 20, 2013. The total issuance amount was NTD\$300,000,000, with par value at NTD\$100,000, coupon rate at 0%, and maturity in three year. The purpose of the issuance is to raise the operating capital.

- b. As of February 29, 2016, a total of 1,741 convertible bonds has been converted into common stock with the total face value of NTD\$174,100,000. A total of 1,087 convertible bonds, with the face value of NTD\$108,700,000, which has not yet been converted, was sold back to the Company by debt holders. The remaining 172 convertible bonds, which had a face value of NTD \$17,200,000, was bought back by the Company and delisted from the over-the-counter market.

Proposal Matters

1. Proposed by the Board of Directors.

Proposal:

Adoption of the 2015 Business Report and Financial Statements.

Explanation:

(1) The Company's consolidated financial statements and its subsidiaries, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Angus Chang, CPA, and Robert Yu, CPA, of Deloitte & Touche. In addition, the supervisors have examined the Business Report and an Audit Report has been issued.

(2) The Business Report, independent auditors' audit report, and the aforementioned financial statements are attached in the meeting handbook, page 7 (Appendix 2) and page 11 (Appendix 4)

(3) Please adopt.

Resolution:

2. Proposed by the Board of Directors.

Proposal:

Adoption of the Proposal for Distribution of 2015 Profits.

Explanation:

(1) The 2015 profit distribution is proposed to be \$1.5 per share in cash dividend. The cash dividend is rounded to the nearest dollar without any dismals. The total amount of dismals is then distributed in a descendent order of the dismal balance with account number from top to bottom until the total amount agrees to the proposed cash dividend total. Upon the approval in the shareholders' meeting, the Chairperson is authorized to set the ex-dividend date, ex-rights date, and other relevant issues.

(2) If the Company's change of capital has an impact on the outstanding shares, causing an amendment to the shareholders' dividend ratio, the Chairperson has full authority to handle such issues as proposed in the shareholder's meeting.

(3) 2015 profit takes priority in the distribution of profit.

(4) Please refer to the 2015 Profit Distribution Table in page 25 (Appendix 5) for detail.

(5) Please adopt.

Resolution:

Motions

Adjournment

U.D. Electronic Corp.
Amendment of the Articles of Incorporation

Prior to the amendment	After the amendment	The reason to amend
<p>Article 20: <u>Deleted.</u></p>	<p>Article 20: <u>Based on the amended Article 20 of the Company's Article of Incorporation, if the Company makes a profit during the current year (profit is defined as the profit before tax prior to subtract the distribution of employees' bonus and compensation of directors and supervisors), the Company shall appropriate 3% to 15% of the profit as the employees' bonus in stock or cash dividend, as resolved by the Board of Directors. The employees to receive bonuses may include employees serving with affiliates who meet specific requirements. The Company may also appropriate no more than 3% of the aforementioned profit as the compensation for directors and supervisors, as resolved by the Board of Directors. However, if the Company has accumulate losses, the Company may reserve the profit equals to the accumulated losses and then appropriate the remaining profit based on the aforementioned appropriations of employees' bonus and compensation of directors and supervisors.</u></p>	<p>The amendment is to comply with the updated Article 235-1 and amended Article 235 and 240 of the Company Act</p>
<p>Article 21 If the Company has <u>profit</u> during the current fiscal year, it shall be allocated first to <u>pay taxes</u>, followed by covering accumulated losses, if any, and then to appropriate 10% legal reserve unless the total legal reserve <u>accumulated</u> has already reached the Company's authorized capital cap. Then it shall</p>		<p>The amendment is to comply with the updated Article 235-1 and amended Article</p>

Prior to the amendment	After the amendment	The reason to amend
<p>be used to recognize special reserve retained earnings in accordance with the regulations or as resolved in the shareholders' meeting.</p> <p>The remaining can be used as profit distribution for the current year. The Board of Directors shall propose the distribution based on allocation ratios as follows and present to shareholders' meeting for a resolution:</p> <ol style="list-style-type: none"> 1. <u>To pay remuneration to directors and supervisors at the maximum of 0.3% of the distributable profits in cash dividends.</u> 2. <u>To pay bonus to employees at 3% to 15%. The employees to receive bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the board of directors.</u> 3. <u>Distribution of the remainder surplus, together with the undistributed surplus in the previous fiscal years, shall be proposed by the board of directors and submitted to the shareholders meeting for their recognition.</u> <p>The Company's dividend policy is determined in the aspects of its financial, business and operation status. The Company</p>	<p>Article 21</p> <p>If the Company has <u>profit after tax during the current fiscal year</u>, it shall be allocated first to cover accumulated losses, if any, followed by an appropriation of 10% legal reserve <u>unless</u> the total legal reserve accumulated has already reached the Company's authorized <u>paid-in</u> capital cap. Then to recognize <u>or reverse special reserve in accordance with the regulations.</u></p> <p>The Board of Directors shall propose the profit distribution proposal of the remaining surplus, if any, and accumulated unappropriated earnings and submit a <u>shareholders dividend</u> proposal to the shareholders meeting for a resolution.</p> <p>The Company's dividend policy is determined in the aspects of its financial, business and operation status. The Company is currently experiencing growth and has a steady increase in profit and healthy financial structure. Therefore, the Company has adopted the dividend policy by distributing no less than 10% of the profit, cash, or stock dividend. Of the distribution, the cash dividend shall not be lower than 10% of total shareholders' dividends.</p>	<p>235 and 240 of the Company Act</p>

Prior to the amendment	After the amendment	The reason to amend
<p>is currently experiencing growth with steady increase in profit and healthy financial structure. Therefore, the Company has adopted the dividend policy by distributing no less than 10% of the profit, cash, or stock dividend, to sustain the profit per share. Among the distribution, the cash dividend shall not be lower than 10% of total shareholders' dividends.</p>		
<p>Article 24 These Articles of Incorporation were adopted on March 4, 2005. The 1th amendment was made on February 1, 2007. The 2th amendment was made on August 7, 2007. The 3th amendment was made on December 24, 2007. The 4th amendment was made on May 28, 2008. The 5th amendment was made on June 30, 2008 The 6th amendment was made on June 30, 2009. The 7th amendment was made on June 30, 2010. The 8th amendment was made on June 17, 2011. The 9th amendment was made on November 17, 2011. The 10th amendment was made on June 21, 2012. The 11th amendment was made on June 17th, 2015 <u>New addition.</u></p>	<p>Article 24 These Articles of Incorporation were adopted on March 4, 2005. The 1th amendment was made on February 1, 2007. The 2th amendment was made on August 7, 2007. The 3th amendment was made on December 24, 2007. The 4th amendment was made on May 28, 2008. The 5th amendment was made on June 30, 2008 The 6th amendment was made on June 30, 2009. The 7th amendment was made on June 30, 2010. The 8th amendment was made on June 17, 2011. The 9th amendment was made on November 17, 2011. The 10th amendment was made on June 21, 2012. <u>The 11th amendment was made on June 17, 2015.</u> <u>The 12th amendment was made on Jun 16, 2016</u></p>	<p>Date and times of amendments</p>

2015 Business Report

1. 2015 Operating Results

(1) Operating Plan result

The Company's operating revenue was \$4,438,970 thousand in 2015, a decrease of 13% of the revenue of \$5,096,624 thousands in 2014. The net income was \$175,615 thousand, a decrease of 65% of the income of \$508,507 thousand in 2014. The decrease was mainly due to the low demand in the market and the increase of related expenses to expand smart automation factory in indirect investments of subsidiaries in China.

(2) Budget achievement:

No budget achievement is deemed necessary, as our 2015 financial projection was not offered to the public.

(3) Financial Income and Profitability Analysis

Unit: % ; Dollars

Item		2014	2015	
Financial Structure	Liability to Asset ratio (%)	33.08	35.50	
Solvency	Current ratio (%)	158.14	105.96	
Profitability	To paid-in capital ratio (%)	Operating Profit	64.90	23.44
		Profit before tax	87.58	31.79
	Net Profit Margin (%)		9.98	3.96
	Earning per share(Dollar)		7.38	2.52

The Company's 2015 profitability is lower than 2014's and is mainly due to the low demand in the market and the increase of related expenses to expand smart automation factory in indirect investments of subsidiaries in China. However, the Company's financial structure and solvency indices remain strong. No unusual changes occurred.

(4) R&D

The Company continues deepening the related technics of high-frequency high-speed magnetic materials to increase the transmitting speed of our products to meet the market demand. We are also in the process of simplifying our product design to effectively reduce the production process. With the excellence in our efficiency and capability in customization, we can provide better services and solutions and build reliable and long-term customer relationships.

2. 2016 Operating Plan Summary

(1) Business Policy

Looking forward in 2016, we expect the labor rate in China to continue to rise. Therefore, other than speeding up the process of moving the assembly line further inland to diversify workers to address the shortage of labor force in the coastal cities, we also redesigned the structures of the products and introduce smart automatic production process to achieve the goals of reducing labor cost, quicken the delivery, and shorten inventory turnover. In addition, a breakthrough in the expansion of the high-end network connection products is expected. We expect our leading technics can help the Company's in building a solid foundation in production management and marketplace and experiencing a steady growth along with the expansion of new clients in high-end network market.

(2) Sales expectation and basis

We expect 2016 sales to be stable based on 2015 actual sales, recent orders, and the industry information.

(3) Important Production and Sales Policy

A. Production Policy

All of the Company's factories are 100% indirect investment companies. The production policies expectations are as follows:

- (a) Introduce smart factory operating through robot production to achieve the goals of reducing labor cost and shortening delivery.
- (b) Effectively reduce inventory through changes of product design and the introduction of automation.

B. Marketing Strategies

Adapt the growing trend in new applications expansion and adding high-end product customers to the client base; solidify business relationships with major domestic and international clients.

3. The Company's future development strategy.

To better equip with future developments, the Company will continue deepening the technics in high-frequency high-speed, magnetic materials, and developing relates products. We also plan to build an automation factory of filter element production in Taiwan, introduce smart automation factory in 100% indirect investment factories to increase automation capabilities, reduce labor, and inventory management costs, and shorten delivery. We are also actively expanding international markets to maximize profit.

4. The impacts of outside competitions, regulatory and macroeconomic operating environments.

Due rises in labor force costs in China, along with the labor forces are extremely scarce in coastal cities, the Company, despite its attempts to increase the employees' salary in the Company's 100% indirect investment factory, is under tremendous pressure from deteriorating issues such as rising labor cost and labor force shortages.

The Company expects to reduce the labor force demand and lower the impacts of outside competitions, regulatory, and macroeconomic operating environments by introducing smart automation factory and expanding the production capability scale in Sichuan production base.

Chairman: Gary Chen

General Manger: Chris Chen

Accounting Manager: Elton Wu

U.D. ELECTRONIC CORP. AND SUBSIDIARIES SUPERVISORS AUDIT REPORT

The Board of Directors has prepared the Consolidated Financial Statements of U.D. Electronic Corp. (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) for the year ended 2015 (from January 1, 2015 to December 31, 2015). Angus Chang, CPA, and Robert Yu, CPA, of Deloitte & Touche audited and certified the Group's Financial Statements and an audit report relating to the Financial Statements has been issued. The Financial Statements have been reviewed and considered to comply with relevant rules by the undersigned, the supervisor of the Company. According to Article 219 of the Company Law, we hereby submit this report.

U.D. ELECTRONIC CORP.

Supervisor: Changchun Chien

Supervisor: Terchang Yao

Supervisor: Shihyi Kuo

March 10, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
U.D. ELECTRONIC CORP.

We have audited the accompanying parent company only balance sheets of U.D. ELECTRONIC CORP. (the "Company") as of December 31, 2015 and 2014, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The statements of major accounting items listed in the parent company only financial statements of U.D. ELECTRONIC CORP. as of and for the year ended December 31, 2015 are presented for the purpose of additional analysis. Such statements have been subjected to the auditing procedures applied in our audits of the financial statements mentioned above. In our opinion, such statements are consistent in all material respects in relation to the financial statements as a whole.

March 10, 2016

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

U.D. ELECTRONIC CORP.

PARENT COMPANY BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 222,157	6	\$ 860,846	21
Notes receivable (Notes 4 and 9)	70,426	2	59,344	1
Trade receivables (Notes 4, 5 and 9)	1,033,151	25	1,028,888	25
Trade receivables from related parties (Notes 4,5 and 28)	-	-	58,276	1
Other receivables (Note 9)	16,756	-	30,451	1
Other receivables from related parties (Note 28)	14	-	-	-
Inventories (Notes 4, 5 and 10)	168,306	4	101,052	3
Other current assets (Notes 14 and 29)	12,544	-	10,359	-
Total current assets	<u>1,523,354</u>	<u>37</u>	<u>2,149,216</u>	<u>52</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4,5 and 8)	89,608	2	49,608	1
Investments accounted using equity method (Notes 4 and 11)	2,268,793	56	1,776,547	43
Property, plant and equipment (Notes 4, 5 and 12)	177,148	4	168,278	4
Computer software, net (Notes 4 and 13)	2,835	-	5,714	-
Deferred tax assets (Notes 4, 5 and 22)	4,717	-	2,010	-
Other non-current assets (Note 14 and 29)	30,607	1	11,467	-
Total non-current assets	<u>2,573,708</u>	<u>63</u>	<u>2,013,624</u>	<u>48</u>
TOTAL	<u>\$ 4,097,062</u>	<u>100</u>	<u>\$ 4,162,840</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	\$ 266,950	7	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	-	-	6,486	-
Trade payables (Note 17)	4,382	-	3,910	-
Trade payables from related parties (Note 28)	1,057,432	26	1,035,240	25
Other payables (Note 28)	80,447	2	128,861	3
Current tax liabilities (Notes 22)	6,207	-	61,852	2
Current portion of long-term bonds payable (Notes 4 and 16)	17,015	-	119,368	3
Other current liabilities (Note 18)	5,207	-	3,333	-
Total current liabilities	<u>1,437,640</u>	<u>35</u>	<u>1,359,050</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	12,512	1	17,985	-
Guarantee deposits received (Note 18)	4,164	-	-	-
Total non-current liabilities	<u>16,676</u>	<u>1</u>	<u>17,985</u>	<u>-</u>
Total liabilities	<u>1,454,316</u>	<u>36</u>	<u>1,377,035</u>	<u>33</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 20)				
Share capital				
Ordinary shares	696,758	17	696,758	17
Capital surplus (Note 16)	726,715	18	726,715	17
Retained earnings				
Legal reserve	241,124	6	190,273	4
Special reserve	7,778	-	30,887	1
Unappropriated earnings (Note 22)	920,109	22	1,071,842	26
Total retained earnings	1,169,011	28	1,293,002	31
Other equity				
Exchange differences on translating foreign operations (Notes 4 and 20)	50,262	1	69,330	2
Total equity	<u>2,642,746</u>	<u>64</u>	<u>2,785,805</u>	<u>67</u>
TOTAL	<u>\$ 4,097,062</u>	<u>100</u>	<u>\$ 4,162,840</u>	<u>100</u>

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

U.D. ELECTRONIC CORP.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 28)				
Sales	\$ 4,438,970	100	\$ 5,096,624	100
OPERATING COSTS (Notes 10 and 28)				
Cost of goods sold	<u>(3,965,720)</u>	<u>(89)</u>	<u>(4,259,455)</u>	<u>(84)</u>
GROSS PROFIT	<u>473,250</u>	<u>11</u>	<u>837,169</u>	<u>16</u>
OPERATING EXPENSES (Notes 19,21 and 28)				
Selling and marketing	(167,808)	(4)	(214,313)	(4)
General and administrative	(94,009)	(2)	(123,934)	(2)
Research and development	<u>(48,103)</u>	<u>(1)</u>	<u>(46,716)</u>	<u>(1)</u>
Total operating expenses	<u>(309,920)</u>	<u>(7)</u>	<u>(383,963)</u>	<u>(7)</u>
PROFIT FROM OPERATIONS	<u>163,330</u>	<u>4</u>	<u>452,206</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 28)	17,161	-	14,741	-
Other gains and losses (Note 21)	2,613	-	35,072	1
Finance costs (Notes 16 and 21)	(7,422)	-	(9,433)	-
Gain by using equity method	<u>45,830</u>	<u>1</u>	<u>117,626</u>	<u>2</u>
Total non-operating income and expenses	<u>58,182</u>	<u>1</u>	<u>158,006</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	221,512	5	610,212	12
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(45,897)</u>	<u>(1)</u>	<u>(101,705)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>175,615</u>	<u>4</u>	<u>508,507</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 20)	(22,974)	-	93,656	2
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 20 and 22)	<u>3,906</u>	<u>-</u>	<u>(15,923)</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>(19,068)</u>	<u>(1)</u>	<u>77,733</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 156,547</u>	<u>4</u>	<u>\$ 586,240</u>	<u>12</u>

(Continued)

U.D. ELECTRONIC CORP.

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2015		2014	
	Amount	%	Amount	%
EARNINGS PER SHARE (NTD; Note 23)				
Basic	<u>\$ 2.52</u>		<u>\$ 7.38</u>	
Diluted	<u>\$ 2.45</u>		<u>\$ 7.02</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

U.D. ELECTRONIC CORP.

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent							Exchange Differences on Translating Foreign Operations	Total Equity
	Share Capital	Capital Surplus			Retained Earnings				
		Share Premium	Others	Share Option	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2014	\$ 675,971	\$ 568,037	\$ -	\$ 13,620	\$ 138,317	\$ 30,887	\$ 921,733	\$ (8,403)	\$ 2,340,162
Appropriation of the 2013 earnings (Note 20)									
Legal reserve	-	-	-	-	51,956	-	(51,956)	-	-
Cash dividends	-	-	-	-	-	-	(306,442)	-	(306,442)
Converted shares from convertible bonds (Notes 16 and 20)	20,787	152,962	-	(7,904)	-	-	-	-	165,845
Net profit for the year ended December 31, 2014	-	-	-	-	-	-	508,507	-	508,507
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	-	77,733	77,733
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	508,507	77,733	586,240
BALANCE, DECEMBER 31, 2014	696,758	720,999	-	5,716	190,273	30,887	1,071,842	69,330	2,785,805
Appropriation of the 2014 earnings (Note 20)									
Legal reserve	-	-	-	-	50,851	-	(50,851)	-	-
Special reserve reversed	-	-	-	-	-	(23,109)	23,109	-	-
Cash dividends	-	-	-	-	-	-	(299,606)	-	(299,606)
Other changes in capital surplus									
Adjustment of capital surplus from convertible bonds (Note 16)	-	-	4,935	(4,935)	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	175,615	-	175,615
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	(19,068)	(19,068)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	175,615	(19,068)	156,547
BALANCE, DECEMBER 31, 2015	\$ 696,758	\$ 720,999	\$ 4,935	\$ 781	\$ 241,124	\$ 7,778	\$ 920,109	\$ 50,262	\$ 2,642,746

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

U.D. ELECTRONIC CORP.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 221,512	\$ 610,212
Adjustments for:		
Depreciation expenses	4,533	4,614
Amortization expenses	2,959	3,056
Impairment loss (reversal of impairment loss) recognized on trade receivables	4,097	(244)
Net (gain) loss on fair value change of financial assets at fair value through profit or loss	(181)	3,496
Finance costs	7,422	9,433
Interest income	(2,516)	(7,926)
Gain by using equity method	(45,830)	(117,626)
Impairment loss recognized on non-financial assets	766	1,289
Net unrealized gain on foreign currency exchange, net	(7,686)	(35,214)
Changes in operating assets and liabilities		
Notes receivable	(11,082)	(42,324)
Trade receivables	2,155)	105,536
Trade receivables from related parties	58,276	10,997
Other receivables	13,521	(3,500)
Inventories	(68,020)	4,222
Other current assets	(2,185)	(3,900)
Trade payables	455	164
Trade payables from related parties	16,017	40,327
Other payables	(46,537)	(4,579)
Other current liabilities	<u>1,874</u>	<u>(1,937)</u>
Cash generated from operations	149,570	576,006
Interest received	2,760	9,280
Interest paid	(3,916)	(4,550)
Income tax paid	<u>(105,816)</u>	<u>(109,760)</u>
Net cash generated from operating activities	<u>42,598</u>	<u>470,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(40,000)	-
Acquisition of investments accounted for under equity method	(469,390)	(333,952)
Payments for property, plant and equipment	(15,503)	(156,011)
Increase in refundable deposits	(49)	(97)
Increase in other receivables from related parties	(14)	-
Payments for intangible assets	(80)	(4,847)
Increase in other non-current assets	100	(100)
Increase in prepayments for equipment	<u>(19,191)</u>	<u>(10,852)</u>
Net cash used in investing activities	<u>(544,127)</u>	<u>(505,859)</u>

(Continued)

U.D. ELECTRONIC CORP.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 266,380	\$ -
Repayment of convertible bonds	(111,961)	-
Cash dividends	(299,606)	(306,442)
Guarantee deposits received	<u>4,164</u>	<u>-</u>
Net cash used in financing activities	<u>(141,023)</u>	<u>(306,442)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>3,863</u>	<u>21,504</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(638,689)	(319,821)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>860,846</u>	<u>1,180,667</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 222,157</u>	<u>\$ 860,846</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
U.D. ELECTRONIC CORP.

We have audited the accompanying consolidated balance sheets of U.D. ELECTRONIC CORP. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of U.D. ELECTRONIC CORP. as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified report.

March 10, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 394,355	9	\$ 1,013,407	21
Notes receivable (Notes 4 and 9)	74,742	2	63,049	1
Trade receivables (Notes 4, 5 and 9)	1,053,528	23	1,042,672	21
Trade receivables from related parties (Notes 4 and 30)	-	-	58,276	1
Other receivables (Note 9)	29,750	1	69,143	2
Inventories (Notes 4, 5 and 10)	1,471,833	32	1,325,042	27
Prepayments (Notes 15 and 16)	28,299	-	63,230	1
Other current financial assets (Notes 16 and 31)	100	-	5,743	-
Other current assets (Note 16)	126,468	3	121,021	3
Total current assets	<u>3,179,075</u>	<u>70</u>	<u>3,761,583</u>	<u>77</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	89,608	2	49,608	1
Property, plant and equipment (Notes 4, 5 and 12)	971,034	21	879,457	18
Computer software, net (Notes 4 and 14)	6,595	-	15,609	1
Goodwill (Notes 4, 5 and 13)	6,103	-	6,103	-
Deferred tax assets (Notes 4, 5 and 24)	4,717	-	8,470	-
Prepayments for equipment (Note 16)	111,908	3	100,699	2
Long-term prepayments for lease (Note 15)	69,618	2	-	-
Other non-current financial assets (Notes 16 and 31)	-	-	10,445	-
Other non-current assets (Note 16)	81,976	2	58,056	1
Refundable deposits (Notes 16 and 27)	13,503	-	7,471	-
Total non-current assets	<u>1,355,062</u>	<u>30</u>	<u>1,135,918</u>	<u>23</u>
TOTAL	<u>\$ 4,534,137</u>	<u>100</u>	<u>\$ 4,897,501</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	\$ 761,820	17	\$ 553,875	11
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	-	-	8,132	-
Trade payables (Note 19)	528,820	12	509,644	10
Other payables (Note 20)	508,424	11	768,486	16
Current tax liabilities (Notes 4 and 24)	12,956	-	71,110	2
Current portion of long-term bonds payable (Notes 4 and 18)	17,015	-	119,368	2
Other current liabilities (Note 20)	21,712	1	26,830	1
Total current liabilities	<u>1,850,747</u>	<u>41</u>	<u>2,057,445</u>	<u>42</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 24)	12,512	-	17,985	-
Guarantee deposits received (Note 20)	5,014	-	2,090	-
Total non-current liabilities	<u>17,526</u>	<u>-</u>	<u>20,075</u>	<u>-</u>
Total liabilities	<u>1,868,273</u>	<u>41</u>	<u>2,077,520</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)				
Share capital				
Ordinary shares	696,758	15	696,758	14
Capital surplus (Note 18)	726,715	16	726,715	15
Retained earnings				
Legal reserve	241,124	6	190,273	4
Special reserve	7,778	-	30,887	-
Unappropriated earnings (Note 24)	920,109	20	1,071,842	22
Total retained earnings	1,169,011	26	1,293,002	26
Other equity				
Exchange differences on translating foreign operations (Notes 4 and 22)	50,262	1	69,330	2
Total equity attributable to owners of the parent	2,642,746	58	2,785,805	57
NON-CONTROLLING INTERESTS (Note 22)	23,118	1	34,176	1
Total equity	<u>2,665,864</u>	<u>59</u>	<u>2,819,981</u>	<u>58</u>
TOTAL	<u>\$ 4,534,137</u>	<u>100</u>	<u>\$ 4,897,501</u>	<u>100</u>

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 30)				
Sales	\$ 4,490,717	100	\$ 5,155,785	100
OPERATING COSTS (Notes 10 and 23)				
Cost of goods sold	<u>(3,597,645)</u>	<u>(80)</u>	<u>(3,787,846)</u>	<u>(74)</u>
GROSS PROFIT	<u>893,072</u>	<u>20</u>	<u>1,367,939</u>	<u>26</u>
OPERATING EXPENSES (Notes 21 and 23)				
Selling and marketing	(213,928)	(5)	(258,162)	(5)
General and administrative	(322,055)	(7)	(321,267)	(6)
Research and development	<u>(186,055)</u>	<u>(4)</u>	<u>(162,276)</u>	<u>(3)</u>
Total operating expenses	<u>(722,038)</u>	<u>(16)</u>	<u>(741,705)</u>	<u>(14)</u>
PROFIT FROM OPERATIONS	<u>171,034</u>	<u>4</u>	<u>626,234</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 30)	30,174	-	21,734	-
Other gains and losses (Notes 4 and 23)	48,975	1	2,964	-
Finance costs (Notes 4 and 23)	<u>(12,630)</u>	<u>-</u>	<u>(15,383)</u>	<u>-</u>
Total non-operating income and expenses	<u>66,519</u>	<u>1</u>	<u>9,315</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	237,553	5	635,549	12
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(72,996)</u>	<u>(1)</u>	<u>(132,415)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>164,557</u>	<u>4</u>	<u>503,134</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 22)	(22,974)	(1)	93,656	2
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 22 and 24)	<u>3,906</u>	<u>-</u>	<u>(15,923)</u>	<u>(1)</u>
Other comprehensive income for the period, net of income tax	<u>(19,068)</u>	<u>(1)</u>	<u>77,733</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 145,489</u>	<u>3</u>	<u>\$ 580,867</u>	<u>11</u>

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 175,615	4	\$ 508,507	10
Non-controlling interests	<u>(11,058)</u>	<u>-</u>	<u>(5,373)</u>	<u>-</u>
	<u>\$ 164,557</u>	<u>4</u>	<u>\$ 503,134</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 156,547	3	\$ 586,240	11
Non-controlling interests	<u>(11,058)</u>	<u>-</u>	<u>(5,373)</u>	<u>-</u>
	<u>\$ 145,489</u>	<u>3</u>	<u>\$ 580,867</u>	<u>11</u>
EARNINGS PER SHARE (NTD; Note 25)				
Basic	<u>\$ 2.52</u>		<u>\$ 7.38</u>	
Diluted	<u>\$ 2.45</u>		<u>\$ 7.02</u>	

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

(Concluded)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent									Total Equity
	Share Capital	Capital Surplus			Retained Earnings			Exchange Differences on Translating Foreign Operations	Non-controlling Interests	
		Share Premium	Others	Share Option	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2014	\$ 675,971	\$ 568,037	\$ -	\$ 13,620	\$ 138,317	\$ 30,887	\$ 921,733	\$ (8,403)	\$ 39,549	\$ 2,379,711
Appropriation of the 2013 earnings (Note 22)										
Legal reserve	-	-	-	-	51,956	-	(51,956)	-	-	-
Cash dividends	-	-	-	-	-	-	(306,442)	-	-	(306,442)
Converted shares from convertible bonds (Notes 18 and 22)	20,787	152,962	-	(7,904)	-	-	-	-	-	165,845
Net profit for the year ended December 31, 2014	-	-	-	-	-	-	508,507	-	(5,373)	503,134
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	-	77,733	-	77,733
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	508,507	77,733	(5,373)	580,867
BALANCE, DECEMBER 31, 2014	696,758	720,999	-	5,716	190,273	30,887	1,071,842	69,330	34,176	2,819,981
Appropriation of the 2014 earnings (Note 22)										
Legal reserve	-	-	-	-	50,851	-	(50,851)	-	-	-
Special reserve reversed	-	-	-	-	-	(23,109)	23,109	-	-	-
Cash dividends	-	-	-	-	-	-	(299,606)	-	-	(299,606)
Other changes in capital surplus										
Adjustment of capital surplus from convertible bonds (Note 18)	-	-	4,935	(4,935)	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	175,615	-	(11,058)	164,557
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	(19,068)	-	(19,068)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	-	175,615	(19,068)	(11,058)	145,489
BALANCE, DECEMBER 31, 2015	\$ 696,758	\$ 720,999	\$ 4,935	\$ 781	\$ 241,124	\$ 7,778	\$ 920,109	\$ 50,262	\$ 23,118	\$ 2,665,864

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 237,553	\$ 635,549
Adjustments for:		
Depreciation expenses	206,956	166,950
Amortization expenses	68,689	62,528
Amortization of prepayments for lease	1,217	-
Impairment loss (reversal of impairment loss) recognized on trade receivables	4,097	(244)
Net (gain) loss on fair value change of financial assets at fair value through profit or loss	(181)	34,435
Finance costs	12,630	15,383
Interest income	(6,138)	(9,717)
Impairment loss recognized on non-financial assets	1,982	299
Loss (gain) on disposal of property, plant and equipment	2,081	(827)
Net unrealized gain on foreign currency exchange, net	(9,998)	(13,805)
Changes in operating assets and liabilities		
Notes receivable	(11,773)	(45,392)
Trade receivables	(4,748)	99,534
Trade receivables from related parties	58,276	10,997
Other receivables	38,287	(7,764)
Inventories	(187,638)	(388,375)
Prepayment	32,806	-
Other current assets	210	(873)
Financial liabilities held for trading	(1,646)	-
Trade payables	25,407	7,349
Other payables	(209,108)	27,172
Other current liabilities	<u>(4,585)</u>	<u>1,312</u>
Cash generated from operations	254,376	594,511
Interest received	6,011	13,090
Interest paid	(8,999)	(13,605)
Income tax paid	<u>(128,731)</u>	<u>(142,878)</u>
Net cash generated from operating activities	<u>122,657</u>	<u>451,118</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(339,902)	(392,234)
Proceeds from disposal of property, plant and equipment	1,374	4,007
Increase in refundable deposits	(6,189)	(2,004)
Payments for intangible assets	(3,034)	(12,301)
Increase in prepayments for equipment	(56,671)	-
Payment to acquire financial assets measured at cost	(40,000)	-
Increase in other non-current assets	<u>(119,687)</u>	<u>(107,713)</u>
Net cash used in investing activities	<u>(564,109)</u>	<u>(510,245)</u>

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	\$ (299,606)	\$ (306,442)
Increase in short-term borrowings	186,812	113,464
Repayment of convertible bonds	(111,961)	-
Guarantee deposits received	<u>2,972</u>	<u>703</u>
Net cash used in financing activities	<u>(221,783)</u>	<u>(192,275)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>44,183</u>	<u>7,114</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(619,052)	(244,288)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,013,407</u>	<u>1,257,695</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 394,355</u>	<u>\$ 1,013,407</u>

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

(Concluded)

U.D Electronic Corp. 2015 Profit Distribution Table

Item	Unit: NTD Amount
Unappropriated earnings – beginning of the year	744,493,365
Add: 2015 net income after tax	175,615,016
Subtract: Legal reserve	(17,561,502)
Accumulated unappropriated earnings	902,546,879
Cash dividends (NT\$1.5/share)	(104,513,711)
Unappropriated earnings – end of the year	798,033,168

U.D Electronic Corp.

Articles of Incorporation

Chapter I General Provisions

Article 1:

This Company, organized under the Company Act as a company limited by shares, shall be named U.D. Electronic Corp. (hereinafter referred to as "the Company").

Article 2:

The scope of business of the Company is as follows:

1. F219010: Retail Sale of Electronic Materials
2. F401010: International trade
3. ZZ99999: Other than the business, which requires special approval, this Corporation, may conduct any business that is not prohibited or restricted by any law or regulations.

Article 3:

The head office of this Corporation shall be in Tao Yuan, Taiwan. Pursuant to the resolutions adopted by the Board of Directors, this Corporation may, if necessary, set up branches or factories within and outside the R.O.C.

Article 4:

Deleted

Chapter II Shares

Article 5:

The total authorized capital of the Corporation is One Billion New Taiwan Dollars (NT\$1,000,000,000), divided into One Hundred Million (100,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10). The Board of Directors is authorized to issue the un-issued shares in installments, of which Ten Million New Taiwan Dollars (NT\$10,000,000) with One Million (1,000,000) shares are reserved for issuance of employee stock options.

After the Company's public offering, the exercise price of the employee stock options issued in emerging, non-exchange-listed, or on an over-the-counter (OTC) markets may be lower than the most recent price per shares as audited by the Company's auditor. The exercise price of the employee stock options issued after the Company's stocks are listed or traded on OTC may be lower than the closing price of the Company's common stock at issuance. The Company may grant the aforementioned options, by over two-thirds of the votes in the shareholders' meeting attended by a majority of shares represented by the shareholders present at the meeting.

Article 6:

All share certificates of the Corporation shall be issued in registered form after being signed by and

affixed with the seals of at least three directors, sequentially numbered and authenticated by the competent authority or an institution approved by the competent authority. This Corporation may issue registered stock without printing share certificates or may combine and print multiple shares in one share certificate, provided that any shares shall be recorded by a centralized securities custodian or placed under the custody of such custodian.

Article 7:

Transfer of shares cannot be executed or be transferred to competitors without registering the name or the corporate, and the address of the assignee.

All entries in the shareholders register due to share transfers shall be suspended for 30 days prior to an ordinary shareholders meeting, or for 15 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

After the Company's public offering, all entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting.

The aforementioned periods are effective as of the date of the committee meeting or the reference date, whichever is earlier.

Article 8:

Upon the Company's public offering, all stock transaction conducted by shareholders of the Corporation shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

Chapter III Shareholders Meeting

Article 9:

There are two kinds of Company shareholders meetings: Ordinary shareholders meetings and extraordinary shareholders meetings. The ordinary shareholders meeting is convened by Board of Directors once per year within six months from the closing of the fiscal year. Extraordinary shareholders meetings may be convened in accordance with applicable laws and regulations whenever necessary.

Article 10:

When a shareholder cannot attend the shareholders' meeting in person, he/she may produce the letter of authorization, subject to Article 177 of the Company Act, signed or sealed for authorizing a representative to be present in the Meeting, stating the area of authorization.

Article 11:

Each shareholder of the Company is entitled to one vote per share, except under circumstances in

which shares have no voting power as set out in Paragraph 2 of Article 179 of the Company Act.

Article 12:

Unless otherwise provided by applicable law or regulation, a resolution of the shareholders' meeting shall be adopted by consent of a majority of the votes represented by those in attendance at a meeting attended, in person or by proxy, by shareholders who represent a majority of the total issued shares.

Article 12.1:

When a shareholders' meeting is convened by the Board of Directors, the Chairman should preside as the Chairman of the shareholders' meeting. If the Chairman, for any reason, is unavailable or unable to exercise his duties, he or she shall appoint a representative from the directors. If no appointee is assigned, the directors shall elect a Chair among themselves. Unless otherwise provided by applicable law or regulation, the shareholders' meeting is proceeded as set out in the Company's Rules of Procedure for Shareholders' Meeting.

Article 12.2:

A resolution of the shareholders' meeting shall be documented in the minutes as set out in Article 183 of the Company Act.

Article 13:

Deleted.

Chapter IV Directors and Supervisors

Article 14:

The Company shall have five to nine directors and two to three supervisors. The directors and supervisors shall be elected by the shareholders' meeting from among the slate of director and supervisor candidates. The term of office is three years, and they may continue in office if re-elected.

Directors and supervisors shall be elected by adopting cumulative voting system. Each share has the same voting rights equal to the number of Directors and Supervisors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates. Those candidates receiving more voting rights shall be elected as Directors or Supervisor. If such system needs to be amended, other than complies with the regulation requirements as set out in Article 172 of the Company Act, the Company shall include the matter in the notice as the reason for calling a meeting.

The Board of Directors of the Company may establish a Remuneration Committee or other functional committees as a need of normal operation.

Article 14.1:

The Company complies with Article 14.2 of Security Exchange Act and elects independent directors among the aforementioned director seats to implement the corporate governance. The independent directors shall not be less than two and should not be less than one-fifth of the total seats of the Board of Directors. The election shall adopt candidate nomination system and be elected among the slate of independent directors by shareholders. The nomination shall comply with Article 192-1 of the Company Act.

Article 14.2:

The Company may acquire liability insurance for all directors, supervisors, and key employees.

Article 14.3:

When the posts of one-third or more of the directors have been vacated, a special meeting of shareholders shall be convened to elect directors to fill the vacancies within 30 days.

Article 15:

The Board of Directors shall consist of the directors of the company, and the Chairman of the Board of Directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The Chairman of the Board of Directors shall represent the Company in external matters.

Article 16:

If the Chairman is on leave or cannot exercise powers or perform duties for any reason, an acting Chairman shall be designated in accordance with Article 208 of the Company Act.

Article 16.1:

The Board of Directors meeting is called on a quarterly basis. Each director and supervisor shall be given at least seven (7) days advance notice of the convening of the meeting and shall specify the reasons for convening. In emergency circumstances; however, a meeting may be called on shorter notice. The notice of the meeting shall be, with the consent of the members, made by e-mail, or by facsimile.

Article 16.2:

Unless otherwise provided by applicable law or regulation, the majority of the directors should attend the Board of Directors meeting. If a director is unavailable to attend a meeting in person, the director may issue a power of attorney for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting. In the event that a Board of Directors meeting is held through video conference, a director who participates in the meeting by means of video system shall be deemed to have attended in person.

Article 17:

When the Company's directors and supervisors perform Company duties, the Company may pay remuneration regardless of whether the Company operates at a profit or loss. The Board of Directors is authorized with powers to resolve the rates of such remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry.

Chapter V Managerial Officers**Article 18:**

The Company may have managerial officers, whose appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.

Chapter VI Accounting

Article 19:

At the end of each fiscal year, the Board of Directors shall prepare the following documents, which shall be submitted to the supervisors for auditing 30 days prior to the ordinary shareholders meeting, and submitted to the shareholders' meeting for approval:

1. Business report;
2. Financial report; and
3. Proposal for allocating profit or covering loss.

Article 20:

Deleted.

Article 21:

If the Company has profit during the current fiscal year, it shall be allocated first to pay taxes, followed by covering accumulated losses, if any, and then to appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the Company's authorized capital cap. Then it shall be used to recognize special reserve in accordance with the regulations or request it to be resolved in the shareholders' meeting. The remaining can be used as the current year profit distribution. The Board of Directors shall propose the distribution based on allocation ratios as follows and request it to be resolved in shareholders' meeting:

1. To pay compensation to directors and supervisors at the maximum of 3% of the distributable profits in cash dividends.
2. To pay bonus to employees at 3% to 15%. The employees to receive bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the Board of Directors.
3. Distribution of the remainder surplus, together with the undistributed surplus in the previous fiscal years, shall be proposed by the Board of Directors and submitted to the shareholders meeting for their recognition.

The Company's dividend policy is determined in the aspects of its financial, business, and operation status. The Company is currently experiencing growth with steady increase in profit and healthy financial structure. Therefore, the Company has adopted the dividend policy by distributing no less than 10% of the profit, cash, or stock dividend, to sustain the profit per share. Among the distribution, the cash dividend shall not be lower than 10% of total shareholders' dividends.

Chapter VII Supplementary Provisions

Article 22:

The Company may issue external guarantee and reinvest in other businesses based on the operating needs. The total of the investment may exceed 40% of the Company's paid-in capital and authorize the board of director to execute.

Article 22.1:

If the Company wishes to revoke its public offered stock after the Company's public offering, the proposal shall be presented to the shareholders' meeting for a resolution. The Article may not be rectified during the periods when the Company is listed as emerging stocks, registered stocks, or general stocks.

Article 23:

Any matters insufficiently provided for in these Articles of Incorporation shall be handled in accordance with the Company Act.

Article 24:

These Articles of Incorporation were adopted on March 4, 2005.

The 1th amendment was made on February 1, 2007.

The 2th amendment was made on August 7, 2007.

The 3th amendment was made on December 24, 2007.

The 4th amendment was made on May 28, 2008.

The 5th amendment was made on June 30, 2008.

The 6th amendment was made on June 30, 2009.

The 7th amendment was made on June 30, 2010.

The 8th amendment was made on June 17, 2011.

The 9th amendment was made on November 17, 2011.

The 10th amendment was made on June 21, 2012.

The 11th amendment was made on June 17, 2015.

U.D Electronic Corp.

Chairman: Gary Chen

U.D. Electronic Corp.
Rules of Procedure for Shareholders Meetings

Article 1:

U.D Electronic Corp. (The Company) establishes the Rules of Procedure for Shareholders Meetings (the Rules) in accordance with Company Act, Rules Governing the Conduct of Shareholders Meetings by Public Companies and Article 5 of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies to establish a proper conduct of Shareholders Meetings, enhance the monitoring functions and strengthen the managing mechanism.

Article 2:

Unless specified otherwise by law and securities regulations, shareholders' meeting of the Company (the Meeting) shall be conducted in accordance with these Rules.

Article 3:

Shareholders' meetings of the Company shall be convened by the Board of Directors unless otherwise stipulated by laws.

The Company should convert the Meeting's notices, power of attorney papers, related proposals and explanations of proposals, discussions, appointments, or removals of directors and supervisors into electronic files and deliver to Market Observation Post System (MOPS) within 30 days prior to the Meetings or 15 days before the special meeting. The Company should also convert the Handbook of the Shareholders Meeting and its supplemental documents into electronic files and deliver to MOPS within 21 days prior to of the Meeting or 15 days prior to the special meeting. The Handbook of the Shareholders Meeting and its supplemental documents should be made available for shareholders 15 days prior to the Meeting and displayed both in the Company and in the security brokers authorized by the Company. Those documents should also be distributed in the Meeting.

The notice and announcement shall state clearly the reasons for convening the meeting. With consent of the counterparts, the notice may be sent electronically.

Election and dismissal of directors, supervisors, changes in articles of incorporation, dissolution, merger or division of the Company, or any matters listed in Paragraph 1 of Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be stated as reasons for convening a meeting, but not as extemporaneous motions.

Shareholders holding one percent or more of the issued shares may bring up a proposal to the Meeting in writing. However, only one proposal is allowed. Other proposals on top of that will not be listed in the agenda. Furthermore, if the shareholder's proposal involves any condition mentioned in Paragraph

4 of Article 172-1 of the Company Act, the Company may refuse to include it in the agenda.

The Company shall announce acceptance of shareholder's proposals, and the place and period of submission before the book closure day in advance of convening a general shareholders' meeting. The period of submission shall not be less than 10 days.

Shareholder's proposals shall not exceed 300 words. Those exceeding 300 words will not be included in the agenda. The proposing shareholder shall attend in person to the general shareholders' meeting, and participate in the discussion of the proposal, or designate a representative to do so.

The Company shall inform the proposing shareholders the processing result before the notice day of convening the Meeting, and shall include the proposals that meet the criteria of these Rules in the notice of meeting. For shareholder's proposals not included in the agenda, the Board of Directors shall explain why the proposals are not included at the Meeting.

Article 4:

Shareholders may produce the letter of authorization printed by the Company at each shareholders' meeting, for authorizing a representative to be present in the Meeting, stating the area of authorization.

One shareholder may produce only one letter of authorization, and authorize only one person. The letter of authorization shall arrive at the Company five days before the date of the Meeting. Where there are repetitions of authorization letter, the first that arrives shall count, but this does not apply where declaration is made to cancel the former authorization.

If a shareholder wishes to attend the Meeting in person or exercise his/her voting right in written or electronic form after the letter of authorization has arrived at the Company, a written notice shall be sent to the Company for cancelling the authorization two (2) days before the Meeting. In the event where cancellation is not sent before the deadline, the voting right exercised by the authorized representative shall count.

Article 5:

The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m. After independent directors are appointed, their opinion shall be taken into account in regards to the location and the time of the Meeting.

Article 6:

The Company shall include the time of the registration of the Meeting, the place and other materials in the notice. The aforementioned time of registration should start at least 30 minutes before the Meeting. The registration counter should have clear signs and staff with adequate personnel.

The Company takes the sign-in sheet submitted by the attending shareholders themselves or representative authorized by shareholders as shareholders being present.

The Company shall hand out the meeting handbook, annual report, attendance permit, speaking

request form, voting form and other meeting materials to shareholders attending the Meeting. For election of directors or supervisors, the ballot shall also be attached.

Shareholders shall be present themselves in the Meeting with the attendance permit, attendance sign-in sheet, or other attendance documents. The Company may not request additional identifications from the shareholders in attendance other than those listed in the preceding paragraph. Those who have solicited a letter of authorization shall bring their identification document for authentication.

When the government or a corporate body is a shareholder, more than one representative may be sent to attend the Meeting. When a corporate body is authorized to attend the Meeting, only one representative may be sent.

Article 7:

The Chairman of the Board of Directors shall be the Chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors shall preside at the Meeting. If, for any reason, the Vice Chairman of the Board of Directors cannot preside at the Meeting or there is no Vice Chairman, the Chairman may designate one managing director to do so on the Chairman's behalf. If there is no managing director, the Chairman may designate one representative. If the Chairman does not appoint any representative, either the managing director or the directors can appoint one Chair among themselves.

The aforementioned managing director or the director, who is appointed as the Chair on behalf of the Chairman shall be a candidate who has been with the Company for more than six months and understands the Company's finance and operation. If a representative of corporate directors is elected, the same rules apply.

The Chairman of the Board of Directors shall be the Chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. The majority of the directors, at least one supervisor, and one representative from each functional committee's shall attend the Meeting. The attendance records shall be recorded in the Meeting minutes.

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

The Company may designate the appointed lawyer, accountant, or related personnel to attend the Meeting.

Article 8:

The Company shall tape the whole session of the Meeting, and keep the audio or video records along with the attendance book bearing the signatures of the shareholders present at the meeting and the powers of attorney issued for proxies for at least one year. However, where litigation is brought up by shareholders pursuant to Article 189 of the Company Act, the records shall be kept until the litigation ends.

Article 9:

The attendance of the meeting should be based on the shares. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the signing book or attendance cards submitted by the shareholders, plus the shares submitted via mail or electronic format.

Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the Chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one third of the total outstanding shares, tentative resolutions may be made in accordance with Paragraph 1 of Article 175 of the Company Act. The aforementioned tentative resolutions shall be announced to all shareholders and a Meeting shall be convened within one month. If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the Chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act.

Article 10:

The agenda of the Meeting shall be set by the Board of Directors when the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting. Unless otherwise resolved at the Meeting, the Chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, with the assistance of other directors and by a majority of votes represented by shareholders attending the Meeting, one person as the Chairman to continue the Meeting.

The Chairman should provide sufficient time and explanation to shareholders regarding the discussion items (including special motions). The Chairman may announce the end of the discussion of any resolution and go into voting if the Chairman deems it appropriate.

The voting of the resolution should be conducted in the public space of the Meeting's venue. The results, including the calculated numbers of election rights shall be made known immediately and recorded in writing.

Article 11:

Before speaking, shareholders in attendance must record the main points of their speech, their attendance number (or shareholder account number) and account name on a speaker's slip. The chair will set the order in which they speak. A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. When the content of the speech and that recorded

on the speaker's slip do not correspond, the spoken content shall prevail. A shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes without the chair's permission. However, if a shareholder's speech violates the Rules and Procedures or exceeds the scope of the agenda item, the chair may terminate the speech.

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

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

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

Article 12:

Voting in the Meeting shall be calculated on the basis of the number of shares. For resolution in a shareholders' meeting, the number of shares held by shareholders without voting right shall not be included in the total shares issued.

When the issues under discussion in the Meeting involve the personal interest of shareholders, resulting in potential harm to the Company's interest, the shareholders shall not participate in voting, nor represent another shareholder in exercising the voting right.

For shareholders designating a representative to attend the Meeting, when a person is commissioned by two shareholders (inclusive) or above, the voting right he/she represents shall not exceed three percent of the total voting rights represented by the issued shares. When the limit is exceeded, the exceeded voting right is not counted.

Article 13:

Each share that shareholders hold represents one unit of voting right, but this does not apply to restricted stock or shares without voting right as listed in Paragraph 2 of Article 179 of the Company Act.

When convening a shareholders' meeting, the Company shall have the voting rights exercised in electronic form but may allow exercise of such rights in written form. The way to exercise the voting right in written or electronic form should be stated in the notice of the Meeting. Shareholders exercising their voting rights in written or electronic form are considered attending the Meeting in person. However, they are considered abstentions for the extemporaneous motions and for amendments to original proposals in that meeting.

For those intending to exercise their voting right in written or electronic form as mentioned in the previous paragraph, the expression of intention shall arrive at the Company two days before the Meeting is held. When expressions of intention are sent repeatedly, the first that arrives shall count, but this does not apply to the declaration to cancel the former expression of intention.

If a shareholder wishes to attend the Meeting in person after exercising the voting right in written or electronic form, he/she shall cancel the aforesaid expression of intention for exercising the voting right in the same way of exercising the voting right two days before the Meeting. The voting right exercised in written or electronic form shall prevail if the cancellation arrives after the deadline. If the voting right is exercised in written or electronic form and a representative is designated to attend the Meeting by a letter of authorization, the voting right exercised by the authorized representative who attends the meeting shall prevail.

When voting for a proposal, it shall be adopted with the support of the present shareholders holding over half of the voting rights unless otherwise specified in the Company Act and the Company's articles of incorporation.

When making a resolution, a proposal shall be deemed adopted when no objection is raised upon the Chairman's enquiry, and the effect shall be the same as voting by ballot.

When there is an amendment or alternative to a proposal, the Chairman shall set the priority of the resolution together with the original proposal. When any one of these is adopted, the others are deemed rejected, and no more voting is needed.

The Chairman shall designate ballot examiners and counters when voting for a proposal, but the examiners shall be shareholders.

Ballots shall be counted openly in the venue of the Meeting, and the voting result shall be announced on the spot, and be kept in record.

Article 14:

Elections of directors at the Meeting shall be conducted in accordance with the Company's regulations on election and appointment, and the result of election, including the name of the elected director, supervisors and their numbers of election rights, shall be announced on the spot.

Ballots for the aforesaid election shall be signed and sealed by the ballot examiners, and then properly kept for at least one year. However, in the event where litigation is brought up by shareholders pursuant to Article 189 of the Company Act, the ballots shall be kept until the litigation ends.

Article 15:

The resolution of the Meeting should be recorded in the minutes as set out in Article 183 of Company Act. The distribution of aforementioned minutes may be announced by means of inputting onto the MOPS. The minutes shall faithfully record the year, month, day, location of the meeting, name of the Chairman, the way by which the resolutions are made, outline of the discussion process and the result, which shall be kept permanently during the existence of the Company.

Article 16:

For the number of shares solicited and the number of shares represented by an authorized representative, the Company shall tabulate the data according to the specified format on the day of the

Meeting, and disclose it in visible manner in the venue of meeting.

The Company shall send the resolutions of the Meeting to the MOPS within specified time, where the critical information specified by laws or by the competent authority is involved.

Article 17

The chair may direct the sergeant-at-arms or security personnel to help maintain order at the meeting place. When the sergeant-at-arms or security personnel help maintain order at the meeting place, they shall wear an armband bearing the words "sergeant-at-arms."

The venue shall equip with speaker. If a shareholder does not speak with the equipped speaker, the chair may order the shareholder to stop the speech.

If a shareholder violates the Rules and Procedures, does not obey the chair's correction or obstruct the Meeting, and does not following the order, the Chairman may direct the sergeant-at-arms or security personnel to escort the shareholder leaving the Meeting.

Article 18:

While a meeting is in progress, the chair may consider the time schedule and announce a break. If a force majeure event occurs, the chair may rule for a temporary suspension of the meeting, and announce the time when the meeting will be reconvened depending on the circumstances,

If the Meeting, including the motion, has to end before finishing the agenda due to the venue is no longer available. The Meeting may make a resolution to reconvene the meeting in another venue.

The Meeting may make a resolution to postpone or reconvene the meeting within five (5) days as set out in Article 182 of the company Act.

Article 19:

These Rules of Procedure, and any amendments hereto, shall be implemented after being adopted as a resolution after passed by the Meeting.

Article 20:

These Rules of Procedure were adopted on June 30, 2008

The 1th amendment was made on June 17, 2011

The 2th amendment was made on November 17, 2011

The 3th amendment was made on June 21, 2012

The 4th amendment was made on June 20, 2013

The 4th amendment was made on June 17, 2015

U.D. Electronic Corp.
Shareholding of Directors and Supervisors

1. Total owners' equity as of April 18, 2016, the book closure date of the regular shareholder's meeting, is NTDS\$696,758,070. Total Issued shares: 69,675,807 shares.
2. In accordance with Article 26 of the Security Exchange Act, the minimum required combined shareholding of all directors is 5,574,064 shares and the minimum required combined shareholding of all supervisors is 557,406 shares.
3. Total share ownership of all directors and supervisors complies with the regulations is detailed as follows:

Title	Name	Total share ownership	Percentage
Chairman	Gary Chen	1,886,299	2.71%
Director	Chris Chen	1,887,559	2.71%
Director	Chiling Chen	1,210,489	1.74%
Director	Eric Shih	734,006	1.05%
Independent Director	Kuangchao Fan	0	0
Independent Director	Hsuehyu Liu	0	0
Independent Director	Hsulin Wang	0	0
Total directors' share ownership		5,718,353	8.21%
Supervisor	Changchun Chien	467,394	0.67%
Supervisor	Terchang Yao	363,900	0.52%
Supervisor	Shihyi Kuo	0	0
Total supervisors' share ownership		831,294	1.19%

Note: In accordance with Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," if a public company has elected two or more independent directors, the share ownership figures calculated for all directors and supervisors other than the independent directors shall be decreased by 80 percent.