



U.D. Electronic Corp.
Handbook for the 2017 Annual
Meeting of Shareholders

Meeting Time: June 15, 2017

Meeting Place: No.108, Sec. 1, Nankan Rd., Luzhu
Dist., Taoyuan City
(Monarch Skyline Hotel)

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U.D. Electronic Corp.

Procedure for the 2017 Shareholders' Meeting

Meeting Time: 9:00 AM on Thursday, June 15, 2017

Meeting Place: No.108, Sec. 1, Nankan Rd., Luzhu Dist., Taoyuan City (Monarch Skyline Hotel)

1. Call the meeting to order (report the shares in attendance)
2. Chairperson remarks
3. Reporting Matters
 - (1) 2016 Business Report
 - (2) 2016 Supervisors Audit Report
 - (3) 2016 profit distribution of employees' bonus and compensation of directors and supervisors
4. Adoption Matters
 - (1) Adoption of the 2016 Business Report and Financial Statements
 - (2) Adoption of the Proposal for Distribution of 2016 Profits
5. Discussion Matters
 - (1) Partial Amendment of the Company's "Procedure for Acquisition and Disposal of Assets"
6. Election Matters
 - (1) Complete Re-election of Directors and Supervisors
7. Other Proposals
 - (1) Release of the Non-competition Restrictions for Newly Appointed Directors and Their Representatives
8. Motions
9. Adjournment

Reporting Matters

1. 2016 Business Report. Please review.

Explanation: 2016 Business Report, please refer to page 7 (Appendix 1) for details.

2. 2016 supervisors audit report, please review.

Explanation: 2016 supervisors audit report, please refer to page 10 (Appendix 2) for details.

3. 2016 distribution of employees' bonus and compensation of directors and supervisors. Please review.

Explanation: (1) Based on Article 20 of the Article of Incorporation of the Company, when the Company has profit during the current year (earning is defined 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 earnings in 2016, i.e. the profit before tax prior to subtract the distribution of employees' bonus and compensation of directors and supervisors, is \$229,725,031. We propose to appropriate 7.40% to employees' bonus, or \$17,000,000, and 2.22% to the compensation of directors and supervisors, or \$5,100,000. Both appropriations are in cash dividends.

Adoption Matters

Report No. 1 Proposed by the Board of Directors

Proposal: Adoption of the 2016 Business Report and Financial Statements. Please adopt.

Explanation:(1) The Company's consolidated financial statements and its subsidiaries in 2016 were audited by independent auditors, Cheng Zhao-Mei, CPA, and Cheng Chong-Cheng, 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 1) and page 11 (Appendix 3).
- (3) Please adopt.

Resolution:

Report No. 2 Proposed by the Board of Directors.

Proposal: Proposal for Distribution of 2016 Profits. Please adopt.

Explanation: (1) The 2016 profit distribution is proposed to be \$1.6 per share in cash dividend. The cash dividend is rounded to the nearest dollar without any decimals total amount of decimals is then distributed in a descendant order of the decimal 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) 2016 profit takes priority in the distribution of profit.
- (4) Please refer to the 2016 Profit Distribution Table in page 21 (Appendix 4) for detail.
- (5) Please adopt.

Resolution:

Discussion Matters

Report No. 1 Proposed by the Board of Directors

Proposal: Partial Amendment of the Company's "Procedure for Acquisition and Disposal of Assets". Please discuss.

Explanation: (1) The Company's "Procedure for Acquisition and Disposal of Assets" is partially amended in consideration of the internal management requirements.

(2) Please refer to page 22 (Appendix 5) for the comparison list before and after amendment of the company's "Procedure for Acquisition and Disposal of Assets".

(3) Please discuss.

Resolution:

Election Matters

Report No. 1 Proposed by the Board of Directors

Proposal: Complete Re-election of Directors and Supervisors.

Explanation: (1) The term of the current directors and supervisors shall expire on June 12, 2017. However, according to Article 195 and 217 of the Company Act, in case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

(2) According to Article 14 and 14-1 of the Articles of Incorporation, 7 directors (including 3 independent directors; the candidates for the independent directors shall be subject to the nomination system) and 3 supervisors shall be elected this time for a term of 3 years.

(3) The list of the independent directors was reviewed and approved at the meeting of the Board on May 04, 2017. Relevant information is described below:

Independent Director candidate	Educational background	Career & experience	Present job	Total share ownership
Hsuehyu Liu	Bachelor, Department of Electrical Engineering, Fu Jen Catholic University	Sales Department Manager, Hewlett-Packard Company Vice General Manager, WK Technology Fund	General Manager, NTU Innovation & Incubation Co., Ltd	0
Kuangchao Fan	Ph.D in Mechanical Engineering, University of Manchester Institute of Science and Technology (UMIST)	Director of the NTU Yen Tjing Ling Industrial Research Institute Director, Institute of Industrial Engineering, National Taiwan University Deam. College of Engineering, National Taiwan University Representative of a juridical person director, NTU Innovation & Incubation Co., Ltd. Professor, Department of Mechanical Engineering, National Taiwan University	None	0
Hsulini Wang	Bachelor, Department of	Manager of the Accounting Department, Hewlett-Packard Company	None	0

	Accounting, National Cheng Chi University	Vice General Manager and CFO, WK Technology Fund		
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- (4) The term of the new directors and supervisors is from June 15, 2017 to June 14, 2020. The term of the current directors and supervisors expires at the time when this shareholders' meeting ends.
- (5) The election is carried out according to the "Director and Supervisor Election Procedure" of the company. Also refer to page 63 (Appendix 8) for detail.
- (6) Please elect.

Result of election:

Other Proposals

Report No. 1 Proposed by the Board of Directors

Proposal: Release of the Non-competition Restrictions for Newly Appointed Directors and Their Representatives. Please discuss.

Explanation: (1) According to Article 209 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) To rely on the specialties and experiences of the directors, it is planned to submit to the shareholders’ meeting for its approval to release the non-competition restrictions for newly elected directors and their representatives without prejudice to the benefits of the company.
- (3) Please discuss.

Resolution:

Motions

Adjournment

2016 Business Report

1. 2016 Operating Results

(1) Operating Plan result

The Company's operating revenue was \$4,276,819 thousand in 2016, a decrease of 4% of the revenue of \$4,438,970 thousands in 2015. The net income was \$190,212 thousand, a decrease of 8% of the income of \$175,615 thousand in 2015. The decrease was mainly due to the low demand in the market. However, since the income tax fee in 2016 was relatively lower than 2015, the net profits in 2016 was increased.

(2) Budget achievement: No budget achievement is deemed necessary, as our 2016 financial projection was not offered to the public.

(3) Financial Income and Profitability Analysis

Unit: %; Dollars

Item		2015	2016	
Financial Structure	Liability to Asset ratio (%)	35.50	40.00	
Solvency	Current ratio (%)	105.96	85.71	
Profitability	To paid-in capital ratio (%)	Operating Profit	23.44	9.31
		Profit before tax	31.79	29.80
	Net Profit Margin (%)		3.96	4.45
	Earning per share(Dollar)		2.52	2.73

Thanks to the increase of related expenses to expand smart automated factory in indirect investments of subsidiaries in China, the company needed more funds and applied for a short-term loan to the bank in 2016, indexes were worse than 2015. The level of the profitability generally remained the same as 2015 and no unusual deviation was identified.

(4) R&D

The Company continues deepening the related techniques 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. 2017 Operating Plan Summary

(1) Business Policy

Looking forward in 2017, 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 techniques 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 the high-end network market.

(2) Sales expectation and basis

We expect 2017 sales to be stable based on 2016 actual sales, recent orders, and 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 technology in high-frequency high-speed, magnetic materials, and developing related products. We also plan to build an automated factory for filter element production in Taiwan, introduce smart automated factory in 100% indirect investment factories to increase automation capabilities, reduce labor, 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 to rises in labor force costs in China, along with the extreme labor forces

extreme scarcity in coastal cities, the Company, despite its attempts to increase the employees' salary in the Company's 100% indirect investment in factories, is under tremendous pressure from deteriorating issues such as rising labor costs and labor force shortages. The Company expects to reduce the labor force demand and lower the impacts of outside competition as well as regulatory, and macroeconomic operating environments by introducing smart automated factory and expanding the production capability scale in the Sichuan production base.

Chairman: Gary Chen

General Manger: Chris Chen

Accounting Manager: Elton Wu

U.D. Electronic Corp. 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 2016 (from January 1, 2016 to December 31, 2016). Cheng Zhao-Mei, CPA, and Cheng Chong-Cheng, CPA, of Deloitte & Touche audited and certified the Group's Financial Statements and an audit report, the above-mentioned financial statement together with the business report and distribution proposal of the remaining surplus have 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.

To
2017 Shareholders' Meeting

U.D. Electronic Corp.

Supervisor: Changchun Chien

Supervisor: Terchang Yao

Supervisor: Shihyi Kuo

March 09, 2017

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of U.D. ELECTRONIC CORP. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) 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 Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Revenue Recognition

One of the U.D. ELECTRONIC CORP. sales procedures is to place inventory purchased by customers in their designated warehouses per their instruction. Then, the customer can claim the inventory directly from the warehouses. We deemed the authenticity of the revenue recognition to be a key audit matter due to the risk identified above. Refer to Note 4, 1. to the consolidated financial statements for the detailed information on the revenue recognition.

We verified the rationality of the sales through the understanding and implementation of the internal control. We tested the internal control of the sales cycle and examined the change in customers and accounts receivable turnover rate. We also evaluated the authenticity of the sales by reviewing the appropriate samples from selling journals, validating its original purchase order, third party carrier documentation, and customer agreements, and checking the beneficiaries and receipt procedures. In addition, we performed tests and examined significant subsequent sales returns and allowances to ensure whether the revenue recognitions are free of material misstatement.

Inventory Valuation

As disclosure in Note 9 of the consolidated financial statements, the carrying amount of inventories was \$1,141,289 thousand, accounted for 26% of the consolidated total assets as of December 31, 2016. U.D. ELECTRONIC CORP. and its subsidiaries mainly sell electronic connectors which are produced mainly by the subsidiaries thereof. Because the amount of inventories was material to the Company and the assessment of the net realizable value of the inventories was subject to the judgment of the management, we focused on the reasonableness of the management's valuation of the year end inventories, the adequacy of NRV, and inventories provisions. Refer to Note 4, f. and 5 for the accounting policy and estimation of inventories.

We confirmed that all the inventories were included for the assessment, based on the lower of cost or net realizable value (LCNRV), by obtaining the schedule of inventories assessed by the management, and sampled from the schedule thereof to ensure the reasonableness of the assessment. We validated whether the change in inventories conformed to the record in the aging analysis table by obtaining the table to perform appropriate sampling. Also, we observed the annual inventory count of the subcontractors to validate, in comparison with the inventory aging table, whether the inventories were stagnant, obsolete, defected, or broken.

Other Matter

We have also audited the patent company only financial statements of U.D. ELECTRONIC CORP. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified 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 (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect 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 supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chao-Mei Chen and Jung-Cheng Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2017

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 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.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 360,780	8	\$ 394,355	9
Notes receivable (Notes 4 and 8)	15,680	-	74,742	2
Trade receivables (Notes 4 and 8)	1,209,321	27	1,053,528	23
Trade receivables from related parties (Notes 4 and 28)	7,614	-	-	-
Other receivables (Note 8)	29,548	1	29,750	1
Inventories (Notes 4, 5 and 9)	1,141,829	26	1,471,833	32
Other current assets (Notes 14, 15 and 29)	<u>182,893</u>	<u>4</u>	<u>154,867</u>	<u>3</u>
Total current assets	<u>2,947,665</u>	<u>66</u>	<u>3,179,075</u>	<u>70</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 7)	92,796	2	89,608	2
Property, plant and equipment (Notes 4, 11 and 28)	1,026,641	23	971,034	21
Other intangible assets (Notes 4 and 13)	9,208	-	6,595	-
Goodwill (Notes 4 and 12)	6,103	-	6,103	-
Deferred tax assets (Notes 4 and 23)	22,101	1	4,717	-
Long-term prepayments for lease (Note 14)	62,579	1	69,618	2
Other non-current assets (Notes 15 and 28)	<u>323,001</u>	<u>7</u>	<u>207,387</u>	<u>5</u>
Total non-current assets	<u>1,542,429</u>	<u>34</u>	<u>1,355,062</u>	<u>30</u>
TOTAL	<u>\$ 4,490,094</u>	<u>100</u>	<u>\$ 4,534,137</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 16)	\$ 836,625	19	\$ 761,820	17
Trade payables (Note 18)	461,403	10	528,820	12
Trade payables from related parties (Notes 4 and 28)	2,649	-	-	-
Other payables (Note 19)	548,452	12	508,424	11
Current tax liabilities (Notes 4 and 23)	9,379	-	12,956	-
Current portion of long-term bonds payable (Notes 4 and 17)	-	-	17,015	-
Other current liabilities (Note 19)	<u>12,989</u>	<u>1</u>	<u>21,712</u>	<u>1</u>
Total current liabilities	<u>1,871,497</u>	<u>42</u>	<u>1,850,747</u>	<u>41</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	-	-	12,512	-
Guarantee deposits received (Note 19)	<u>4,910</u>	<u>-</u>	<u>5,014</u>	<u>-</u>
Total non-current liabilities	<u>4,910</u>	<u>-</u>	<u>17,526</u>	<u>-</u>
Total liabilities	<u>1,876,407</u>	<u>42</u>	<u>1,868,273</u>	<u>41</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)				
Share capital				
Ordinary shares	<u>696,758</u>	<u>16</u>	<u>696,758</u>	<u>15</u>
Capital surplus (Note 17)	<u>726,551</u>	<u>16</u>	<u>726,715</u>	<u>16</u>
Retained earnings				
Legal reserve	258,686	6	241,124	6
Special reserve	7,778	-	7,778	-
Unappropriated earnings	<u>988,245</u>	<u>22</u>	<u>920,109</u>	<u>20</u>
Total retained earnings	<u>1,254,709</u>	<u>28</u>	<u>1,169,011</u>	<u>26</u>
Other equity				
Exchange differences on translating foreign operations (Notes 4 and 21)	<u>(87,468)</u>	<u>(2)</u>	<u>50,262</u>	<u>1</u>
Total equity attributable to owners of the parent	2,590,550	58	2,642,746	58
NON-CONTROLLING INTERESTS (Note 21)	<u>23,137</u>	<u>-</u>	<u>23,118</u>	<u>1</u>
Total equity	<u>2,613,687</u>	<u>58</u>	<u>2,665,864</u>	<u>59</u>
TOTAL	<u>\$ 4,490,094</u>	<u>100</u>	<u>\$ 4,534,137</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, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 28)				
Sales	\$ 4,473,806	100	\$ 4,490,717	100
OPERATING COSTS (Notes 9, 22 and 28)				
Cost of goods sold	<u>(3,593,076)</u>	<u>(80)</u>	<u>(3,597,645)</u>	<u>(80)</u>
GROSS PROFIT	<u>880,730</u>	<u>20</u>	<u>893,072</u>	<u>20</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing	(173,388)	(4)	(213,928)	(5)
General and administrative	(307,463)	(7)	(322,055)	(7)
Research and development	<u>(239,278)</u>	<u>(5)</u>	<u>(186,055)</u>	<u>(4)</u>
Total operating expenses	<u>(720,129)</u>	<u>(16)</u>	<u>(722,038)</u>	<u>(16)</u>
PROFIT FROM OPERATIONS	<u>160,601</u>	<u>4</u>	<u>171,034</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	32,898	-	30,174	-
Other gains and losses (Notes 4 and 22)	37,691	1	48,975	1
Finance costs (Notes 4 and 22)	<u>(11,709)</u>	<u>-</u>	<u>(12,630)</u>	<u>-</u>
Total non-operating income and expenses	<u>58,880</u>	<u>1</u>	<u>66,519</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	219,481	5	237,553	5
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(43,086)</u>	<u>(1)</u>	<u>(72,996)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>176,395</u>	<u>4</u>	<u>164,557</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	(166,437)	(4)	(22,974)	(1)
Income tax relating to components of other comprehensive income that may be reclassified subsequently (Notes 21 and 23)	<u>28,210</u>	<u>1</u>	<u>3,906</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>(138,227)</u>	<u>(3)</u>	<u>(19,068)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 38,168</u>	<u>1</u>	<u>\$ 145,489</u>	<u>3</u>

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 190,212	4	\$ 175,615	4
Non-controlling interests	<u>(13,817)</u>	<u>-</u>	<u>(11,058)</u>	<u>-</u>
	<u>\$ 176,395</u>	<u>4</u>	<u>\$ 164,557</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the parent	\$ 52,482	1	\$ 156,547	3
Non-controlling interests	<u>(14,314)</u>	<u>-</u>	<u>(11,058)</u>	<u>-</u>
	<u>\$ 38,168</u>	<u>1</u>	<u>\$ 145,489</u>	<u>3</u>
EARNINGS PER SHARE (NTD; Note 24)				
Basic	<u>\$ 2.73</u>		<u>\$ 2.52</u>	
Diluted	<u>\$ 2.71</u>		<u>\$ 2.45</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					Exchange Differences on Translating Foreign Operations	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings			
			Legal Reserve	Special Reserve				
BALANCE AT JANUARY 1, 2015	\$ 696,758	\$ 726,715	\$ 190,273	\$ 30,887	\$ 1,071,842	\$ 69,330	\$ 34,176	\$ 2,819,981
Appropriation of the 2014 earnings (Note 21)								
Legal reserve	-	-	50,851	-	(50,851)	-	-	-
Special reserve reversed	-	-	-	(23,109)	23,109	-	-	-
Cash dividends	-	-	-	-	(299,606)	-	-	(299,606)
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	726,715	241,124	7,778	920,109	50,262	23,118	2,665,864
Non-controlling interests (Note 21)	-	-	-	-	-	-	14,333	14,333
Appropriation of the 2015 earnings (Note 21)								
Legal reserve	-	-	17,562	-	(17,562)	-	-	-
Cash dividends	-	-	-	-	(104,514)	-	-	(104,514)
Other changes in capital surplus (Notes 17 and 21)	-	(164)	-	-	-	-	-	(164)
Net profit for the year ended December 31, 2016	-	-	-	-	190,212	-	(13,817)	176,395
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(137,730)	(497)	(138,227)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	190,212	(137,730)	(14,314)	38,168
BALANCE, DECEMBER 31, 2016	\$ 696,758	\$ 726,551	\$ 258,686	\$ 7,778	\$ 988,245	\$ (87,468)	\$ 23,137	\$ 2,613,687

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 219,481	\$ 237,553
Adjustments for:		
Depreciation expenses	212,197	206,956
Amortization expenses	7,738	11,897
Amortization of prepayments for lease	1,513	1,217
(Reversal of impairment loss) impairment loss recognized on trade receivables	(4,072)	4,097
Net loss on fair value change of financial assets at fair value through profit or loss	360	21,176
Finance costs	11,709	12,630
Interest income	(1,137)	(6,138)
Dividend income	-	(8,663)
Impairment loss recognized on non-financial assets	20	1,982
Loss on disposal of property, plant and equipment	3,502	2,081
Net unrealized gain on foreign currency exchange, net	(16,265)	(9,998)
Changes in operating assets and liabilities		
Financial assets held for trading	(360)	(21,357)
Notes receivable	58,715	(11,773)
Trade receivables	(122,484)	(4,748)
Trade receivables from related parties	(7,614)	58,276
Other receivables	(651)	38,287
Inventories	230,684	(187,638)
Prepayment	(59,103)	32,806
Other current assets	(25,139)	210
Financial liabilities held for trading	-	(1,646)
Trade payables	(30,921)	25,407
Trade payables from related parties	2,649	-
Other payables	63,340	(209,108)
Other current liabilities	(7,562)	(4,585)
Cash generated from operations	536,600	188,921
Interest received	1,110	6,011
Dividend received	-	8,663
Interest paid	(11,723)	(8,999)
Income tax paid	(47,859)	(128,731)
Net cash generated from operating activities	<u>478,128</u>	<u>65,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(302,348)	(339,902)
Proceeds from disposal of property, plant and equipment	17,212	1,374
Increase in refundable deposits	(1,017)	(6,189)
Payments for intangible assets	(10,462)	(3,034)
Increase in prepayments for equipment	(133,628)	(56,671)

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Purchase of financial assets measured at cost	\$ (3,188)	\$ (40,000)
Increase in other non-current assets	<u>(12,521)</u>	<u>(62,895)</u>
Net cash used in investing activities	<u>(445,952)</u>	<u>(507,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(104,514)	(299,606)
Increase in short-term borrowings	81,715	186,812
Repayment of convertible bonds	(17,200)	(111,961)
Guarantee deposits received	-	2,972
Proceeds from guarantee deposits	(35)	-
Ordinary shares from subsidiary	<u>14,333</u>	<u>-</u>
Net cash used in financing activities	<u>(25,701)</u>	<u>(221,783)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(40,050)</u>	<u>44,183</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,575)	(619,052)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>394,355</u>	<u>1,013,407</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 360,780</u>	<u>\$ 394,355</u>

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

U.D. Electronic Corp.
2016 Profit Distribution Table

Item	Unit: NTD Amount
Unappropriated earnings – beginning of the year	798,033,168
Add: 2016 net income after tax	190,212,519
Subtract: Legal reserve	(19,021,252)
Subtract: Special reserve	(87,468,419)
Accumulated unappropriated earnings	881,756,016
Cash dividends (NT\$1.6/share)	(111,481,292)
Unappropriated earnings – end of the year	770,274,724

Chairman & CEO: General Manager: Accounting manager:

Comparison List before and after Amendment of the “Procedure for Acquisition and Disposal of Assets”

Article	Before the amendment	After the amendment	The reason to amend
Article 7	<p>Procedure for acquisition and disposal of properties or other fixed assets</p> <ol style="list-style-type: none"> 1. (Omitted) 2. (Omitted) 3. (Omitted) 4. Appraisal report of properties or other fixed assets . In acquiring or disposing of any real property or equipment and the transaction amount reaches 20 percent 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, shall obtain an appraisal report from a professional appraiser beforehand and shall further comply with the following provisions: (Omitted below) 	<p>Procedure for acquisition and disposal of properties or other fixed assets</p> <ol style="list-style-type: none"> 1. (Omitted) 2. (Omitted) 3. (Omitted) 4. Appraisal report of properties or other fixed assets In acquiring or disposing of any real property or equipment and the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report from a professional appraiser beforehand and shall further comply with the following provisions: (Omitted below) 	<p>Relevant words are amended.</p>
Article 8	<p>Investment procedure for acquisition or disposal of securities</p> <ol style="list-style-type: none"> 1. (Omitted) 2. Procedure for determining the transaction terms and degree of authorization When acquiring or disposing of securities, the company shall, prior to the date of occurrence of the event, obtain the most recent financial statements of the issuing company that have been certified or reviewed by a certified public accountant for reference in appraising the transaction price. The actual transaction price shall 	<p>Investment procedure for acquisition or disposal of securities</p> <ol style="list-style-type: none"> 1. (Omitted) 2. Procedure for determining the transaction terms and degree of authorization. When acquiring or disposing securities, the company shall, prior to the date of occurrence of the event, obtain the most recent financial statements of the issuing company that have been certified or reviewed by a certified public accountant for reference in appraising the transaction price. 	<p>Relevant words are amended.</p>

Article	Before the amendment	After the amendment	The reason to amend
	<p>be judged and determined by the responsible unit with reference to the market quotation. The amount of the transaction price shall be submitted upwards on a level-to-level basis, and a report on the unrealized gains and losses of the securities must be submitted. Where the dollar amount of the transaction reaches up to 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide opinions regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>The requirements in the previous paragraph are not applicable to the investment firm that is, directly or indirectly, the requirements in the previous paragraph are not applicable to the investment firm that is, directly or indirectly, wholly owned by the company and needs to increase the capital for business operation purpose.</p> <p>3. (Omitted) 4. (Omitted)</p>	<p>The actual transaction price shall be judged and determined by the responsible unit with reference to the market quotation. The amount of the transaction price shall be submitted upwards on a level-to-level basis, and a report on the unrealized gains and losses of the securities must be submitted. Where the dollar amount of the transaction reaches up to 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide opinions regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>The requirements in the previous paragraph are not applicable to the investment firm that is, directly or indirectly, wholly owned by the company and needs to increase the capital for business operation purpose.</p> <p>3. (Omitted) 4. (Omitted)</p>	

Article	Before the amendment	After the amendment	The reason to amend
Article 8-1	<p>The amount of the transaction referred to in Article 7, 8 and 10 shall be calculated according to the requirements of Article 14, Paragraph 1 and Subparagraph 5. Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs. The part for which an appraisal report from a professional appraiser or the opinion from a CRA according to the Procedure has been acquired does not need to be incorporated in the transaction amount.</p>	<p>The amount of the transaction referred to in Article 7, 8, and 10 shall be calculated according to the requirements of Article 14, Paragraph 1 and Subparagraph 5. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs. The part for which an appraisal report from a professional appraiser or the opinion from a CRA according to the <u>Procedure</u> has been acquired does not need to be incorporated in the transaction amount.</p>	<p>Relevant words are amended.</p>
Article 9	<p>Procedure for acquisition of real properties from a related party</p> <ol style="list-style-type: none"> 1. (Omitted) 2. Evaluation and operation procedure <p>When acquiring real properties from a related party, the company shall submit the following information to the Board of Directors for approval and to the supervisors for recognition before carrying out the acquisition:</p> <ol style="list-style-type: none"> (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (2) The reason for choosing the related party as the trading counterpart. (3) With respect to the acquisition of an real property from a related party, information regarding appraisal of 	<p>Procedure for acquisition of real properties from a related party</p> <ol style="list-style-type: none"> 1. (Omitted) 2. Evaluation and operation procedure <p>When acquiring real properties from a related party, the company shall submit the following information to the Board of Directors for approval and to the supervisors for recognition before carrying out the acquisition:</p> <ol style="list-style-type: none"> (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. (2) The reason for choosing the related party as the trading counterpart. (3) With respect to the acquisition of an real property from a related party, information regarding appraisal of the reasonableness of the intended transaction terms in accordance with Paragraphs 3, Subparagraph 	<p>Relevant words are amended.</p>

Article	Before the amendment	After the amendment	The reason to amend
	<p>the reasonableness of the intended transaction terms in accordance with Paragraphs 3, Subparagraph 1 and 4 of this Article.</p> <p>(4) The date one which the related party acquired the real property, the price at which the real property was acquired, the original trading counterpart, and that relationship of the counterpart with the related party.</p> <p>(5) The monthly cash flow forecasts for the year after the month in which the contract will be expectedly entered into, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.</p> <p>(6) The appraisal report from a professional appraiser or the opinion of a CPA in line with the preceding article.</p> <p>(7) Restrictive terms and other important agreements associated with the transaction.</p> <p>3. (Omitted)</p>	<p>1 and 4 of this Article.</p> <p>(4) The date one which the related party acquired the real property, the price at which the real property was acquired, the original trading counterpart, and that relationship of the counterpart with the related party.</p> <p>(5) The monthly cash flow forecasts for the year after the month in which the contract will be expectedly entered into, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.</p> <p>(6) The appraisal report from a professional appraiser or the opinion of a CPA in line with the preceding article.</p> <p>(7) Restrictive terms and other important agreements associated with the transaction.</p> <p>Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to Paragraph 1, the Board of Directors shall adequately take into consideration the opinions of each independent director.</p> <p>If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>The amount of the transaction referred to in the preceding paragraph shall be calculated according to Paragraph 1 of Article 14, "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.</p>	

Article	Before the amendment	After the amendment	The reason to amend
		<p>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 incorporated in the transaction amount.</p> <p>Pursuant to Article 7, Paragraph 2, in cases of acquisition or disposal of equipment for operation of the business between the company and the parent company, the Board of Directors may delegate the Chairman to decide transaction matters within an amount up to NTD 50 million beforehand and have them subsequently submitted to the next Board meeting for ratification.</p> <p>Where the company submits the transaction matters to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall adequately take into consideration the opinions of each independent director.</p> <p>If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>3. (Omitted)</p>	
Article 10	<p>Procedure for acquisition or disposal of memberships or intangible assets</p> <p>1. (Omitted)</p> <p>2. (Omitted)</p> <p>3. (Omitted)</p> <p>4. Expert's evaluation opinions and reports on memberships or intangible assets</p> <p>(1) Where the company acquires or disposes</p>	<p>Procedure for acquisition or disposal of memberships or intangible assets</p> <p>1. (Omitted)</p> <p>2. (Omitted)</p> <p>3. (Omitted)</p> <p>4. Expert's evaluation opinions and reports on memberships or intangible assets</p> <p>(1) Where the company acquires or disposes</p>	Relevant words are amended.

Article	Before the amendment	After the amendment	The reason to amend
	<p>memberships and the transaction amount reaches at least 1 percent of the company's paid-in capital or NT\$5 million, an appraisal report from a professional appraiser shall be required.</p> <p>(2) Where the company acquires or disposes intangible assets and the transaction amount reaches at least 10 percent of the company's paid-in capital or NT\$50 million, an appraisal report from a professional appraiser shall be required.</p> <p>(3) In case of acquiring or disposing memberships or intangible assets with a transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million, except in transactions with a government agency the company shall engage a certified public accountant to give opinions on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF</p>	<p>memberships and the transaction amount reaches at least 1 percent of the company's paid-in capital or NT\$5 million, an appraisal report from a professional appraiser shall be required.</p> <p>(2) Where the company acquires or disposes intangible assets and the transaction amount reaches at least 10 percent of the company's paid-in capital or NT\$50 million, an appraisal report from a professional appraiser shall be required.</p> <p>(3) In case of acquiring or disposing memberships or intangible assets with a transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million, except in transactions with a government agency the company shall engage a certified public accountant to give opinions on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	
Article 13	<p>Procedure for merger, splitting, acquisition, or transfer of shares</p> <p>1. Assessment and implementation procedures</p> <p>(1) When conducting merger, splitting, acquisition, or transfer of shares, the company may engage attorneys, CPAs and securities underwriters to discuss the schedule for legal procedures, and may organize a task force to implement such procedure. The company, prior</p>	<p>Procedure for merger, demerger, acquisition, or transfer of shares</p> <p>1. Assessment and implementation procedures</p> <p>(1) When conducting merger, demerger, acquisition, or transfer of shares, the company may engage attorneys, CPAs and securities underwriters to discuss the schedule for legal procedures, and may organize a task force to implement such procedure. The company, prior to convening the Board meeting</p>	<p>In consideration of an exemption from expert's opinions on the reasonableness of the share</p>

Article	Before the amendment	After the amendment	The reason to amend
	<p>to convening the Board meeting for resolution, shall engage CPAs, attorneys, or securities underwriters to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other properties to shareholders, and submit their opinions to the board meeting for discussion and approval.</p> <p>(Omitted below)</p>	<p>for resolution, shall engage CPAs, attorneys or securities underwriters to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other properties to shareholders, and submit their opinions to the Boarding meeting for discussion and approval.</p> <p><u>The opinions of the experts on the reasonableness referred to in the preceding sentence are not required in case that the target of the merger is a subsidiary with its entire issued shares or capital held directly or indirectly by the company or the merger occurs between the subsidiaries with their entire issued shares or capital held directly or indirectly by the company.</u></p> <p>(Omitted below)</p>	<p>exchange ratio if the merger is for reorganization within the same group.</p>
Article 14	<p>Procedure for disclosure of information after public issue of shares</p> <p>1. Required public announcements and reports and their criteria</p> <p>(1) The trade is related to an acquisition of real properties from a related party or disposal thereof, or acquisition of assets other than real properties from a related party of disposal thereof and the transaction amount reaches 20 percent or more of the company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more Provided,</p>	<p>Procedure for disclosure of information after public issue of shares</p> <p>1. Required public announcements and reports and their criteria</p> <p>(1) The trade is related to an acquisition of real properties from a related party or disposal thereof, or acquisition of assets other than real properties from a related party of disposal thereof and the transaction amount reaches 20 percent or more of the company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more provided, however, that this provision shall not apply to the trading of government bonds, bonds under repurchase and resale conditions, or <u>subscription or redemption of any money market funds issued by a domestic</u></p>	<p>Amended in line with the requirements of the competent authority and management requirements of the company.</p>

Article	Before the amendment	After the amendment	The reason to amend
	<p>however, that this provision shall not apply to the trading of govern bonds and bonds under repurchase and resale conditions.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares is engaged.</p> <p>(3) Losses from derivatives trading reach the limits of the aggregate losses set out in relevant procedures or the losses specified in individual contracts.</p> <p>(4) An asset transaction other than any of those referred to in the preceding 35 subparagraphs, a disposal of receivables by a financial institution, or an investment made in Mainland China area with a transaction amount reaching at least 20 percent of the company’s paid-in capital or NT\$300 million provided, however, that this provision shall not apply to the following circumstances:</p> <p>i.Trading of government bonds.</p> <p>ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</p>	<p><u>securities investment trust business.</u></p> <p>(2) Merger, demerger, acquisition, or transfer of shares is engaged.</p> <p>(3) Losses from derivatives trading reach the limits of the aggregate losses set out in relevant procedures or the losses specified in individual contracts.</p> <p><u>(4)</u> The type of assets acquired or disposed is equipment or machinery for business use, the trading counterpart is not a related party, and the transaction amount is less than NT\$500 million.</p> <p><u>(5)</u> The 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 amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p><u>(6)</u> An asset transaction other than any of those referred to in the preceding <u>5</u> subparagraphs, a disposal of receivables by a financial institution, or an investment made in Mainland China area with a transaction amount reaching at least 20 percent of the company’s paid-in capital or NT\$300 million provided, however, that this provision shall not apply to the following circumstances:</p> <p>i. Trading of government bonds.</p> <p><u>ii.</u> Trading of government bonds, bonds under repurchase and resale conditions, or subscription or <u>redemption</u> of any money market funds <u>issued</u></p>	

Article	Before the amendment	After the amendment	The reason to amend
	<p>iii.Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>iv. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterpart is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>v.Where land 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 amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>(5) The transaction amounts referred to in the preceding Subparagraphs (1)~(4) shall be calculated as follows. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.</p> <p>i.The amount of each transaction.</p> <p>ii. The cumulative transaction amount for acquiring or disposing the assets of same nature with the same trading counterpart within the preceding year.</p>	<p><u>by a domestic securities investment trust business.</u></p> <p>(7) The transaction amounts referred to in the preceding Subparagraphs (1)~(6) shall be calculated as follows. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.</p> <ol style="list-style-type: none"> 1. The amount of each transaction. 2. The cumulative transaction amount for acquiring or disposing the assets of same nature with the same trading counterpart within the preceding year. 3. The cumulative transaction amount of acquisition or disposal (cumulative acquisitions and disposals, respectively) of the real properties in the same development project within the preceding year. 4. The cumulative transaction amount of acquisition or disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>2. Time frame of public announcement The company shall conduct public announcement within two days after the date on which the transaction occurs if the assets acquired or disposed by the company are subject to the announcement and reporting requirements referred to in Paragraph 1 and the transaction amount meets the criteria for public announcement specified in this article.</p> <p>3. Public announcement procedure (1) The company shall publicly announce and report</p>	

Article	Before the amendment	After the amendment	The reason to amend
	<p>iii. The cumulative transaction amount of acquisition or disposal (cumulative acquisitions and disposals, respectively) of the real properties in the same development project within the preceding year.</p> <p>iv. The cumulative transaction amount of acquisition or disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>2. Time frame of public announcement</p> <p>The company shall conduct public announcement within two days after the date on which the transaction occurs if the assets acquired or disposed by the company are subject to the announcement and reporting requirements referred to in Paragraph 1 and the transaction amount meets the criteria for public announcement specified in this article.</p> <p>3. Public announcement procedure</p> <p>(1) The company shall publicly announce and report relevant information on the FSC's designated website.</p> <p>(2) The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the</p>	<p>relevant information on the FSC's designated website.</p> <p>(2) The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC before the 10th day of each month.</p> <p>(3) When the company at the time of public announcement makes an error or omission in any items required by regulations to be publicly announced and shall make correction accordingly, all the items shall be publicly announced and reported again <u>within two days after the date on which the company knows such error or omission.</u></p> <p>(4) The company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPAs, attorneys, and securities underwriters at the company, and shall retain them for 5 years except as otherwise specified by laws or regulations.</p> <p>(5) Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, public announcement and reporting of relevant information shall be made on the website designated by the FSC within 2 days after the date on which the event occurs:</p> <p>i. The contract signed with regard to the original transaction is changed, terminated or revoked.</p>	

Article	Before the amendment	After the amendment	The reason to amend
	<p>information in the prescribed format into the information reporting website designated by the FSC before the 10th day of each month.</p> <p>(3) When the company at the time of public announcement makes an error or omission in any items required by regulations to be publicly announced and shall make correction accordingly, all the items shall be publicly announced and reported again.</p> <p>(4) The company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPAs, attorneys, and securities underwriters at the company, and shall retain them for 5 years except as otherwise specified by laws or regulations.</p> <p>(5) Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, public announcement and reporting of relevant information shall be made on the website designated by the FSC within 2 days after the date on which the event occurs:</p> <p>i. The contract signed with regard to the original</p>	<p>ii. The merger, demerger, acquisition, or transfer of shares is not completed before the scheduled date set forth in the contract.</p> <p>iii. The originally publicly announced and reported information is changed.</p>	

Article	Before the amendment	After the amendment	The reason to amend
	<p>transaction is changed, terminated or revoked.</p> <p>ii. The merger, demerger, acquisition, or transfer of shares is not completed before the scheduled date set forth in the contract.</p> <p>iii. The originally publicly announced and reported information is changed.</p>		
Article 19	<p>This procedure was adopted on June 30, 2009</p> <p>The 1th amendment was made on June 17, 2011</p> <p>The 2nd amendment was made on November 17, 2011</p> <p>The 3rd amendment was made on June 21, 2012</p> <p>The 4th amendment was made on June 20, 2013</p> <p>The 5th amendment was made on June 13, 2014</p>	<p>This Procedure was adopted on June 30, 2009</p> <p>The 1th amendment was made on June 17, 2011</p> <p>The 2nd amendment was made on November 17, 2011</p> <p>The 3rd amendment was made on June 21, 2012</p> <p>The 4th amendment was made on June 20, 2013</p> <p>The 5th amendment was made on June 13, 2014</p> <p>The 6th amendment was made on June 15, 2017</p>	Date and times of amendments

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 an 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: 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.

Article 21: If the Company has profit after tax during the current fiscal year, it shall be allocated first to cover accumulated losses, if any, followed by an appropriation of 10% legal reserve unless the total legal reserve accumulated has already reached the Company's authorized paid-in capital cap. Then to recognize or reverse special reserve in

accordance with the regulations.

The Board of Directors shall propose the profit distribution proposal of the remaining surplus, if any, and accumulated unappropriated earnings and submit a shareholders dividend proposal to the shareholders meeting for a resolution.

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.

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.

The 12th amendment was made on June 16, 2016.

U.D Electronic Corp.

Chairman: Gary Chen

U.D. Electronic Corp.

Procedure for Acquisition and Disposal of Assets

Article 1 Purpose

The Procedure is established to protect the assets and implement public disclosure of information.

Article 2 Legal basis

The Procedure is established in accordance with Article 36-2 of the “Securities and Exchange Act” and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

Article 3 Scope of assets

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 properties (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Memberships
4. Intangible assets including patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws.
8. Other major assets.

Article 4 Terminologies and Definitions

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 in connection with merger, demerger, acquisition, or transfer of shares in accordance with laws: Assets acquired or disposed through merger, demerger, or acquisition 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 and subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Subsidiary: As defined in the Statement of Auditing Standards No. 5 and 7 published by the ARDF.
5. Professional appraiser: The real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
6. Date of occurrence: 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 provided, however, that 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.
7. Mainland China area investment: Investments in the Mainland China area approved by the Investment Commission, MOEA, or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
8. Latest financial statement: The financial statement of the company that has been certified or reviewed by a certified public accountant and immediately before the the company acquires or disposes the assets.

Article 5 Restrictions on investment in real properties for non-business use and securities

In addition to the assets for business use, the company and any of its subsidiaries may invest in real properties for non-business use and securities under the following restrictions:

1. The total amount of the real property for non-business use shall not exceed 15 percent of the net value indicated on the latest financial statement of the company.
2. The total amount of the securities shall not exceed 50 percent of the net value indicated on the latest financial statement of the company.
3. The amount of the investment in individual securities shall not exceed 20 percent of the net value indicated on the latest financial statement of the company.
4. The shares that the company acquires from the invested company in the process of capital increase with surpluses or reserves shall be incorporated in the calculated of the total investment amount referred to in this article.

The preceding provisions shall not apply to the investment in the securities of the enterprise whose shares are fully held by the company.

The company shall not waive the increase of capitals for Global Connection(Samoa)Holding Inc.(hereinafter referred to "GCH") in the coming years;

GHC shall not waive the increase of capitals for Sunderland Inc.(hereinafter referred to as "SDI"), San Francisco Inc.(hereinafter referred to as SFI), Orient Express Int'l Co., Ltd (hereinafter referred to as "OEI") and All First Int' l Co., Ltd. (hereinafter referred to as "AFI") in the coming years; SDI and SFI shall not waive the increase of capitals for Dong Guan Jianguan Plastic + Rubber Electronic Co. ltd. (Hereinafter referred to as Dong Guan Jianguan) and U.D. (Zhong Jiang) Electronic Corp. (hereafter referred to as Zhong Jian Electronic) in the coming years. Where the company, in consideration of any strategic alliance or other matters approved by Taipei Exchange, must waive the increase of capitals for the previously mentioned companies or dispose their shares, the waiver or disposal must be approved at the Board meeting via special resolutions.

Article 6 Restrictions on identity

Professional appraisers and their officer, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports or respective opinions as well as the trading parties shall not be a related party.

Article 7 Procedure for acquisition and disposal of properties or other fixed assets

1. Assessment and implementation procedures

The company acquires or disposes real properties and other fixed assets according to the fixes asset cycling procedure under the internal control system of the company.

2. Procedure for determining the transaction terms and degree of authorization

(1) Real properties shall be acquired or disposed with reference to the publicly announced current value, appraised value, and actual transaction price of the neighboring real properties to determine the transaction terms and prices and analysis reports shall be prepared. The transaction to the amount of less than NT\$50 million shall be submitted to the Chairman for approval, while the transaction to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction can start.

(2) Fixed assets shall be acquired or disposed via price inquiry, comparison, negotiation or tender. The transaction to the amount of less than NT\$50 million (incl.) shall be submitted upward on a level-by-level basis ,while the transaction to the amount of more than NT\$50 million (incl.) shall be submitted to the Chairman for review and forwarded to the Board of Directors for approval before the transaction can start.

3. Implementation department

After having been approved on a level-to-level basis referred to in the preceding paragraph, the using department and administration unit shall implement the acquisition or disposal of real properties or other fixes assets for the company.

4. Appraisal report of properties or other fixed assets

In acquiring or disposing of any real property or equipment and the transaction amount reaches 20 percent 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, shall obtain an appraisal report from a professional appraiser beforehand and shall further comply with the following provisions:

- (1) Where due to special circumstances it 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 to the Board of Directors for approval in advance. The same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (2) Where the transaction amount reaches NT\$1 billion or more, appraisals from two 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, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and give a specific opinion regarding the reason for the deviation and the appropriateness of the transaction price:
 - i. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - ii. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) Where appraisal is conducted before the contract is entered into, no more than 3 months may elapse between the issue date of the appraisal report and the contract date; provided, however, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (5) Where the company acquires or disposes assets through the court auction procedure, the evidential documentation issued by the court may be used as a substitute for the appraisal report or CPA's opinion.

Article 8 Investment procedure for acquisition or disposal of securities

1. Assessment and implementation procedures

The company purchases and sells securities according to the investment cycling procedure under the internal control system of the company.

2. Procedure for determining the transaction terms and degree of authorization

When acquiring or disposing of securities, the company shall, prior to the date of occurrence of the event, obtain the most recent financial statements of the issuing company that have been certified or reviewed by a certified public accountant for reference in appraising the transaction price. The actual transaction price shall be judged and determined by the responsible unit with reference to the market quotation. The amount of the transaction price shall be submitted upwards on a level-to-level basis, and a report on the unrealized gains and losses of the securities must be submitted. Where the dollar amount of the transaction reaches up to 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide opinions regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

The requirements in the previous paragraph are not applicable to the investment firm that is, directly or indirectly, the requirements in the previous paragraph are not applicable to the investment firm that is, directly or indirectly, wholly owned by the company and needs to increase the capital for business operation purpose.

3. Implementation department

After having been approved on a level-to-level basis, the financial unit shall implement the investment in or disposal of securities for the the company.

4. Where the company acquires or disposes assets through the court auction procedure, the evidential documentation issued by the court may be used as a substitute for the appraisal report or CPA's opinion.

Article 8-1 The amount of the transaction referred to in Article 7, 8 and 10 shall be calculated according to the requirements of Article 14, Paragraph 1 and Subparagraph 5.

"Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.

The part for which an appraisal report from a professional appraiser or the opinion from a CRA according to the Procedure has been acquired does not need to be incorporated in the transaction amount.

Article 9 Procedure for acquisition of real properties from a related party

1. When the company engages in any acquisition or disposal of assets with a related party, in addition to following the procedure in Article 7 for acquisition of real properties, ensuring that the necessary resolutions are adopted and the

reasonableness of the transaction terms is assessed as referred to in the following provisions, if the transaction amount reaches 10 percent 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.

The amount of the transaction referred to in the preceding paragraph shall be calculated according to Article 8-1.

When judging whether a trading counterpart is a related party, the substantial relationship shall be taken into account in addition to legal formalities.

2. Evaluation and operation procedure

When acquiring real properties from a related party, the company shall submit the following information to the Board of Directors for approval and to the supervisors for recognition before carrying out the acquisition:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as the trading counterpart.
- (3) With respect to the acquisition of an real property from a related party, information regarding appraisal of the reasonableness of the intended transaction terms in accordance with Paragraphs 3, Subparagraph 1 and 4 of this Article.
- (4) The date one which the related party acquired the real property, the price at which the real property was acquired, the original trading counterpart, and that relationship of the counterpart with the related party.
- (5) The monthly cash flow forecasts for the year after the month in which the contract will be expectedly entered into, and evaluation of the necessity of the transaction and reasonableness of the funds utilization.
- (6) The appraisal report from a professional appraiser or the opinion of a CPA in line with the preceding article.
- (7) Restrictive terms and other important agreements associated with the transaction.

Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to Paragraph 1, the Board of Directors shall adequately take into consideration the opinions of each independent director. If an independent director makes any

objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.

The amount of the transaction referred to in the preceding paragraph shall be calculated according to Paragraph 1 of Article 14. "Within the preceding year" referred to therein means the year calculated backward from 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 incorporated in the transaction amount.

In case of acquisition or disposal of equipment for operation of the business between the company and the parent company, the Board of Directors may pursuant to Article 7, Paragraph 2 delegate the Chairman to decide transaction matters within an amount up to NTD 50 million beforehand and have them subsequently submitted to the next Board meeting for ratification.

Where independent directors are appointed in accordance with relevant laws and the Procedure is submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall adequately take into consideration the opinions of each independent director. If an independent director makes any objection or expresses any reservation about any matter, it shall be recorded in the minutes of the Board meeting.

3. Reasonableness of the transaction cost

- (1) When acquiring real properties from a related party, the company shall assess the reasonableness of the transaction costs by the following means:
 - i. The transaction cost shall be assessed 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 the loan in the year the company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - ii. 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, however, that the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparts.

- (2) 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.
- (3) When acquiring any real property from a related party, the company shall appraise the cost of the real property in accordance with Paragraph 3, Subparagraph 1 and 2 of this article and engage a CPA to check the appraisal and give a specific opinion.
- (4) When the company acquires any real property from a related party and all the results of the appraisals conducted in accordance with Paragraph 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the matter shall be handled in compliance with Paragraph 3, Subparagraph 5 of this article. However, the preceding sentence shall not apply if 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:
 - i. 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 The undeveloped land is appraised in accordance with Article 3, Subparagraph 1, 2 and 3 of this article, the structures is appraised based on the related party's construction cost plus reasonable construction profit, and the aggregation of both is 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 3 years or the gross profit margin of 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 differences among floors or areas in accordance with standard property market practices.
 - ③ Completed leasing transactions by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price differences among floors in accordance with standard property leasing market practices.

- ii. Where the company acquiring real property from a related party 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 with 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 in the same or an adjacent block and within a distance of no more than 500 meters or parcels close to publicly announced current value; transaction for similarly sized parcels in principle refers to the 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.
- (5) Where the company acquires real property from a related party and all the results of appraisals conducted in accordance with Article 3, Subparagraph 1 and 2 of this article are lower than the transaction price, the following steps shall be taken:
- i. The company shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and shall distribute it or use it for capital increase or issuance of bonus shares. Where an investor of the company using the equity method for appraisal is a public company, it shall set aside a special reserve in accordance with Article 41, Paragraph 1 of the Security and Exchange Act in proportion to the special reserve set aside according to the preceding sentence.
 - ii. Supervisors shall comply with Article 218 of the Company Act.
 - iii. Actions taken pursuant to Article 3, Subparagraph 5, Item 1 and 2 of this article shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (6) Where the company acquires real properties from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 1 and 2 of this article regarding the Assessment and implementation procedures rather than Article 3, Subparagraph 1, 2 and 3 of this article regarding the reasonableness of the transaction cost.
- i. The related party acquired the real property through inheritance or as a gift.
 - ii. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.

iii. 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 or leased land.

(7) The company and the public company as an investor of the company using the equity method for appraisal that have set aside a special reserve under the preceding paragraphs 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 has given its consent.

(8) When the company obtains real property from a related party, it shall also comply Paragraph 3, Subparagraph 5 of this article if any other evidence indicating that the acquisition was not an arms length transaction.

Article 10 Procedure for acquisition or disposal of memberships or intangible assets

1. Assessment and implementation procedures

The company acquires or disposes memberships or intangible assets according to the fixes asset cycling procedure under the internal control system of the company.

2. Procedure for determining the transaction terms and degree of authorization

(1) Memberships shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less than NT\$5 million shall be submitted to the Chairman for approval, while the transaction price to the amount of more than NT\$5 million shall be submitted to the Board of Directors for approval before the transaction is started.

(2) Intangible assets shall be acquired or disposed with reference to the fair market value to determine the transaction terms and prices and analysis reports shall be prepared. The transaction price to the amount of less than 10 percent of the paid-in capital or NT\$50 million shall be submitted to the Chairman for approval, while the transaction price to the amount of more than NT\$50 million shall be submitted to the Board of Directors for approval before the transaction is started.

3. Implementation department

After having been approved on a level-to-level basis, the using department and the financial or administration unit shall implement the acquisition or disposal of memberships or intangible assets for the company.

4. Expert's evaluation opinions and reports on memberships or intangible assets

- (1) Where the company acquires or disposes memberships and the transaction amount reaches at least 1 percent of the company's paid-in capital or NT\$5 million, an appraisal report from a professional appraiser shall be required.
- (2) Where the company acquires or disposes intangible assets and the transaction amount reaches at least 10 percent of the company's paid-in capital or NT\$50 million, an appraisal report from a professional appraiser shall be required.
- (3) In case of acquiring or disposing memberships or intangible assets with a transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million, except in transactions with a government agency the company shall engage a certified public accountant to give opinions on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 11 Procedure for acquisition or disposal claims of financial institutions

Basically, the company is not engaged in the transactions involving acquisition or disposal of financial institution's claims. Where the company is intended to be engaged in such transaction, it shall be submitted to the Board of Directors for approval and the assessment and implementation procedure must be established accordingly.

Article 12 Procedure for acquisition or disposal of derivatives

1. Transaction principles and guidelines

(1) Transaction types

- i. The derivatives in which the company is engaged refer to the transaction contracts (such as forward contracts, options contracts, futures contracts, interest or exchange rate, swap contracts, and compound contracts combining the above products) whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests.
- ii. The term "forward contracts" referred to in this Procedure does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- iii. Matters about the transaction of bond deposits shall be subject to this Procedure. The bond transactions with repurchase conditions may not be subject to this Procedure.

(2) Operating (hedging) strategies

The company shall be engaged in transaction of derivatives for hedging purpose. The products for the transaction shall be selected for avoidance of the risks that may occur during operation of the company. The currencies held must be in line with the needs of the company for export transactions, and

shall basically be balanced via internal positions (i.e. revenues and expenses of foreign currencies) of the company to minimize the overall exchange risk of the company and reduce the exchange operation costs. Transactions for other purposes shall be assessed carefully and submitted to the Board of Directors for approval.

(3) Responsibility and authority

i. Financial department

- ① Acquisition of market information, judgment of trends and risks, understanding of financial products and relevant laws and operating techniques; conduct transactions within the the instructions and authorizations of the responsible supervisors to avoid the risk of market price fluctuation.
- ② Regular assessment.
- ③ Provision of information on the positions exposed to the risk.
- ④ Measurement, monitoring, and control of transaction risks.
- ⑤ Public announcements and reports according to the regulations of the competent authority.

ii. Accounting department

- ① Confirmation, transfer, and registration of transactions.
- ② Keeping accounts and preparing financial statement in accordance with GAAP.

iii. Audit department

The audit department shall understand the appropriateness of the internal controls related to transaction of derivatives, and shall check the compliance of the transaction department with the procedures. It shall also analyze transaction cycles, prepare audit reports, and submit the audit items to the supervisors for review before the end of the next month after they are finished. Where any significant in violations or any matters that may bring about significant losses to the company, the internal auditors shall immediately prepare a report and inform the supervisors.

iv. Where acquisition or disposal of assets must be submitted to the Board of Directors for approval according to relevant procedures or laws, and the objections of the directors, if any, have been recorded or documented, the company shall submit these objections to the supervisors. Where the company has independent directors and the acquisition or disposal transaction of assets is submitted to the Board of Directors for discussion according to relevant procedures, the Board of Directors shall adequately

take into consideration the opinions of each independent director, and shall record the consents and objections of the independent directors in the minutes of the Board meeting.

(4) Performance evaluation

- i. The size of the position, determination of gains/loss objectives, regular review.
- ii. Performance shall be evaluated against the preset criteria on the evaluation date. The result of the evaluation shall be used as a reference for decision making in the future.

(5) Total contract prices and allowable losses

i. Total contract price

- ① The total contract price of a hedging transaction shall not exceed the total amount of the foreign currencies that the company needs for import and export trades or the balance of the loan, whichever is higher.
- ② The total contract price of the transactions of other derivatives shall not exceed US\$ 2 million or other equivalent currencies.

ii. Allowable losses

- ① Since the cost is calculated during conclusion of the contract in a hedging transaction, the upper limit of the losses is not taken into account.
- ② The total loss of a speculative transaction shall not exceed 1 percent of the paid-in capital; the loss of each transaction shall not exceed US\$100 thousand or other equivalent currency.

2. Risk management measures

- (1) Credit risk management: The counterpart of the transaction is limited to the financial institutions doing business with the company.
- (2) Market risk management: Hedging transactions are the major means for the risk management.
- (3) Liquidity risk management: To ensure liquidity, it shall be confirmed before the transaction that the transaction limit will not bring about inadequate liquidity.
- (4) Cash flow risk management: To ensure the stability of the cash turnover for the business, the source of the funds for the company to engage in derivative transactions shall be the own funds, and the needs for the funds reflected in the cash revenue/expense forecast of the upcoming three years shall be taken into account when operating the funds.
- (5) Operational risk management:

- i. The authorized limit and operation process of the company shall be observed strictly and incorporated in the internal audit to avoid operational risk.
 - ii. Personnel engaged in derivative transaction may not serve concurrently in other operations such as confirmation and settlement.
 - iii. 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.
 - iv. 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 per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
- (6) Legal risk management: All the documents involved in a bank shall be signed only after they have been reviewed by the professional legal adviser to avoid legal risk.
- (7) Product risk management: Trading personnel shall have full professional competence in the trading of financial products and shall request corresponding banks to disclose information to enhance mutual communication, avoid gaps of understanding, and minimize possible losses.

3. Internal audit system

- (1) Internal audit personnel shall periodically make a determination of the appropriateness of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.
- (2) Internal audit personnel shall announce the audit report together with the contents of the annual internal audits according to the instructions of the competent authority before the end of February in the next year. They shall make improvement for the nonconformities at latest at the end of May in the next year and make a public announcement according to the instructions of the competent authority.

4. Regular assessment and handling of nonconformities

- (1) The Board of Directors shall authorize senior management personnel to conduct regular monitoring and assessment to make sure that all the derivative transactions comply with the procedures of the company and the risks are assumed within the allowable scope. Where any abnormality is

identified in the market value assessment report, the Board of Directors shall be informed immediately and appropriate measures shall be taken.

- (2) 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 per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

5. Principles of the Board of Directors for monitoring and management of derivative transactions

- (1) The Board of Directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. The management principles are prescribed below.

- i. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the procedures of the company for engaging in derivatives transactions.

- ii. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors. Where the company has independent directors, an independent director shall be present at the meeting and express an opinion.

- (2) The Board of Directors shall periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

- (3) When engaging in derivative transactions, the company shall report to the next Board meeting after it authorizes the relevant personnel to handle derivative transactions in accordance with relevant derivative transaction procedures.

- (4) When engaging in derivatives transactions, the company shall establish a log book in which details of the types and amounts of derivatives transactions engaged in, board of directors approval dates, and the matters required to be carefully evaluated under Paragraph 4, Subparagraph 2, Paragraph 5, Subparagraph 1 and 2 of this article shall be recorded in detail in the log book.

Article 13 Procedure for merger, splitting, acquisition, or transfer of shares

1. Assessment and implementation procedures

- (1) When conducting merger, splitting, acquisition, or transfer of shares, the company may engage attorneys, CPAs and securities underwriters to discuss

the schedule for legal procedures, and may organize a task force to implement such procedure. The company, prior to convening the Board meeting for resolution, shall engage CPAs, attorneys, or securities underwriters to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other properties to shareholders, and submit their opinions to the board meeting for discussion and approval.

- (2) The company shall prepare a public report to shareholders detailing important contractual contents and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Paragraph 1 of the preceding Article when sending shareholders notification of the shareholders' meeting as a reference for deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of 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 restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

2. Other notices

- (1) Date of the Board and shareholders' meetings: The company participating in a merger, demerger, or acquisition shall convene a Board meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified beforehand in extraordinary circumstances and grants consent. The company participating in a transfer of shares shall call a Board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified beforehand in extraordinary circumstances and grants consent.

Where the company participates in a merger, demerger, acquisition, or transfer of shares involving in a company listed on an exchange or has its shares traded on an OTC market or a company neither listed on an exchange nor has its shares traded on an OTC market, the company shall sign an agreement with such company and prepare a full written record of the following information and retain it for 5 years for reference:

- i. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - ii. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board meeting.
 - iii. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board meetings.
- (2) Prior undertaking of confidentiality: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (3) Principles for determination and change of the share exchange ratio or acquisition price: The company participating in a merger, demerger, acquisition, or transfer of shares shall, prior to convening the Board meetings on both sides, engage CPAs, attorneys or securities underwriters to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other properties and report their opinions to the shareholders' meeting. The share exchange ratio or acquisition price shall not be changed unless the conditions for the change has been provided in the contract and made public. The conditions for change of the share exchange ratio or acquisition price are prescribed below:
 - i. 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.
 - ii. An action, such as a disposal of major assets, that affects the company's financial operations.
 - iii. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

- iv. Buy-back of treasury stocks as an adjustment made by any of the companies participating in the merger, demerger, acquisition, or transfer of shares.
 - v. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - vi. Other conditions for the change that have been provided in the contract and made public.
- (4) Agreements in the contract: 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:
- i. Handling of breach of contract.
 - ii. Principles for the handling of equity-type securities previously issued or treasury stocks previously bought back by any company that is extinguished in a merger or that is demerged.
 - iii. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - iv. The manner of handling changes in the number of participating entities or companies.
 - v. Preliminary progress schedule for plan execution, and anticipated completion date.
 - vi. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (5) After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out a new the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; provided, however, where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

- (6) 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 act according to Article 2, Subparagraph 1 (date of the Board meeting), Subparagraph 2 (prior undertaking of confidentiality), Subparagraph 5 (change of the companies participating in merger, demerger, acquisition, or transfer of shares)

Article 14 Procedure for disclosure of information after public issue of shares

1. Required public announcements and reports and their criteria

- (1) The trade is related to an acquisition of real properties from a related party or disposal thereof, or acquisition of assets other than real properties from a related party of disposal thereof and the transaction amount reaches 20 percent or more of the company's paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more Provided, however, that this provision shall not apply to the trading of govern bonds and bonds under repurchase and resale conditions.
- (2) Merger, demerger, acquisition, or transfer of shares is engaged.
- (3) Losses from derivatives trading reach the limits of the aggregate losses set out in relevant procedures or the losses specified in individual contracts.
- (4) An asset transaction other than any of those referred to in the preceding 35 subparagraphs, a disposal of receivables by a financial institution, or an investment made in Mainland China area with a transaction amount reaching at least 20 percent of the company's paid-in capital or NT\$300 million provided, however, that this provision shall not apply to the following circumstances:
 - i. Trading of government bonds.
 - ii. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.
 - iii. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
 - iv. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterpart is not a related party, and the transaction amount is less than NT\$500 million.
 - v. Where land 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 amount the company expects to invest in the transaction is less than NT\$500 million.

(5) The transaction amounts referred to in the preceding Subparagraphs (1)~(4) shall be calculated as follows. "Within the preceding year" referred to therein means the year calculated backward from the date on which the current transaction occurs.

i. The amount of each transaction.

ii. The cumulative transaction amount for acquiring or disposing the assets of same nature with the same trading counterpart within the preceding year.

iii. The cumulative transaction amount of acquisition or disposal (cumulative acquisitions and disposals, respectively) of the real properties in the same development project within the preceding year.

iv. The cumulative transaction amount of acquisition or disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

2. Time frame of public announcement

The company shall conduct public announcement within two days after the date on which the transaction occurs if the assets acquired or disposed by the company are subject to the announcement and reporting requirements referred to in Paragraph 1 and the transaction amount meets the criteria for public announcement specified in this article.

3. Public announcement procedure

(1) The company shall publicly announce and report relevant information on the FSC's designated website.

(2) The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC before the 10th day of each month.

(3) When the company at the time of public announcement makes an error or omission in any items required by regulations to be publicly announced and shall make correction accordingly, all the items shall be publicly announced and reported again.

(4) The company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPAs,

attorneys, and securities underwriters at the company, and shall retain them for 5 years except as otherwise specified by laws or regulations.

(5) Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, public announcement and reporting of relevant information shall be made on the website designated by the FSC within 2 days after the date on which the event occurs:

i. The contract signed with regard to the original transaction is changed, terminated or revoked.

ii. The merger, demerger, acquisition, or transfer of shares is not completed before the scheduled date set forth in the contract.

iii. The originally publicly announced and reported information is changed.

Article 15 The subsidiaries of the company shall be subject to the following requirements:

1. The subsidiaries shall establish the “Procedure for Acquisition or Disposal Assets” according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

2. The subsidiaries shall acquire or dispose assets in accordance with the procedures of the company.

3. Where any subsidiary is not a public company and acquires or disposes assets to the extent of the public announcement and reporting criteria specified in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the company shall make public announcement and reporting on behalf of the subsidiary.

4. The 20 percent of the paid-in capital or 10 percent of the total assets specified in the public announcement and reporting criteria applicable to the subsidiaries refer to the paid-in capital of the company.

Article 16 Penalty

The personnel of the company in charge of acquisition or disposal of assets and acting in violation of relevant procedures of the company shall be reported according to the personnel regulations of the company and punished depending on the severity of the violation.

Article 17 Enforcement and amendment

The “Procedure for Acquisition or Disposal Assets” of the company shall be approved by the Board of Directors, sent to the supervisors, and submitted to the shareholders’ meeting for final approval. The same procedure is applicable to the amendment. Where any objections of the directors are raised and recorded or documented, the company shall submit them to the supervisors.

Where independent directors are appointed and the Procedure for Acquisition or Disposal Assets”are submitted to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall adequately take into consideration the opinions of each independent director, and shall record the consents and objections of the independent directors in the minutes of the Board meeting.

Article 18 Supplemental provisions

All the matters not covered in this Procedure shall be subject to relevant laws and regulations.

Article 19 This procedure was adopted on June 30, 2009

The 1th amendment was made on June 17, 2011

The 2nd amendment was made on November 17, 2011

The 3rd amendment was made on June 21, 2012

The 4th amendment was made on June 20, 2013

The 5th amendment was made on June 13, 2014

U.D. Electronic Corp.
Director and Supervisor Election Procedure

Article 1 This Procedure is established according to Article 21 and 41 of the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” to ensure fair, impartial, and open election of directors and supervisors.

Article 2 Unless specified otherwise by law or Articles of Association, election of directors and supervisors shall be subject to this Procedure.

Article 3 Election of the directors shall be conducted in consideration of overall configuration of the Board of Directors. The Board of Directors shall be formed diversely, and diversified guidelines shall be established to meet the requirements of the operation in both type and development, including but not limited to the following two dimensions:

1. Basic condition and value: sex, age, nationality, and culture.
2. Professional knowledge and skill: Professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills and industrial experiences.

Members of the Board of Directors shall have required knowledge, skill, and quality needed for implementation of their tasks. They shall overall have the following capabilities:

1. Operation judgment capability
2. Accounting and financial capability
3. Operating and managing capability
4. Crisis management capability
5. Industry knowledge
6. Global vision
7. Leadership
8. Decision-making capability

More than 50 percent of the directors shall not be spouses or have a kin relationship by blood within 2 generations.

The Board of Directors shall consider to adjust its formation according to the result of the performance evaluation.

Article 4 The supervisors of the company shall meet the following conditions:

1. Honest and steadfastness
2. Fair judgment
3. Professional knowledge
4. Extensive experience
5. Capability of reading financial statements

In addition to the above-mentioned conditions, at least one of the supervisors must be a CPA or financial expert.

Suitable supervisors shall be selected and appointed in consideration of the independence requirements in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies to enhance the risk management and financial and operating control of the company.

At least more than one supervisor or at least one supervisor and one director shall not be spouses or have a kin relationship by blood within 2 generations.

No supervisor is allowed to act concurrently as the director of the company. At least one of the supervisors shall have a domicile in Taiwan to ensure implement the supervision function immediately.

Article 5 The independent directors of the company shall be qualified according to Article 2, 3 and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The independent directors of the company shall be elected and appointed according to Article 5, 6, 7 and 8 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, and shall be subject to Article 24 of the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”.

Article 6 Election of the independent directors shall be subject to the nomination system and procedure specified in Article 192-1 of the Company Act.

Where the number of directors is less than 5 due to discharge of any supervisor, the company shall conduct re-election at the next shareholders’ meeting. Where the vacancies of the directors reach one third of the required number specified in the Articles of Association, the company shall convene a shareholders’ meeting for re-election within 60 days after the date on which such vacancies occurred.

Where the number of the independent directors is inadequate to meet the requirements of Article 14-2, Paragraph 1, Proviso of the Securities and Exchange Act, the requirements of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, or any provisions of Taipei Exchange, re-election shall be conducted at the next shareholders’ meeting; where any independent director is discharge, the company shall convene a shareholders’ meeting within 60 days after the date on which the discharge occurred.

Where any supervisor is discharge and the number of the supervisors becomes inadequate to meet the requirements of the Article of Association, re-election shall be conducted at the next shareholders’ meeting. Where all the supervisors are discharged, the company shall convene a shareholders’ meeting for re-election within 60 days after the date on which such vacancies occurred.

Article 7 Directors and supervisors shall be elected by adopting the cumulative voting system. Each share has the 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.

Article 8 The Board of Directors shall prepare the same pieces of ballots as the number of the directors and supervisors to be elected and add weights accordingly. The ballots shall be distributed to the shareholders attending the shareholders’ meeting. The name of the voter can be substituted with the attendance code printed on the ballot.

Article 9 The votes for each independent/non-independent director and supervisor is determined according to the number of directors and supervisors specified in the Articles of Association. The candidates who receive the ballots representing the largest number of votes shall be elected sequentially according to their respective number of votes. When two or more candidates receive the same number of votes and, thus, exceed the specified number of positions, they shall draw lots to determine the winner, with the chairman drawing the lots on behalf of the the candidates who are not in attendance.

Article 10 Before the election begins, the chairman shall appoint a number of vote monitoring and counting personnel perform their respective duties. The vote monitoring personnel shall have the shareholder status. The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.

Article 11 If the candidate is a shareholder, the voter must enter the candidate's account name and shareholder account number in the "Candidate" column on the ballot. If the candidate is not a shareholder, the voter shall enter the candidate's full name and identity card number. However, If the candidate is a governmental organization or juristic-person shareholder, the voter must enter its candidate's account name and shareholder account number the "Candidate" column on the ballot, or enter the name of the governmental organization or juristic-person shareholder and the name of its representative. Where there are multiple representatives, the name of each respective representative shall be entered.

Article 12 A ballot is invalid under any of the following circumstances:

1. The voting is made without using the ballot prepared by the Board of Directors.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
7. Two or more candidates are indicated on the same ballot.

Article 13 The votes shall be calculated on site immediately after the voting, and the list of the persons elected as directors and supervisors shall be announced by the chairman on the site. Where a shareholder is elected as a director and supervisor simultaneously, he/she shall select either the position as a director or supervisor, and shall not act as the director and supervisor at the same time.

Article 14 The Board of Directors shall send a notice to the persons who are elected as the directors and supervisors of the company.

Article 15: This Procedure, and any amendments thereof, shall be implemented after being adopted by the shareholders' meeting.

Article 16: This Procedure was adopted on June 30, 2008
The 1st amendment was made on November 17, 2011
The 2nd amendment was made on June 17, 2015

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.
Current Shareholding of Directors and Supervisors

1. Total owners' equity as of April 17, 2017, the book closure date of the regular shareholder's meeting, is NTD\$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 & CEO	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	Hsuehyu Liu	0	0
Independent Director	Kuangchao Fan	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	183,900	0.26%
Supervisor	Shihyi Kuo	0	0
Total supervisors' share ownership		651,294	0.93%

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.