

Stock No.: 2383

EMC

Elite Material Co., Ltd.

Handbook for

2016 Annual Shareholders Meeting

Shareholders Meeting Date: Jun 13<sup>th</sup>, 2016

Shareholders Meeting Location: No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City

Elite Material Co., Ltd.

2016 Annual Shareholders Meeting Processing Manual

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## Meeting Schedule

Elite Material Co., Ltd.  
2016 Shareholders Meeting Agenda

- I. Call Meeting to Order
- II. Chairman seated
- III. Chairman's address
- IV. Matters for Discussion (1)
- V. Matters for Announcement
- VI. Matters for Adoption
- VII. Matters for Discussion (2)
- VIII. Matters for Voting
- IX. Matters for Discussion (3)
- X. Extempore Motion
- XI. Adjournment

## Matters for Discussion (1)

### 【First Item】 Proposed by the Board of Directors

Amendment of the Company's "Articles of Incorporation".

Description:

- I. To comply with Decree Hua Zhong Yi Yi Tzi No. 10400058161 of the date 2016/05/20, Article 235-1 of the Company Act was updated and Article 235 concerning of employee's compensation, remuneration of Directors and Supervisors, and the distribution of the surplus as well as the audit committee from the reelection were revised. Some of the provisions of the "Articles of Incorporation" was modified.
- II. In terms of Article 36 and Article 36-1 of the "Articles of Incorporation" concerning of the employee's compensation and the remuneration and assignment of Directors and Supervisors, it was reviewed and approved by the 2<sup>nd</sup> Salary Compensation Committee at the 6<sup>th</sup> meeting on 2016/02/24.
- III. The comparative chart of the provisions of the Company's "Articles of Incorporation" before and after the amendment is listed below.
- IV. This case was reviewed and approved by the 9<sup>th</sup> Board of Directors at the 18th meeting on 2016/03/23.
- V. Please resolve.

Resolution:

Elite Material Co., Ltd.

The comparative chart of the provisions of the Company’s “Articles of Incorporation” before and after the amendment

Article	Amended provision	Existing provision	Amendment Description
5	The Company is located at Taoyuan City, Taiwan, so depending on the actual needs, branches shall be established within or outside the border in adequate locations.	The Company is located at Taoyuan County, Taiwan, so depending on the actual needs, branches shall be established within or outside the border in adequate locations	Taoyuan County is upgraded to Taoyuan City.
15	The matters for resolution and execution in the Shareholders Meeting are the following: 1. The formulation and amendment the Articles of Incorporation. 2. Election of Directors. 3. <u>The review and inspection</u> of the statistical forms made by the Board of Directors and <u>the audit reports of the Auditing Committee</u> . 4. The decision to increase or decrease the capital. 5. The resolution for the distribution of surplus and dividends. 6. The resolution for other important matters.	The matters for resolution and execution in the Shareholders Meeting are the following: 1. The formulation and amendment the Articles of Incorporation. 2. Election of Directors. 3. The reports and statistical forms made by the Board of Directors and <del>reviewed by the Supervisor</del> . 4. The decision to increase or decrease the capital. 5. The resolution for the distribution of surplus and dividends. 6. The resolution for other important matters.	The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.
22	Seven to nine Directors are established in the Board of the Company, who are selected among the shareholders with competence by the Shareholders Meeting.	Five to seven Directors <del>and two to three Supervisors</del> are established in the Board of the Company, who are selected among the shareholders with competence by the Shareholders Meeting.	The Auditing Committee was established in replacement of

Article	Amended provision	Existing provision	Amendment Description
	<p>From the amount of Directors mentioned in the preceding paragraph, three independent Directors are established.</p> <p>Article 192-1 of the Company Act is adopted for the nomination system of the election of Directors. The shareholders shall select from the list of candidates of independent and non-independent Directors are carried out together, whereas the numbers of elected candidates are counted separately.</p>	<p>From the amount of Directors mentioned in the preceding paragraph, three independent Directors are established.</p> <p>Article 192-1 of the Company Act is adopted for the nomination system of the election of Directors <del>and</del> the <del>Supervisors</del>. The shareholders shall select from the list of candidates. Both the elections of independent and non-independent Directors <del>and Supervisors</del> are carried out together, whereas the numbers of elected candidates are counted separately.</p>	<p>the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</p>
22-1	<p>In compliance with Article 14-4 of Securities and Exchange Act, the Auditing Committee, formed by the independent Directors, is established by the members of the in charge of the execution of the Company Act, the Securities and Exchange Act and other regulations regulating the Supervisor's rights and duties.</p> <p>Relevant decree or regulations of the Articles of Incorporation shall be complied with for the members of the Auditing Committee, its rights and duties and other matters to be complied with. The regulations governing the organization shall be otherwise established by the Board of Directors.</p>	<p>In compliance with Article 14-4 of Securities and Exchange Act, the Auditing Committee, formed by the independent Directors, is established by the Company. It is in charge of the execution of the Company Act, the Securities and Exchange Act and other regulations regulating the Supervisor's rights and duties.</p> <p><del>The Supervisors are removed on the date of the establishment of the Auditing Committee.</del></p> <p>Relevant decree or regulations of the Articles of Incorporation shall be complied with for the members of the Auditing Committee, its rights and duties and other matters to be complied with. The regulations governing the organization shall be otherwise established by the Board of Directors.</p>	
23	<p>The term of the Directors of the Company is three years, and they can serve for another term after re-election. If re-election cannot be carried out in time upon the expiration of the term of the Directors, the term of the duty shall be extended until the election of the Directors. The competent authority may mandate a deadline for the company's re-election. In case the re-election is not carried out upon the</p>	<p>The term of the Directors of the Company is three years, <del>and the term of the Supervisors is three years</del>; they can serve for another term after re-election. If re-election cannot be carried out in time upon the expiration of the term of the Director <del>and Supervisor</del>, the term of the duty shall be extended until the election of the Directors <del>and</del> <del>Supervisors</del>. The competent authority may mandate a</p>	



Article	Amended provision	Existing provision	Amendment Description
	expiry of the deadline, the office will be dismissed.	deadline for the company's re-election. In case the re-election is not carried out upon the expiry of the deadline, the office will be dismissed.	
24	<p>The term of reference of the Board of Directors is as in the left:</p> <p>1 ~ 14 not amended (omitted).</p> <p>15. The term of reference assigned by other regulations, articles or resolutions from the Shareholders Meeting.</p>	<p>The term of reference of the Board of Directors is as in the left:</p> <p>1 ~ 14 not amended (omitted).</p> <p><del>15. Risk of significant harm to the Company shall be reported to the Supervisors.</del></p> <p><del>16.</del> 15. The term of reference assigned by other regulations, articles or resolutions from the Shareholders Meeting.</p>	
29	Provision deleted.	<del>The Supervisor's term of reference consists of (1) verification of the Company's financial status; (2) review and inspection of the accounting books and settlement reports; (3) term of reference assigned by other regulations.</del>	
30	Provision deleted.	<del>The Supervisor shall not be a Director, manager or other employee of the Company.</del>	
31	Provision deleted.	<del>The remuneration of the Chairman, vice chairman, Directors and Supervisors shall be paid depending on the Company's profit status, and two percent of the net profit after tax as maximum. The amount shall be reported by the Chairman and resolved at the annual Shareholders Meeting.</del>	
31-4	The national and international standard of the industry shall be taken as reference for the salary and compensation of the Chairman, vice chairman and the Directors who are involved in the operations. The Board of Directors is authorized to come with an agreement.	The national and international standard of the industry shall be taken as reference for the salary and compensation of the Chairman, vice chairman and the Directors who are involved in the operations. The Board of Directors is authorized to come with an agreement.	

Article	Amended provision	Existing provision	Amendment Description
32	The managers shall be invited for the meeting of the Board of Directors as delegates. The delegates have non-voting rights.	<del>The Supervisors shall attend and the managers shall be invited for the meeting of the Board of Directors as delegates. The delegates have non-voting rights.</del>	
32-1	The company is responsible for the liability insurance coverage for the Chairman, the vice chairman, and the Directors.	The company is responsible for the liability insurance coverage for the Chairman, the vice chairman, <del>the Supervisors</del> and the Directors.	
36	Taking the characteristics of industrial growth into consideration and improving the company's financial structure, the Company shall not distribute the annual surplus in the year when losses are incurred. The dividend policy shall prioritize the company's future development and financial situation, and take into account the shareholder remuneration. Then, the Company's future expenditure budget shall take into account for the distribution of the stock dividends so as to keep the necessary cash. The rest shall be distributed to the shareholders in cash dividend, only that the distribution of the cash dividend shall not be lower than the twenty percent of the total amount of the dividend of the proposed issuance.	Taking the characteristics of industrial growth into consideration and improving the company's financial structure, the Company shall not distribute the annual surplus in the year when losses are incurred. The dividend policy shall prioritize the company's future development and financial situation, and take into account the shareholder remuneration. Then, the Company's future capital expenditure budget shall take into account for the distribution of the stock dividends so as to keep the necessary cash. The rest shall be distributed to the shareholders in cash dividend, only that the distribution of the cash dividend shall not be lower than the twenty percent of the total amount of the dividend of the proposed issuance.	As indicated by Article 235 of the amended Company Act, employees' bonus and Directors' compensation are no longer included in the distribution of the earnings; thus, the regulation related to earning distribution in the first paragraph has been modified, while the second was deleted.
	When there is surplus in the general annual financial statement, income tax should be paid first and past losses should be made up. Also, as in compliance with the law, ten percent shall be allocated for the legal reserve, and, in compliance with Article 41 of Securities and Exchange Act, special reserve may be allocated because of requirement of the Shareholders Meeting, or to keep a certain proportion of its earnings as special reserve without distributing it. The special legal reserve required by law may be kept as retained earnings in the event of law amendment	When there is surplus in the general annual financial statement, income tax should be paid first and past losses should be made up. Also, as in compliance with the law, ten percent shall be allocated for the legal reserve, and, in compliance with Article 41 of Securities and Exchange Act, special reserve may be allocated because of requirement of the Shareholders Meeting, or to keep a certain proportion of its earnings as special reserve without distributing it. The special legal reserve required by law may be kept as retained earnings	

Article	Amended provision	Existing provision	Amendment Description
	<p>or the termination of the reason of the allocation of special reserve by applicable law.</p> <p>After the allocation of the earnings to be distributed to the various reserves and after adding the previously accumulated undistributed earnings, the distribution shall be based on the principle of ten to seventy percent of the distributable earnings.</p> <p><u>Depending on the Company's operating status, the Board of Director shall provide a proposal for the distribution of the shareholder dividend and the resolution shall be passed in the shareholder meeting.</u></p>	<p>in the event of law amendment or the termination of the reason of the allocation of special reserve by applicable law.</p> <p>After the allocation of the earnings to be distributed to the various reserves and after adding the previously accumulated undistributed earnings, the distribution shall be based on the principle of ten to seventy percent of the distributable earnings, and distributed based on the following proportion of distribution:</p> <ol style="list-style-type: none"> <li>1. <del>The employee's bonus consists of three to five percent and is distributed based on the Employee Bonus Distribution Approach which is established by the Board of Directors. The targets of the employee bonus distribution include the subordinated employees who meet certain conditions; the approach shall be otherwise established by the Board of Directors.</del></li> <li>2. <del>The compensation of the Directors and Supervisors consists of two percent.</del></li> <li>3. <del>Depending on the Company's operating status, the Board of Director shall provide a proposal for the distribution of the shareholder dividend and the resolution shall be passed in the shareholder meeting.</del></li> </ol> <p>The Board of Directors of the Company shall adjust the earning distribution depending on the actual business environment, and appeal to the shareholder meeting for the resolution of the distribution.</p>	
36-1(Newly added)	<p><u>In case the Company makes profits for the year, three percent shall be allocated for the employees' compensation and no more than one point two percent for the Directors'</u></p>		In compliance with the amended Company Act,

Article	Amended provision	Existing provision	Amendment Description
	<p><u>compensation. However, in case of accumulated losses, it shall be reserved for make-up.</u></p> <p><u>The employees' compensation shall be distributed in stock or cash.</u></p> <p><u>The targets of distribution include the subordinated employees who meet certain conditions; the approach shall be otherwise established by the Board of Directors.</u></p>		<p>this provision concerning of the distribution percentage of the employees' compensation and the Directors' compensation as well as the Board of Director's resolution for matters related to the distribution, is added.</p>
38	<p>This Articles is agreed by all the initiators, established on February 25<sup>th</sup>, 1992, amended twenty-second times (as the existing provisions; omitted) and amended the twenty-third times on June 13<sup>th</sup>, 2016. °</p>	<p>This Articles is agreed by all the initiators, established on February 25<sup>th</sup>, 1992, amended twenty-second times (as the existing provisions; omitted)</p>	<p>The revision dates and times are added.</p>

Matters for Announcement

I. Business and financial condition in 2015

(I) 2015 Business Report

1. 2015 Business Condition:

(1). Results of the operating plans:

- a. Kunshan Plant in China: the monthly productivity has reached to 1.35 million/month.
- b. Zhongshan Plant in China: the monthly productivity has reached to 950 thousand/month.
- c. Kuanyin Plant: the monthly productivity has reached to 50 thousand/month.

Unit: NTD/Thousand

Item	2015
Operating revenue	20,869,717
Gross profit from operations	5,064,330
Operating profit	3,249,150
Profit before tax	3,330,650
Net profit after tax	2,392,187

Note: The combined net income including minority interest income in 2015 was 2.948 million.

(2). Financial balance:

Unit: NTD/Thousand

Item	2015
Net cash inflow from operating activities	3,574,639
Net cash outflow from investing activities	233,602
Net cash outflow from financing activities	1,562,378
The impact of forex towards cash and cash equivalents	-36,308
The current increase in cash	1,742,351

(3). Profitability analysis:

Item of analysis		Year	Financial data from the latest two years	
			2014	2015
Profitability	Return on assets (%)		10.11	14.08
	Return on equity (%)		20.44	26.78
	Ratio accounting paid-in capital (%)	Operating profit	57.99	102.33
		Pre-tax benefit	58.17	104.90
	Net profit rate (%)		8.16	11.46
	Earnings per share (yuan)		4.91	7.55

(4). Development status:

The following were successfully developed in 2015:

1. Automotive electronics ecological substrate of high reliability.
2. New model of ultra-low dielectric ecological substrate for high frequency.
3. New model of ultra-low signal loss High Tg substrate.

Green trend continued to grow around the world. Ultra-low dielectric Mid Tg ecological substrate was mass produced in 2015. The development of the new model of ultra-low dielectric ecological substrate has also been completed, and certification process has been carried out at the high-end global communications terminal manufacturers; the certification at the client-end and the mass production of the high frequency, high speed and high-level applications and automotive applications ecological substrates have gradually been accomplished. We're fully expanding our global environmental protection materials market rate so as to ensure the first position of the ecological materials market in the world.

2. Business plan summary for 2016:

(1). Operating strategy:

- a. To increase the certification for the automotive substrates.
- b. To seek for international strategical cooperation partners.
- c. To actively promote high temperature substrates.
- d. To work on HDI ◦

(2). Expected sales:

	CCL (sheet)	PP(roll)	M/L(K PNL)
Kuanyin Plant	5,943,864	141,822	
Kunshan Plant	13,781,214	250,926	
Zhongshan Plant	8,700,161	184,001	
Hsinchu Plant			1,579
Total	28,425,239	576,749	1,579

a. Expected total sales of CCL: 28,425,239 sheet/year

Expected total sales of PP: 576,749 roll/year

Expected total sales of M/L: 1,579 KPNL/year

b. Key sales policy:

- (a). Balance production and sales, the flexibility to adjust inventories, active working capital.
- (b). Improve yields and meet customer needs.
- (c). In response to EU environmental regulations, to increase ecological materials sales.

3. The Company's future development strategy and the impact of the external competitive environment, legal environment and overall business environment:

(1). The future development strategy of Elite Material consists of the following four points:

- a. To increase the proportion of sales of automotive substrates.
- b. Good customer service and close customer relationships.
- c. The implementation of internal control and the increase of management quality.
- d. To be in line with cloud requirements and develop high frequency and high temperature substrates.

- (2). The impact of the external competitive environment, legal environment and overall business environment:

In terms of the outlook in 2016, the global economy has gradually recovered from the economic crisis and the market demand is increasing. The future economic development in Taiwan will be the integration of the region with rapid economic growth. The Company will cope in the following ways: (1) to increase the market share of halogen-free materials and automotive substrates because greenness is the future trend; products such as mobile phones and consumer electronics will change to the using of halogen-free materials. The Company will make good use of the existing advantages and increase the market share of halogen-free materials and automotive substrates; (2) to fortify customer service so as to consolidate the existing market and to actively develop new customers; (3) to optimize performance efficiency and management quality as well as to implement self-evaluation system; (4) to increase the proportion of shipment of high frequency and high temperature substrates.

Chairman of the Board: Tsai Fei Liang

Manager: Dong Ding Yu

Accounting Director: Yen Hsiu Chu



(II.) 2015 Financial report

1. Balance Sheet Dec 31, 2015 and 2014.
2. Consolidated Income Statement. Jan 1 – Dec 31, 2015 and 2014.
3. Changes in Equity. Jan 1 – Dec 31, 2015 and 2014.
4. Cash Flow. Jan 1 – Dec 31, 2015 and 2014

KMPG inspection report attached.

(Please download the complete financial report at M.O.P.S. at  
<http://mops.twse.com.tw>)



安侯建業聯合會計師事務所

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## Independent Auditors Report

To the Board of Directors of Elite Material Co.,Ltd:

We have audited the balance sheets of Elite Material Co.,Ltd. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elite Material Co.,Ltd. as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years ended December 31, 2015 and 2014, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC.

KPMG

Securities Competent Authority's Approval : (90) Tai Cai Chen(VI) Tzi No. 166967  
Jin Guan Chen Liu Tzi No. 0950161002

March 23<sup>rd</sup>, 2016

Elite Material Co., Ltd.

Balance Sheets

DECEMBER 31, 2015 AND 2014

(Amounts Expressed in Thousands of New Taiwan Dollars)

(English Translation of Financial Report Originally Issued In Chinese)

	104.12.31		103.12.31	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets :</b>				
1100 Cash and cash equivalents(Note 6 (1))	\$ 653,223	5	492,381	4
1150 Net Notes Receivable(Note 6 (3))	200,240	2	210,375	2
1170 Net Trade receivable(Note 6 (3))	1,691,920	12	1,510,517	12
1181 Trade receivable-Related parties	16,878	-	19,449	-
1200 Other Receivables	15,534	-	64,958	1
1310 Inventory(Note 6 (4))	457,668	3	578,849	5
1470 Other Current Assets	24,108	-	24,339	-
<b>Total Current Assets</b>	<b>3,059,571</b>	<b>22</b>	<b>2,900,868</b>	<b>24</b>
<b>Non-current Assets :</b>				
1550 Investments Accounted for Using Equity Method (Note 6 (5))	9,146,840	66	7,497,714	62
1600 Real Estate , Plant and Equipment(Note 6 (6))	1,494,447	11	1,592,347	13
1780 Intangible Assets	1,794	-	1,077	-
1840 Deferred Income Tax Asset(Note 6 (13))	10,820	-	15,242	-
1900 Other Non-current Assets	89,806	1	82,080	1
1920 Refundable deposit	5,429	-	2,176	-
<b>Total Non-current Assets</b>	<b>10,749,136</b>	<b>78</b>	<b>9,190,636</b>	<b>76</b>
<b>Total Assets</b>	<b>\$ 13,808,707</b>	<b>100</b>	<b>12,091,504</b>	<b>100</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities :</b>				
2100 Short-Term Borrowings(Note 6 (7))	\$ 8,329	-	390,043	3
2110 Short-Term Notes and Bills Payable(Note 6 (8))	-	-	199,626	2
2170 Accounts Payable	1,314,145	9	1,323,679	11
2180 Accounts Payable-Related parties	76,218	1	22,994	-
2200 Other Payables	487,225	4	421,108	3
2230 Current Income Tax Liabilities	205,738	1	63,652	1
2250 Provisions - Current(Note 6 (11))	3,892	-	5,446	-
2321 Current portion of bond repurchase (Note 6 (10))	-	-	9,801	-
2322 Long Term Debts-Current Portion(Note 6 (9))	312,500	2	712,500	6
2399 Other Current Liabilities-Other	4,645	-	3,993	-
<b>Total Current Liabilities</b>	<b>2,412,692</b>	<b>17</b>	<b>3,152,842</b>	<b>26</b>
<b>Non-current liabilities :</b>				
2540 Long Term Debt(Note 6 (9))	1,219,700	9	521,719	4
2551 Net benefit liability-Non current(Note 6 (13))	7,971	-	35,837	-
2570 Deferred Income Tax Liabilities(Note 6 (13))	477,179	4	199,615	2
2645 Guarantee Deposits Received	10,547	-	15,379	-
<b>Total Non-current liabilities</b>	<b>1,715,397</b>	<b>13</b>	<b>772,550</b>	<b>6</b>
<b>Total liabilities</b>	<b>4,128,089</b>	<b>30</b>	<b>3,925,392</b>	<b>32</b>
<b>Equity (Note 6 (14)) :</b>				
3100 Capital Stock	3,175,051	24	3,159,941	26
3200 Capital Surplus	432,549	3	419,305	3
Retained Earnings :				
3310 Legal Reserve	740,737	5	586,867	5
3351 Accumulated Earnings/Deficits	4,876,106	35	3,412,810	29
3400 Other Equity	456,175	3	587,189	5
<b>Total equity</b>	<b>9,680,618</b>	<b>70</b>	<b>8,166,112</b>	<b>68</b>
<b>Total liabilities and equity</b>	<b>\$ 13,808,707</b>	<b>100</b>	<b>12,091,504</b>	<b>100</b>

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

**Elite Material Co., Ltd.**  
**Statement of Comprehensive Income**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Amounts Expressed in Thousands of New Taiwan Dollars)**  
**(English Translation of Financial Report Originally Issued In Chinese)**

	2015		2014	
	Amount	%	Amount	%
4000 <b>Operating Income</b>	\$ 5,852,231	100	5,357,007	100
5000 <b>Operating Costs(Note 6 (4))</b>	(4,629,473)	79	(4,517,638)	84
<b>Gross Income from Operations</b>	1,222,758	21	839,369	16
5910 Deduction: Unrealized sales profit and loss	(973)	-	(1,489)	-
5920 Add: Realized sales profit and loss	1,489	-	602	-
<b>Gross Income from Operations</b>	1,223,274	21	838,482	16
<b>Operating Expenses :</b>				
6100 Marketing Expenses	(224,776)	4	(193,714)	4
6200 Administrative expenses	(217,967)	4	(174,098)	3
6300 Research and Development Expenses	(74,330)	1	(74,168)	1
6300 <b>Operating Expenses</b>	(517,073)	9	(441,980)	8
<b>Net Operating Income</b>	706,201	12	396,502	8
<b>Non-Operating Income and Expenses :</b>				
7010 Other Income	1,452	-	845	-
7020 Other Gains and Losses(Note 6 (18))	28,190	-	8,627	-
7370 Share of Profit of Associates Accounted for Using Equity Method	2,220,063	38	1,236,630	23
7050 Financial Costs	(30,393)	(1)	(29,774)	(1)
<b>Non-Operating Income and Expenses</b>	2,219,312	37	1,216,328	22
7900 <b>Continuing Operations' Income Before Tax</b>	2,925,513	49	1,612,830	30
7951 <b>Deduction: Income Tax Expense</b>	(536,274)	(9)	(74,134)	(1)
<b>Net Income (loss)</b>	2,389,239	40	1,538,696	29
8300 <b>Other Comprehensive Income :</b>				
8310 <b>Items not to be reclassified into profit or loss</b>				
8311 Defined benefit plans Remeasurement	22,110	-	4,958	-
8349 Income tax related to Items not to be reclassified	(3,758)	-	8,825	-
	18,352	-	13,783	-
8360 <b>Items that may be subsequently reclassified into profit or loss</b>				
8361 Exchange difference in the financial report from operating units aboard	(157,847)	(3)	256,447	5
8399 Income tax related to Items to be reclassified	26,833	-	(43,596)	(1)
<b>Items that may be subsequently reclassified into profit or loss</b>	(131,014)	(3)	212,851	4
8300 <b>Other Comprehensive Income(Amount after tax)</b>	(112,662)	(3)	226,634	4
<b>Total Comprehensive Income</b>	<b>\$ 2,276,577</b>	<b>37</b>	<b>1,765,330</b>	<b>33</b>
<b>Earnings Per Share(Note 6 (16))(Unit : TWD)</b>	<b>\$ 7.55</b>		<b>4.91</b>	
<b>Diluted Earnings Per Share (Note 6 (16))(Unit : TWD)</b>	<b>\$ 7.46</b>		<b>4.84</b>	

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

**Elite Material Co., Ltd.**

**Statement of changes in equity**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars)

(English Translation of Financial Report Originally Issued In Chinese)

	Capital Stock		Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Total equity		
	Common Stock	Capital collected in advance	Capital Surplus	Legal Reserve			Undistributed Earnings	Foreign Financial Statements
<b>Jan.1, 2014 Balance</b>	\$	3,124,138	-	381,700	503,265	2,506,830	374,338	6,890,271
Net Income	-	-	-	-	-	1,538,696	-	1,538,696
Other Comprehensive Income	-	-	-	-	-	13,783	-	226,634
Total Comprehensive Income	-	-	-	-	-	1,552,479	212,851	1,765,330
Appropriation and distribution of retained earnings(註1) :								
Legal Reserve	-	-	-	-	83,602	(83,602)	-	-
Cash Dividends of Common Stock	-	-	-	-	-	(562,897)	-	(562,897)
Convertible Securities Conversion	-	16,193	-	21,918	-	-	-	38,111
The right to transfer the right of charge of convertible bonds payable converted to common share	-	-	-	(5,955)	-	-	-	(5,955)
Advance Receipts for Capital Stock	-	-	36,884	-	-	-	-	36,884
Exercise Employee Stock Warrants	-	19,610	(36,884)	17,274	-	-	-	-
Stock-based Payment Transaction	-	-	4,368	-	-	-	-	4,368
<b>Dec.31, 2014 Balance</b>		3,159,941	-	419,305	586,867	3,412,810	587,189	8,166,112
Net Income	-	-	-	-	-	2,389,239	-	2,389,239
Other Comprehensive Income	-	-	-	-	-	18,352	(131,014)	(112,662)
Total Comprehensive Income	-	-	-	-	-	2,407,591	(131,014)	2,276,577
Appropriation and distribution of retained earnings(註2) :								
Legal Reserve	-	-	-	-	153,870	(153,870)	-	-
Cash Dividends of Common Stock	-	-	-	-	-	(790,425)	-	(790,425)
Convertible Securities Conversion	-	-	-	2,168	-	-	-	2,168
The right to transfer the right of charge of convertible bonds payable converted to common share	-	1,600	-	(584)	-	-	-	1,016
Matured bonds payable	-	-	-	(1,224)	-	-	-	(1,224)
Exercise Employee Stock Warrants	-	13,510	-	11,144	-	-	-	24,654
Stock-based Payment Transaction	-	-	-	1,740	-	-	-	1,740
<b>Dec.31, 2015 Balance</b>	\$	<b>3,175,051</b>	-	<b>432,549</b>	<b>740,737</b>	<b>4,876,106</b>	<b>456,175</b>	<b>9,680,618</b>

Note 1: The compensation for directors and supervisors, 12,105,000 dollars, and the employee bonus, 30,263,000 dollars for 2013 has been deducted from Statement of Comprehensive Income.

Note 2: The compensation for directors and supervisors, 16,998,000 dollars, and the employee bonus, 42,496,000 dollars for 2014 has been deducted from Statement of Comprehensive Income.

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

**Elite Material Co., Ltd.**  
**Statement of Cash Flows**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Amounts Expressed in Thousands of New Taiwan Dollars)**  
**(English Translation of Financial Report Originally Issued In Chinese)**

	2015	2014
<b>Cash Payments for Other Goods and Services :</b>		
<b>Net Income before Tax</b>	\$ 2,925,513	1,612,830
<b>Adjustments :</b>		
Income & Expense Items		
Depreciation Expense	165,755	186,330
Amortization	1,339	1,622
Expense for bad debts expense (transferred to income)	(2,185)	(280)
Gains on Financial Assets (Liabilities) at Fair Value through Net Profit or Loss	-	85
Share of Profit of Associates Accounted for Using Equity Method	(2,220,063)	(1,236,630)
Interest expense	30,310	29,033
Interest revenue	(1,452)	(845)
Interest from the disposition of Real Estate, Plant and Equipment	2,395	51
Cost for share-based compensation	1,740	4,368
Convertible bonds issuance discount cost and interest expense	83	741
Buy back the interests on Bonds Payable	(1,224)	-
Others	-	1,125
Income & Expense Items 合計	(2,023,302)	(1,014,400)
<b>Changes In Operating Assets and Liabilities :</b>		
Net Change In Operating Assets :		
Notes Receivable	10,246	(25,421)
Trade receivable	(176,713)	(274,382)
Other Receivables	49,377	(55,939)
Inventory	121,181	(69,004)
Deferred Revenues	(1,174)	231
Other Current Assets	231	(8,494)
Other Non-current Assets	(7,726)	(4,004)
Net Change In Operating Assets	(4,578)	(437,013)
Net Change In Operating Liabilities :		
Accounts Payable	43,690	318,484
Other Payables	66,058	60,681
Provisions	(1,554)	(201)
Other Current liabilities	652	(470)
Net Defined benefit liability	(5,756)	(5,316)
Net Change In Operating Liabilities	103,090	373,178
Changes In Operating Assets And Liabilities	98,512	(63,835)
Adjustments	(1,924,790)	(1,078,235)
Cash Inflows of Operations	1,000,723	534,595
Interest Received Classified As Investing Activities	1,457	845
Dividends Received Classified As Investing Activities	414,262	-
Interest Paid Classified As Financing Activities	(30,109)	(28,858)
Income taxes paid	(89,126)	(40,383)
<b>Cash provided by (used in) operating activities</b>	1,297,207	466,199
<b>Cash flows from investing activities :</b>		
Acquisition Of Real Estate, Plant and Equipment	(70,710)	(111,106)
Proceeds From Disposal Of Real Estate, Plant and Equipment	316	1,551
Acquisition Of Intangible Assets	(2,056)	(269)
Decrease(Increase) In Refundable deposit	(3,253)	546
<b>Cash provided by (used in) investing activities</b>	(75,703)	(109,278)
<b>Cash flows from financing activities :</b>		
Decrease(Increase) In Short-Term Borrowings	(381,714)	164,173
Decrease(Increase) In Short-Term Notes and Bills Payable	(199,626)	49,991
Bonds buy back	(6,700)	-
Proceeds From Long Term Debt	1,535,481	581,250
Repayments Of Long Term Debt	(1,237,500)	(593,750)
Decrease In Guarantee Deposits Received	(4,832)	(3,669)
Cash Dividends	(790,425)	(562,897)
Exercise Employee Stock Warrants	24,654	36,884
<b>Cash Flows From Financing Activities</b>	(1,060,662)	(328,018)
<b>Increase In Cash And Cash Equivalents</b>	160,842	28,903
<b>Cash And Cash Equivalents At Beginning Of Period</b>	492,381	463,478
<b>Cash And Cash Equivalents At End Of Period</b>	<b>\$ 653,223</b>	<b>492,381</b>

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

## Statement

In 2015 (from 2015/01/01 to 2015/12/31), the Company included the companies for the preparation of the consolidated financial statements of the affiliated enterprises based on the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, and the companies for the preparation of the consolidated financial statements of the parent companies based on International Financial Reporting Standards No. 10 recognized by the FSC. The relevant information that shall be disclosed at the consolidated financial statements of the affiliates has already been disclosed at the aforementioned consolidated financial reports of the parent companies, so the consolidated financial statements of the affiliates will not otherwise be prepared.

Hereby declared.

Company: Elite Material Co., Ltd.

Chairman of the Board: Tsai Fei Liang

Date: March 23<sup>rd</sup>, 2016



安侯建業聯合會計師事務所

KPMG

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Internet 網址 www.kpmg.com.tw

## Independent Auditors' Report

To the Board of Directors of Elite Material Co.,Ltd:

We have audited the accompanying consolidated balance sheets of Elite Material Co.,Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Elite Material Co.,Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC.

We have also audited the standalone financial statements of Elite Material Co.,Ltd. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014, on which we have issued an unqualified audit report.

KPMG

Securities (90) Tai Cai Chen(VI) Tzi No.  
Competent : 166967  
Authority's Jin Guan Chen Liu Tzi No.  
Approval 0950161002

March 23<sup>rd</sup>, 2016



**Elite Material Co., Ltd. and subsidiary company**  
**CONSOLIDATED Balance Sheets**  
**DECEMBER 31, 2015 AND 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars)  
(English Translation of Financial Report Originally Issued In Chinese)

	104.12.31		103.12.31	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets :</b>				
1100 Cash and cash equivalents(Note 6 (1))	\$ 3,911,270	22	2,168,919	13
1110 Current Financial asset or financial liability at fair value through profit(Note 6 (2))	-	-	1,427	-
1150 Net Notes Receivable(Note 6 (3))	245,500	1	228,614	1
1170 Net Trade receivable(Note 6 (3))	6,527,270	37	6,715,068	40
1200 Other Receivables(Note 6 (3))	16,448	-	63,865	-
1220 Current Tax Assets	-	-	2,596	-
1310 Inventory (Note 6 (4))	1,790,378	10	1,845,941	11
1470 Other Current Assets	85,128	1	86,963	1
<b>Total Current Assets</b>	<b>12,575,994</b>	<b>71</b>	<b>11,113,393</b>	<b>66</b>
<b>Non-current Assets :</b>				
1523 Non-current Available-for-sale financial assets(Note 6 (2))	18,554	-	17,890	-
1600 Real Estate, Plant and Equipment(Note 6 (6))	4,656,802	26	5,099,578	31
1780 Intangible Assets	3,286	-	1,614	-
1840 Deferred Income Tax Asset(Note 6 (13))	24,286	-	27,975	-
1900 Other Non-current Assets	310,738	2	317,267	2
1920 Refundable deposit	15,674	-	18,598	-
1985 Long-term prepaid rent	102,495	1	107,578	1
<b>Total Non-current Assets</b>	<b>5,131,835</b>	<b>29</b>	<b>5,590,500</b>	<b>34</b>
<b>Total Assets</b>	<b>\$ 17,707,829</b>	<b>100</b>	<b>16,703,893</b>	<b>100</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current liabilities :</b>				
2100 Short-Term Borrowings(Note 6(7))				
2110 Short-Term Notes and Bills Payable(Note 6(8))				
2120 Current Financial asset or financial liability at fair value through loss (Note 6 (2))				
2170 Accounts Payable	4,474,140	25	4,714,485	29
2200 Other Payables	1,132,092	6	1,068,330	6
2230 Current Income Tax Liabilities	311,617	2	103,914	1
2250 Provisions - Current(Note 6 (11))	20,101	-	28,555	-
2321 Current portion of bond repurchase(Note 6 (10))	-	-	9,801	-
2322 Long Term Debts-Current Portion(Note 6 (9))	312,500	2	712,500	4
2399 Other Current Liabilities-Other	13,859	-	13,962	-
<b>Total Current Liabilities</b>	<b>6,295,239</b>	<b>35</b>	<b>7,753,666</b>	<b>46</b>
<b>Non-current liabilities :</b>				
2540 Long Term Debt(Note 6 (9))	1,219,700	7	521,719	4
2551 Net benefit liability-Non current(Note 6(12))	7,971	-	35,837	-
2570 Deferred Income Tax Liabilities(Note 6 (13))	477,179	3	199,615	1
2645 Guarantee Deposits Received	15,960	-	17,647	-
<b>Total Non-Current Liabilities</b>	<b>1,720,810</b>	<b>10</b>	<b>774,818</b>	<b>5</b>
<b>Total liabilities</b>	<b>8,016,049</b>	<b>45</b>	<b>8,528,484</b>	<b>51</b>
<b>Equity attributable to owners of the parent company (Note 6 (14)) :</b>				
3100 Capital	3,175,051	18	3,159,941	19
3200 Capital Surplus	432,549	2	419,305	2
Retained Earnings :				
3310 Legal Reserve	740,737	4	586,867	4
3351 Accumulated Earnings/Deficits	4,876,106	28	3,412,810	20
3400 Other Equity	456,175	3	587,189	4
36XX Non-controlling Interests	11,162	-	9,297	-
<b>Total equity</b>	<b>9,691,780</b>	<b>55</b>	<b>8,175,409</b>	<b>49</b>
<b>Total LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 17,707,829</b>	<b>100</b>	<b>16,703,893</b>	<b>100</b>

( Please refer to the note attached herein. )

**Elite Material Co., Ltd. and subsidiary company**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(Amounts Expressed in Thousands of New Taiwan Dollars)  
(English Translation of Financial Report Originally Issued In Chinese)

		2015		2014	
		Amount	%	Amount	%
4000	<b>Operating Income</b> (Note 6 (17))	\$ 20,869,717	100	18,884,745	100
5000	<b>Operating Costs</b> (Note 6 (4))	(15,805,387)	(76)	(15,454,173)	(82)
	<b>Gross Income from Operations</b>	<u>5,064,330</u>	24	<u>3,430,572</u>	18
	<b>Operating Expenses :</b>				
6100	Marketing Expenses	(1,183,770)	(6)	(1,054,894)	(6)
6200	Administrative expenses	(448,953)	(2)	(376,278)	(2)
6300	Research and Development Expenses	(182,457)	(1)	(167,009)	(1)
	<b>Total Operating Expenses</b>	<u>1,815,180</u>	9	<u>1,598,181</u>	9
	<b>Net Operating Income</b>	3,249,150	15	1,832,391	9
	<b>Non-Operating Income and Expenses</b> (Note 6 (19)) :				
7010	Other Income	7,300	-	4,267	-
7020	Other Gains and Losses	109,992	1	48,660	-
7050	Financial Costs	(35,792)	-	(47,067)	-
	<b>Non-Operating Income and Expenses</b>	<u>81,500</u>	1	<u>5,860</u>	-
	<b>Continuing Operations' Income Before Tax</b>	3,330,650	16	1,838,251	9
7951	<b>Deduction: Income Tax Expense</b> (Note 6 (13))	(938,463)	(4)	(296,618)	(1)
	<b>Net Income</b>	<u>2,392,187</u>	12	<u>1,541,633</u>	8
8300	<b>Other Comprehensive Income :</b>				
8310	<b>Items not to be reclassified into profit or loss</b>				
8311	Defined benefit plans Remeasurement	22,110	-	4,958	-
8349	Income tax related to Items not to be reclassified	(3,758)	-	8,825	-
	<b>Items not to be reclassified into profit or loss</b>	<u>18,352</u>	-	<u>13,783</u>	-
8360	<b>Items that may be subsequently reclassified into profit or loss</b>				
8361	Exchange difference in the financial report from operating units aboard	(158,930)	(1)	256,855	1
8399	Income tax related to Items to be reclassified	26,833	-	(43,596)	-
	<b>Items that may be subsequently reclassified into profit or loss</b>	<u>(132,097)</u>	(1)	<u>213,259</u>	1
8300	<b>Other Comprehensive Income</b> (Amount after tax)	(113,745)	(1)	227,042	1
	<b>Total Comprehensive Income</b>	<u>\$ 2,278,442</u>	<u>11</u>	<u>1,768,675</u>	<u>9</u>
	<b>Net Income for :</b>				
	Owners of the parent	\$ 2,389,239	12	1,538,696	8
	Non-controlling Interests	2,948	-	2,937	-
		<u>\$ 2,392,187</u>	<u>12</u>	<u>1,541,633</u>	<u>8</u>
	<b>Aggregate loss and gain attributable to :</b>				
	Owners of the parent company	\$ 2,276,577	11	1,765,330	9
	Non-controlling Interests	1,865	-	3,345	-
		<u>\$ 2,278,442</u>	<u>11</u>	<u>1,768,675</u>	<u>9</u>
	<b>Earnings Per Share</b> (TWD) (Note 6 (16))				
	<b>Earnings Per Share</b> (Unit : TWD)	<u>\$ 7.55</u>		<u>4.91</u>	
	<b>Diluted Earnings Per Share</b> (Unit : TWD)	<u>\$ 7.46</u>		<u>4.84</u>	

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

**Elite Material Co., Ltd. and subsidiary company**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Amounts Expressed in Thousands of New Taiwan Dollars)**  
**(English Translation of Financial Report Originally Issued In Chinese)**

	Equity attributable to owners of the parent company								
	Capital Stock	Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Equity attributable to owners of the parent company	Non-controlling Interest	Total equity	
	Common Stock	Capital collected in advance	Capital Surplus	Legal Reserve	Undistributed Earnings	Financial Statements	parent company	Interest	
<b>Jan.1, 2014 Balance</b>	\$ 3,124,138	-	381,700	503,265	2,506,830	374,338	6,890,271	17,227	6,907,498
Net Income	-	-	-	-	1,538,696	-	1,538,696	2,937	1,541,633
Other Comprehensive Income	-	-	-	-	13,783	212,851	226,634	408	227,042
<b>Total Comprehensive Income</b>	-	-	-	-	1,552,479	212,851	1,765,330	3,345	1,768,675
Legal Reserve	-	-	-	83,602	(83,602)	-	-	-	-
Cash Dividends of Common Stock	-	-	-	-	(562,897)	-	(562,897)	-	(562,897)
Convertible Securities Conversion	16,193	-	21,918	-	-	-	38,111	-	38,111
The right to transfer the right of charge of convertible bonds payable converted to common share	-	-	(5,955)	-	-	-	(5,955)	-	(5,955)
Advance Receipts for Capital Stock	-	36,884	-	-	-	-	36,884	-	36,884
Exercise Employee Stock Warrants	19,610	(36,884)	17,274	-	-	-	-	-	-
Stock-based Payment Transaction	-	-	4,368	-	-	-	4,368	-	4,368
Non-controlling Interests	-	-	-	-	-	-	-	(11,275)	(11,275)
<b>Dec.31, 2014 Balance</b>	3,159,941	-	419,305	586,867	3,412,810	587,189	8,166,112	9,297	8,175,409
Net Income	-	-	-	-	2,389,239	-	2,389,239	2,948	2,392,187
Other Comprehensive Income for this term	-	-	-	-	18,352	(131,014)	(112,662)	(1,083)	(113,745)
<b>Total Comprehensive Income</b>	-	-	-	-	2,407,591	(131,014)	2,276,577	1,865	2,278,442
Appropriation and distribution of retained earnings :									
Legal Reserve	-	-	-	153,870	(153,870)	-	-	-	-
Cash Dividends of Common Stock	-	-	-	-	(790,425)	-	(790,425)	-	(790,425)
Convertible Securities Conversion	-	-	2,168	-	-	-	2,168	-	2,168
The right to transfer the right of charge of convertible bonds payable converted to common share	1,600	-	(584)	-	-	-	1,016	-	1,016
Matured bonds payable	-	-	(1,224)	-	-	-	(1,224)	-	(1,224)
Exercise Employee Stock Warrants	13,510	-	11,144	-	-	-	24,654	-	24,654
Stock-based Payment Transaction	-	-	1,740	-	-	-	1,740	-	1,740
<b>Dec.31, 2015 Balance</b>	\$ 3,175,051	-	432,549	740,737	4,876,106	456,175	9,680,618	11,162	9,691,780

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

**Elite Material Co., Ltd. and subsidiary company**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
**(Amounts Expressed in Thousands of New Taiwan Dollars)**  
**(English Translation of Financial Report Originally Issued In Chinese)**

	<u>2015</u>	<u>2014</u>
<b>Cash Payments for Other Goods and Services :</b>		
<b>Net Income before Tax</b>	\$ 3,330,650	1,838,251
<b>Adjustments :</b>		
Income & Expense Items		
Depreciation Expense	535,229	528,291
Amortization	1,767	2,635
Expense for bad debts expense (transferred to income)	(2,947)	36,351
Gains on Financial Assets (Liabilities) at Fair Value through Net Profit or Loss	19,904	(1,294)
Interest expense	35,709	46,326
Interest revenue	(7,300)	(4,267)
Loss on Disposal Of Real Estate, Plant and Equipment Loss	6,209	1,461
Cost for share-based compensation	1,740	4,368
Convertible bonds issuance discount cost and interest expense	83	741
Buy back the interests on Bonds Payable	(1,224)	-
Others	-	(6,802)
Total Income & Expense Items	<u>589,170</u>	<u>607,810</u>
<b>Changes In Operating Assets and Liabilities :</b>		
<b>Net Change In Operating Assets :</b>		
Notes Receivable	(17,372)	101,737
Trade receivable	263,121	(1,508,687)
Other Receivables	39,601	(35,896)
Inventory	30,065	(190,874)
Other Current Assets	(6,572)	(6,310)
Other Assets	5,198	(87,444)
Total Net Change In Operating Assets	<u>314,041</u>	<u>(1,727,474)</u>
<b>Net Change In Operating Liabilities :</b>		
Accounts Payable	(335,147)	1,350,129
Other Payables	134,226	209,773
Provisions	(8,072)	13,516
Other Current liabilities	7,275	134
Net Defined benefit liability	(5,756)	(5,316)
Total Net Change In Operating Liabilities	<u>(207,474)</u>	<u>1,568,236</u>
Changes In Operating Assets And Liabilities	<u>106,567</u>	<u>(159,238)</u>
Total Adjustments	<u>695,737</u>	<u>448,572</u>
<b>Cash Inflows of Operations</b>	4,026,387	2,286,823
Interest Received Classified As Investing Activities	7,310	4,248
Interest Paid Classified As Financing Activities	(36,315)	(48,512)
Income taxes paid	(422,743)	(266,781)
<b>Cash provided by (used in) operating activities</b>	<u>3,574,639</u>	<u>1,975,778</u>
<b>Cash flows from investing activities :</b>		
Acquisition Of Real Estate, Plant and Equipment	(233,854)	(486,535)
Proceeds From Disposal Of Real Estate, Plant and Equipment	1,045	2,487
Acquisition Of Intangible Assets	(3,457)	(269)
Decrease(Increase) In Refundable deposit	2,664	(2,756)
<b>Cash provided by (used in) investing activities</b>	<u>(233,602)</u>	<u>(487,073)</u>
<b>Cash flows from financing activities :</b>		
Decrease In Short-Term Borrowings	(885,769)	(716,771)
Decrease(Increase) In Short-Term Notes and Bills Payable	(199,626)	49,991
Proceeds From Long Term Debt	1,535,481	581,250
Repayments Of Long Term Debt	(1,237,500)	(593,750)
Decrease In Guarantee Deposits Received	(1,615)	(4,474)
Cash Dividends	(791,303)	(562,897)
Exercise Employee Stock Warrants	24,654	36,884
Bonds buy back	(6,700)	-
Purchase of Non-controlling Interests	-	3,405
<b>Cash Flows From Financing Activities</b>	<u>(1,562,378)</u>	<u>(1,206,362)</u>
<b>Effects of exchange rate change on cash and cash equivalents</b>	(36,308)	50,104
<b>Increase In Cash And Cash Equivalents</b>	1,742,351	332,447
<b>Cash And Cash Equivalents At Beginning Of Period</b>	2,168,919	1,836,472
<b>Cash And Cash Equivalents At End Of Period</b>	<u>\$ 3,911,270</u>	<u>2,168,919</u>

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

## II. 2015 Business Report and Financial Statements reviewed by the Supervisors

### Supervisor's Review Report

Hereby,

The Board of Directors sent the 2016 Business Report, Financial Report and Earning Distribution Proposal to the Company. The Financial Reports were audited by Yang Liufeng and Chen Yingru from KMPG, and provided the Audit Report.

After reviewed by the Supervisor, the aforementioned Business Report, Financial Report and Earning Distribution Proposal are believed not to have any discrepancy; thus, in response to Article 219 of the Company Act, please kindly noted this report.

Sincerely,

Elite Material Shareholder Meeting

Supervisors of Elite Material Co., Ltd.

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Shen, Taozheng

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Dong, Fonrong

2016/03/23

### III. 2015 Report of the compensation distribution for the employees, Directors and Supervisors.

In 2015, the Company's earning was \$3,047,408,666 (pre-tax earnings before distributed to the employees, Directors and Supervisors with the accumulated losses deducted). The proposal is to allocate 5% to the employees' compensation, with a total of NTD \$91,422,260 and 1% to the Directors and Supervisors NTD \$ 30,474,08.

The aforementioned amount allocated to the Directors and Supervisors was reviewed and approved at the sixth meeting of the 2<sup>nd</sup> Salara Compensation Committee on 2016/02/24 and the eighteenth meeting of the 9<sup>th</sup> Board of Directors on 2016/03/23.

The aforementioned compensations for the employees, Directors and Supervisors were distributed in cash. The distribution will be carried out after the amendment of the "Articles of Incorporation" in this Shareholder Meeting.

## Elite Material Co., Ltd.

## Endorsements and Guarantees Statement

2015/12/31

Unit: Thousand

Guarantor	Maximum guarantee (NTD)	Amount of guarantee			Net worth ratio	Shareholding Ratio
		USD	NTD	TOTAL (NTD)		
Grand Shanghai Incorporated	4,840,309	18,000	65,000	655,850	6.77%	99.79%
Grand Zhongshan Incorporated	4,840,309	19,500	-	640,088	6.61%	100.00%
Elite Electronic Material (Zhongshan) Co., Ltd.	4,840,309	14,000	-	459,550	4.75%	100.00%
Elite Electronic Material (Kunshan) Co. Ltd	4,840,309	3,000	-	98,475	1.02%	100.00%
Total		54,500	65,000	1,853,963	19.15%	

Note: (1)104/12/31 Forex US\$1.00=NT\$32.825

(2) Net worth ratio: accounting the net worth ratio of the financial report.

## V. Reports of the amendments of the Company's "Code of Ethics" and "Ethical Corporate Management Procedures and Behavioral Guidelines":

In response to the establishment of the independent Directors and Auditing Committee re-elected in 2016, the "Code of Ethics" and "Ethical Corporate Management Procedures and Behavioral Guidelines" were subjects of amendments. Please refer to Appendix 8 and Appendix 9 for the amendments.

Code of Ethics

The comparative chart before and after the amendment

Article	Amended provision	Existing provision	Reason of Amendment
1	In order to enable the Directors', managers' and all employees' behaviors to meet the ethical standards, and the Company's interest parties to comprehend the Company's ethical codes, this Code is established to be complied with.	In order to enable the Directors', <del>Supervisors',</del> managers' and all employees' behaviors to meet the ethical standards, and the Company's interest parties to comprehend the Company's ethical codes, this Code is established to be complied with.	The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.
2	The Code applies to the Company Directors, managers and all employees (hereinafter referred to as the Company staff").	The Code applies to the Company Directors, <del>Supervisors,</del> managers and all employees (hereinafter referred to as the Company staff").	
10	The company should strengthen the internal advocacy of the moral values, and encourage the staff to report to the managers, internal audit Supervisors or other adequate personnel when suspected or found violations of laws and regulations or the Code of Ethics are discovered. Sufficient information should be provided to the Company so as to handle the follow-up issues appropriately.	The company should strengthen the internal advocacy of the moral values, and encourage the staff to report to <del>the Supervisors,</del> managers, internal audit Supervisors or other adequate personnel when suspected or found violations of laws and regulations or the Code of Ethics are discovered. Sufficient information should be provided to the Company so as to handle the follow-up issues appropriately.	
14	This guideline shall be implemented after being approved by the Board of Directors, and reported to the Shareholders Meeting. The same for its amendment.	This guideline shall be implemented after being approved by the Board of Directors, and reported to <del>the Supervisors and</del> the Shareholders Meeting. The same for its amendment.	



Ethical Corporate Management Procedures and Behavioral Guidelines

The comparative chart before and after the amendment

Article	Amended provision	Existing provision	Reason of Amendment
1	<p>Purpose of establishment and scope of application</p> <p>This Company complies with the principles of fairness, honesty, trustworthiness and transparency in all business activities. To implement the Ethical Corporate Management Policies and actively prevent unethical behaviors, this operating procedures and behavioral guideline is established in compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and <u>all relevant local regulations at the location of the Company’s and the corporation’s business operations</u>. It specify all matters to paid attention to during business implementation for the Company staff.</p> <p>The scope of application of this operating procedure and behavioral guideline is at the Company and its subsidiaries, all foundations in which the Company directly or indirectly contributed more than fifty percent of the fund and other institutions of corporates or organizations with substantive control.</p>	<p>Purpose of establishment and scope of application</p> <p>This Company complies with the principles of fairness, honesty, trustworthiness and transparency in all business activities. To implement the Ethical Corporate Management Policies and actively prevent unethical behaviors, this operating procedures and behavioral guideline is established in compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”. It specify all matters to paid attention to during business implementation for the Company staff.</p> <p>The scope of application of this operating procedure and behavioral guideline is at the Company and its subsidiaries, all foundations in which the Company directly or indirectly contributed more than fifty percent of the fund and other institutions of corporates or organizations with substantive control.</p>	<p>The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</p>
15	<p>Confidentiality Agreement</p> <p><u>The Company staff shall comply with the regulations of Securities and Exchange Act, shall not be engaged with insider trading with known and undisclosed information, and not disclose to any other person so as to prevent</u></p>	<p>Confidentiality Agreement</p> <p>Other institution or personnel who has participated in the Company’s merging, splitting, and the acquisition and shares transferee, memos, strategic alliances, or other important business cooperation contract and plan shall sign the</p>	

Article	Amended provision	Existing provision	Reason of Amendment
	<p><u>third party to be engaged with insider trading with the undisclosed information.</u></p> <p>Other institution or personnel who has participated in the Company's merging, splitting, and the acquisition and shares transferee, memos, strategic alliances, or other important business cooperation contract and plan shall sign the confidentiality agreement of the Company, and promises not to disclose the known business confidentiality of the Company or other important information to a third party and not to use the information without the Company's consent.</p>	<p>confidentiality agreement of the Company, and promises not to disclose the known business confidentiality of the Company or other important information to a third party and not to use the information without the Company's consent.</p>	
25	<p>Implementation</p> <p>The operating procedures and behavioral guidelines shall be reported in the Shareholders Meeting <u>after</u> being approved by the Board of Directors; the same for its amendment.</p>	<p>Implementation</p> <p>The operating procedures and behavioral guidelines shall be reported to <del>the Supervisors and</del> in the Shareholders Meeting <u>after</u> being approved by the Board of Directors; the same for its amendment.</p>	

## Matters for Adoption

### 【First Item】 Proposed by the Board of Directors

Cause of action: The Company's 2015 Business and Financial Statements

Description:

I. The Company's 2015 Business and Financial Statements (including annual business report, the balance sheet, consolidated income statement, changes in equity and cash flow; please refer to page 10 ~ 25) was approved at the 18th meeting of the 9th Board of Director's resolution, and reviewed by the Supervisors as indicated by the law. There was no discrepancy and written review report was issued.

II. Please adopt.

Resolution:

### 【Second Item】 Proposed by the Board of Directors

Cause of action: The Company's 2015 Earnings Distribution

Description:

- I. After being audited by the account, the net income in 2015 was NTD (hereinafter the same) \$2,389,239,502. In response to the regulation, ten percent was allocated for the legal reserve which was \$ 238,923,95. Adding the past unappropriated retained earnings \$2,468,514,780, the other comprehensive income \$18,352,009, the surplus to be distributed was \$4,637,182,34. The shareholder dividend planned to be distributed was \$1,367,929,502 (please refer to Earnings Allocation Table).

- II. The cash distribution is rounded to NT dollar (round up below NT dollar). The fractional amount less than one NT dollar shall be allocated as other income.
- III. The Board of Directors shall otherwise establish the ex-dividend date and the relevant matters after the case of cash dividend is approved by the Shareholders Meeting.
- IV. Subsequently as a result of the capital increase, the conversion of convertible bonds, the buying back of the Company shares or the transfer, conversion or cancellation of the treasury shares and other factors that may affect the outstanding number of shares, resulting into the changes of the shareholders interest rate and its amendment, the Shareholders Meeting shall authorize the Board of Directors for the processing with complete rights.
- V. The item was approved at the 18th meeting of the 9th Board of Director's resolution on 2016/03/23.
- VI. Please adopt.

Resolution:

Elite Material Co., Ltd.  
Earnings Allocation Table  
2015

Unit: NTD

Item	Amount
Unappropriated retained earnings at early stage	2,468,514,780
Plus: Other comprehensive income ( Actuarial gains and losses defined by the benefit plan in 2015)	18,352,009
Plus: Net income in 2015	2,389,239,502
Deduct: the allocation of legal reserve (10%)	238,923,950
Earnings to be distributed	4,637,182,341
Item of distribution:	
2015 Shareholder dividends (counted with 318,123,140 shares, with \$0 of stock dividend per share and \$4.3 of cash dividend)	1,367,929,502
Unappropriated retained earnings at the final stage	3,269,252,839

Note: the earnings distribution shall prioritize the undistributed earnings of 2015. The share amount shall be calculated with the outstanding shared on 2016/03/23.

Chairman of the Board: Tsai Fei Liang

Manager: Dong Ding Yu

Accounting Director: Yen Hsiu Chu

Items for Discussion (2)

【First Item】

Proposed by the Board of Directors

Cause of action: The Company's amendment of "The Handbook for the Annual Shareholding Meeting."

Description:

- I. In response to the implementation of electronic voting in Shareholders Meeting in 2016, parts of the provisions of the "Shareholders Meeting Manual Regulation" were subject to amendment.
- II. The provisions of "Shareholders Meeting Manual Regulation" before and after the amendment are listed in the table below.
- III. The item was approved at the 17th meeting of the 9th Board of Director's resolution on 2015/12/23.
- IV. Please resolve.

Resolution:

Elite Material Co., Ltd.

The comparative chart of the provisions of the “Shareholders Meeting Manual Regulation” before and after the amendment

Article	Amended provision	Existing provision	Reason of amendment
2	<p>Signature book shall be established for the shareholders attending the Shareholders Meeting to sign-up, or the shareholders attending the meeting to sign-up with the attendance card. The attendance shall be counted with the signature book or the attendance cards. <u>When the Company convenes a Shareholders Meeting, the electronic way shall be accounted as one of the ways to exercise the right to vote. The method of exercise shall be stated at the Shareholders Meeting Convention Notice. Shareholders exercising the right to vote via the electronic way shall be considered as being present at the Shareholders Meeting in person. However, they shall be considered as abstained for the extempore motion or the amendment or alternative of the original motion.</u></p> <p><u>The attendance of the shareholders at the meeting shall be computed on the basis of shares. The amount of shares shall be computed with the attendance cards together with the shares using right of vote via the electronic way.</u></p>	<p>Signature book shall be established for the shareholders attending the Shareholders Meeting to sign-up, or the shareholders attending the meeting to sign-up with the attendance card. The attendance shall be counted with the signature book or the attendance cards.</p>	<p>Amendment in response to the implementation of electronic voting.</p>
3	<p><u>The shareholders' presence and voting shall be computed with the stock share. The number of shares to attend shall be computed with the attendance cards together with the shares using right of vote via the electronic way.</u></p>	<p>The shareholders' presence and voting shall be computed with the stock share.</p>	
6	<p>The meeting procedure of the Shareholders Meeting shall be recorded in voice <u>and</u> video, which shall be kept for at least one year.</p>	<p>The meeting procedure of the Shareholders Meeting shall be recorded in voice <del>or</del> video, which shall be kept for at least one year.</p>	
14	<p>The scrutineers and counting staff for the voting shall be assigned by the Chairman, yet the scrutineers shall have the identity of shareholder. The results of the voting <u>and</u> election have the identity of shareholder. The results of the</p>	<p>The scrutineers and counting staff for the voting shall be assigned by the Chairman, yet the scrutineers shall have the identity of shareholder. The results of the</p>	

Article	Amended provision	Existing provision	Reason of amendment
16	<p><u>shall be pronounced after the counting, and compile them into a record.</u></p> <p>After the voting, unless it is otherwise regulated by the Company Act and the Articles of Incorporation, the agreement is reached by more than the half of the shareholders attending the meeting. <u>If the shareholders who vote via the electronic way have no object, and the other shareholders present in the meeting have no object after being inquired by the Chairman, it shall be considered as approved. The effectiveness is the same as the voting.</u></p> <p><u>If the shareholders have any objection in regard to the item, voting shall be adopted. The Chairman shall adopt to vote-by-case, or vote at one or different stages and counted respectively for each of the items (including the election).</u></p>	<p>voting <del>shall be pronounced immediately</del>, and compile them into a record.</p> <p>After the voting, unless it is otherwise regulated by the Company Act and the Articles of Incorporation, the agreement is reached by more than the half of the shareholders attending the meeting.</p>	



**【Second Item】**

Proposed by the Board of Directors

Cause of action: The Company's amendment of "Election Method of the Directors and Supervisors"

Description:

- I. In response to the established Auditing Committee in replacement of the Supervisory system; thus, parts of the provision of the "Election Method of the Directors and Supervisors" subject to amendment.
- II. The provisions of " Election Method of the Directors and Supervisors" before and after the amendment are listed in the table below.
- III. The item was approved at the 17th meeting of the 9th Board of Director's resolution on 2015/12/23.
- IV. Please resolve.

Resolution:

Elite Material Co., Ltd.

The comparative chart of the provisions of the “Election Method of the Directors and Supervisors” before and after the amendment

Article	Amended provision	Existing provision	Reason of amendment
1. Purpose	To specify the Company’s election method of Directors.	To specify the Company’s election method of Directors and the Supervisors.	The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.
2. Operating procedure 1	The Company’s election of Directors shall comply with this regulation.	The Company’s election of Directors and the Supervisors shall comply with this regulation.	
2	For the Company’s election of Directors, each share has the same voting right with the number of Directors to be elected; the election shall be concentrated on persons or a number of persons.	For the Company’s election of Directors and Supervisors, each share has the same voting right with the number of Directors or Supervisors to be elected; the election shall be concentrated on persons or a number of persons.	
3	The Board of Directors shall elect the same number of Directors as the election votes and add their weights.	The Board of Directors shall elect the same number of Directors or Supervisors as the election votes and add their weights.	
5	For the election of Directors, the Company shall set a voting box that shall be verified by the scrutineer before the vote.	For the election of Directors and Supervisors, the Company shall set voting boxes respectively that shall be verified by the scrutineer before the vote.	
8	The Company’s Director may be any of the competent candidates from the Shareholders Meeting. Both the independent and dependent Directors shall be elected together, but the voting rights for the independent and dependent Directors shall be computed separately. The representatives who obtain the majority of the votes shall win the election successively, and in response to the places established in the Articles of Incorporation, representatives with the majority of the votes shall be elected as the Directors or Supervisors successively.	The Company’s Directors and Supervisors may be any of the competent candidates from the Shareholders Meeting. Both the independent, non-independent Directors and Supervisors shall be elected together, but the voting rights for the independent and dependent Directors shall be computed separately. The representatives who obtain the majority of the votes shall win the election successively, and in response to the places established in the Articles of Incorporation, representatives with the majority of the votes shall be elected as the Directors and Supervisors successively.	

Article	Amended provision	Existing provision	Reason of amendment
	<p>representatives with the majority of the votes shall be elected as the Directors successively. In case that two or more than two persons obtain the same amount of votes and the amount exceeds the regulated places, the candidates with the same amount of votes shall draw the lot. The Chairman shall draw the lot for the candidate who is absent.</p> <p>The Company's election of Directors complies with Article 192-1 of the Company Act, which means the adoption of the system for nominating candidates. The qualifications for the independent Directors, the conditions for the independence and other matters shall meet the regulations of the establishment of independent Directors in a public company, and shall comply with its considerations as well as other relevant law and regulations.</p>	<p>In case that two or more than two persons obtain the same amount of votes and the amount exceeds the regulated places, the candidates with the same amount of votes shall draw the lot. The Chairman shall draw the lot for the candidate who is absent.</p> <p>The Company's election of Directors <del>and Supervisors</del> complies with Article 192-1 of the Company Act, which means the adoption of the system for nominating candidates. The qualifications for the independent Directors, the conditions for the independence and other matters shall meet the regulations of the establishment of independent Directors in a public company, and shall comply with its considerations as well as other relevant law and regulations.</p> <p><del>In the event that a shareholder is being elected as the Director and the Supervisor at the same time, he or she shall decide to be the Director or the Supervisor. He or she shall not be the Director and the Supervisor at the same time. The vacancy shall be filled by the follow-up candidate with the majority of votes.</del></p>	

Article	Amended provision	Existing provision	Reason of amendment
8-1	<p>The elected Directors shall obtain more than half of the seats which shall not be his or her spouse or relatives of first and second degree. The Directors whose conditions are inconsistent with the provisions and the acquired votes with the least votes shall lose the effect of being elected.</p>	<p><i>The elected Directors shall obtain more than half of the seats. The elected Supervisors or the elected Supervisor and Directors shall at not have one of the following relationship with more than one of the votes.</i></p> <p><i>(1) Spouse.</i></p> <p><i>(2) Relatives of first and second degree.</i></p>	<p><i>The Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</i></p>
8-2	<p>Provision deleted.</p>	<p><i>The following regulations shall be adopted to decide the elected Directors or Supervisors in case that the Company's elected Directors' and Supervisors' conditions are inconsistent with Article 8-1 of this method</i></p> <p><i>(1) Among the Directors whose conditions are inconsistent with the provisions, the elected representative with the least votes shall lose his or her effectiveness of being elected.</i></p>	

Article	Amended provision	Existing provision	Reason of amendment
		<p>(2) <i>The previous paragraph is applied to the case in which the Supervisors' conditions are inconsistent with the provisions.</i></p> <p>(3) <i>Among the Directors and Supervisors whose conditions are inconsistent with the provisions, the elected Supervisor with the least votes shall lose his or her effectiveness of being elected.</i></p>	
10	The Company's Board of Director shall deliver the election notice to the elected Directors.	The Company's Board of Director shall deliver the election notice to the elected Directors <del>and Supervisors.</del>	

**【Third Item】**

Proposed by the Board of Directors

Cause of action: The Company's amendment of "Procedures for the Acquisition or Disposition of Asset"

Description:

- I. In response to the established Auditing Committee in replacement of the Supervisory system; thus, parts of the provision of "Procedures for the Acquisition or Disposition of Asset" were subject of amendment.
- II. The provisions of "Procedures for the Acquisition or Disposition of Asset" before and after the amendment are listed in the table below
- III. The item was approved at the 17th meeting of the 9th Board of Director's resolution on 2015/12/23.
- IV. Please resolve.

Resolution:

Elite Material Co., Ltd.

The comparative chart of the provisions of the “Procedures for the Acquisition or Disposition of Asset” before and after the amendment

Article	Amended provision	Existing provision	Reason of amendment
6	<p><u>In response to this Procedures or the law, major asset transactions shall be reported to the Board of Directors for discussion. It shall be approved by more than half of the members of the Auditing Committee, and proposed to the Board of Directors for resolution.</u></p> <p><u>In response to the regulations of this Procedures, if the matter(s) to be agreed by the Auditing Committee is not agreed by more than half of the members of the Auditing Committee, it shall be agreed by two third of the members of the Board of Directors. The Auditing Committee’s resolution shall be recorded at the Board of Directors’ meeting minutes.</u></p> <p><u>All members of the Auditing Committee and the Board of Directors shall be computed with the incumbent members.</u></p>	<p><del>The acquisition or disposition of assets shall be approved by the Audit Committee of the Board. After the Board’s approval, it shall be sent to the Supervisors and reported to the Shareholders Meeting for approval. The same for its Supervisory system; and have recorded or written claims, the Company shall sent the Directors’ objection to the Supervisors of the Auditing Committee and reported to the Shareholders Meeting for discussion.</del></p> <p><del>If the Company establishes independent Directors, the acquisition or disposition of assets of the previous paragraph shall be reported to the Board of Directors for discussion. The opinions of the independent Directors shall be taken into consideration, and list the reasons and reservations of objection or conservation into the meeting minutes.</del></p> <p><del>If the Company establishes the Auditing Committee, the establishment or amendment of this Procedure shall be approved by half of the members of the Auditing Committee, and reported to the Board of Directors for resolution.</del></p>	<p>The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</p>
8	<p>Having the independent Directors established, in response to the previous provision of reporting the acquisition or disposition of assets to the Board of Directors for discussion,</p>	<p><del>The acquisition or disposition of assets shall be approved by the Board of Directors as stated in the Procedure or other laws and regulations. If</del></p>	

Article	Amended provision	Existing provision	Reason of amendment
	<p>the opinions of the independent Directors shall be taken into consideration, and list the reasons and reservations of objection or conservation into the meeting minutes.</p>	<p><del>the Directors have any objection and have recorded or written claims, the Company shall send the Directors' objection to the Supervisors.</del></p> <p>Having the independent Directors established, in response to the previous provision of reporting the acquisition or disposition of assets to the Board of Directors for discussion, the opinions of the independent Directors shall be taken into consideration, and list the reasons and reservations of objection or conservation into the meeting minutes.</p>	
13	<p>The acquisition or disposition of immovable from other party, or the acquisition or disposition of asset other than immovable with other party and the transaction amount reaches to twenty percent of paid-in capital of the Company, ten percent of the Company's total assets or more than NTD \$ 300 million, contract signing and payment shall be proceeded after the following information is reported to the Auditing Committee for approval and afterward, to the Board of Directors for approval, except for the trading of bonds, callable bonds, puttable bonds, and the purchase or redemption of the domestic money market funds.</p>	<p>The acquisition or disposition of immovable from other party, or the acquisition or disposition of asset other than immovable with other party and the transaction amount reaches to twenty percent of paid-in capital of the Company, ten percent of the Company's total assets or more than NTD \$ 300 million, contract signing and payment shall be proceeded after the following information is reported to the Board of Directors for approval and <del>the Supervisors for adoption</del>, except for the trading of bonds, callable bonds, puttable bonds, and the purchase or redemption of the domestic money market funds.</p>	



Article	Amended provision	Existing provision	Reason of amendment
13	<p>(1)~(6) Unmodified (omitted).</p> <p>(7) Transaction limits and other important stipulations.</p> <p>The calculation of the transaction amount in the preceding paragraph shall comply with Article 26-2, and shall backdate to one year from the day when the transaction actually occurred within one year which is the baseline. In response to this regulation, it shall be reported to the Auditing Committee for approval, and the part approved by the Board of Directors may be exempted from the calculation.</p>	<p>(1)~(6) Unmodified (omitted).</p> <p>(7) Transaction limits and other important stipulations.</p> <p>The calculation of the transaction amount in the preceding paragraph shall comply with Article 26-2, and shall backdate to one year from the day when the transaction actually occurred within one year which is the baseline. In response to this regulation, it shall be reported to the Board of Directors for approval and the parts adopted by the Supervisors may be exempted from the calculation.</p>	<p>The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</p>
16	<p>To acquire an immovable from other party, the Company shall proceed to the following in response to Article 14 and Article 15 concerning the assessment of the lowest transaction price:</p> <p>1 · In terms of the difference of the immovable transaction price and estimated cost, it shall not be assigned or transferred as shares allotment according to Article 41-1 of Securities and Exchange Act. Investors such as public company that adopts equity method for the Company's investments shall allocate special reserve according to Article 41-1 of Securities and Exchange Act.</p>	<p>To acquire an immovable from other party, the Company shall proceed to the following in response to Article 14 and Article 15 concerning the assessment of the lowest transaction price:</p> <p>1 · In terms of the difference of the immovable transaction price and estimated cost, it shall not be assigned or transferred as shares allotment according to Article 41-1 of Securities and Exchange Act. Investors such as public company that adopts equity method for the Company's</p>	

Article	Amended provision	Existing provision	Reason of amendment
	<p>2 · <u>The independent Directors</u> shall follow Article 218 of the Company Act.</p> <p>3 · The situations mentioned in the first and second paragraphs shall be reported at the Shareholders Meeting, and the transaction details shall be disclosed at the annual reports and the prospectus.</p>	<p>investments shall allocate special reserve according to Article 41-1 of Securities and Exchange Act.</p> <p>2 · <del>The Supervisors</del> shall follow Article 218 of the Company Act.</p> <p>3 · The situations mentioned in the first and second paragraphs shall be reported at the Shareholders Meeting, and the transaction details shall be disclosed at the annual reports and the prospectus.</p>	
31	<p><u>The amendment of this Procedure shall be approved by the Auditing Committee, by the resolution of the Board of Directors and finally at the Shareholders Meeting. In the event of objection from the Director(s) with record of written claims, the Company shall send the Director(s)' objection information to the Auditing Committee. The established and modified procedure carried out by the Company's subsidiary shall be reported to the Board of the Parent Company for approval.</u></p>	<p><del>After the approval of the Procedures for the Acquisition or Disposition of Asset, it shall be approved by the Board of Directors and by the Supervisors. It shall then be reported at the Shareholders Meeting for approval. The same for the amendment: The established and modified procedure carried out by the Company's subsidiary shall be reported to the Board of the Parent Company for approval.</del></p>	

Cause of action: The Company's amendment of "Endorsement and Guarantee Operating Procedures"

Description:

- I. In response to the established Auditing Committee in replacement of the Supervisory system; thus, parts of the provision of "Endorsement and Guarantee Operating Procedures" were subject of amendment.
- II. The provisions of "Endorsement and Guarantee Operating Procedures" before and after the amendment are listed in the table below.
- III. The item was approved at the 17th meeting of the 9th Board of Director's resolution on 2015/12/23.
- IV. Please resolve.

Resolution:

Elite Material Co., Ltd.

The comparative chart of the provisions of the “Endorsement and Guarantee Operating Procedures” before and after the amendment

Article	Amended provision	Existing provision	Reason of amendment
4	<p>The Company shall make endorsements/guarantees for the following:</p> <p>(1) ~ (3) Unmodified (omitted).</p> <p>The Company makes endorsements/guarantees for companies that it holds, directly or indirectly, 90% or more of the voting shares, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. <u>It shall be sent the Auditing Committee for approval, and reported to the Company's Board of Directors for resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.</u></p> <p>(The rest is not modified so it is omitted)</p>	<p>The Company shall make endorsements/guarantees for the following:</p> <p>(1) ~ (3) Unmodified (omitted).</p> <p>The Company makes endorsements/guarantees for companies that it holds, directly or indirectly, 90% or more of the voting shares, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. It shall be reported to the Company's Board of Directors for resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.</p> <p>(The rest is not modified so it is omitted)</p>	<p>The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</p>
5	<p>The making of endorsement and guarantee shall follow the provisions. <u>It shall be approved by the Auditing Committee first, and then reported to the Board of Directors for approval. In the following situations, it shall be implemented first, and then reported to the latest Auditing Committee and Board of Directors for ratification.</u></p> <p>(1) It complies with the Articles of Incorporation.</p> <p>(2) The amount of endorsement and guarantee is within the credit limit authorized by the Board to the Chairman.</p>	<p>The making of endorsement and guarantee shall follow the provisions. It shall be reported to the Board of Directors for approval. In the following situations, it shall be implemented first, and then reported to the Board of Directors for ratification. <del>The situation and relevant matters shall be reported to the Shareholders Meeting for future reference:</del></p> <p>(1) It complies with the Articles of Incorporation.</p> <p>(2) The amount of endorsement and guarantee is within the credit limit authorized by the Board to the Chairman.</p>	

Article	Amended provision	Existing provision	Reason of amendment
	<p>(3) It is within the limit scope of the same company's endorsement and guarantee.</p> <p>Where a public company needs to exceed the limits set out in the Endorsement and Guarantee Operating Procedures, <u>it shall be approved first by the Auditing Committee</u> and then by the Board of Directors as well as half or more of the Directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. The Endorsement and Guarantee Operating Procedures shall be modified and ratified at the Shareholders Meeting. In case the Shareholders Meeting disagrees, the exceeding parts shall be eliminated within a certain period of time from an established plan.</p>	<p>(3) It is within the limit scope of the same company's endorsement and guarantee.</p> <p>Where a public company needs to exceed the limits set out in the Endorsement and Guarantee Operating Procedures, to satisfy its business requirements, it shall be approved by the Board of Directors as well as half or more of the Directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. The Endorsement and Guarantee Operating Procedures shall be modified and ratified at the Shareholders Meeting. In case the Shareholders Meeting disagrees, the exceeding parts shall be eliminated within a certain period of time from an established plan.</p>	

Article	Amended provision	Existing provision	Reason of amendment
7	<p>Procedures for making endorsement and guarantee:</p> <p>(1) ~ (3) Unmodified (omitted).</p> <p>(4) The endorsement and guarantees shall be recorded at a memorandum book detailed with the entity for which the endorsement/guarantee is made, the amount, the date of <u>the approval by the Auditing Committee</u>, the date of the approval by the Board of Directors or the implementation date decided by the Chairman, the endorsement and guarantee date and the assessment items stated in the previous paragraph for future reference.</p> <p>(5) If the entity for which the endorsement/guarantee is made later becomes unqualified or the amount exceeds the limit, enhancement plan shall be established and sent to the Auditing Committee.</p> <p>(6) The internal auditors shall at least audit the endorsement and guarantee operating procedures and their implementations once every season, and made a written record. In case that major violation is found, it shall report <u>to the Auditing Committee</u> immediately in written notice.</p> <p>(7) <u>When this procedures, the endorsement and guarantee made to other parties or the aforementioned situation is being discussed in the Board of Directors, the opinions of the independent Directors shall be taken into consideration, and list the explicit opinions of the agreement or objection as well as the reasons of objection into the meeting minutes.</u></p> <p>(8) <u>Matters that shall be approved by the Auditing Committee according to the provisions of this Procedure shall be</u></p>	<p>Procedures for making endorsement and guarantee:</p> <p>(1) ~ (3) Unmodified (omitted).</p> <p>(4) The endorsement and guarantees shall be recorded at a memorandum book detailed with the entity for which the endorsement/guarantee is made, the amount, the date of the approval by the Board of Directors or the implementation date decided by the Chairman, the endorsement and guarantee date and the assessment items stated in the previous paragraph for future reference.</p> <p>(5) If the entity for which the endorsement/guarantee is made later becomes unqualified or the amount exceeds the limit, enhancement plan shall be established and sent to the Auditing Committee.</p> <p>(6) The internal auditors shall at least audit the endorsement and guarantee operating procedures and their implementations once every season, and made a written record. In case that major violation is found, it shall report <del>to the Supervisors</del> immediately in written notice.</p>	<p>The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</p>

Article	Amended provision	Existing provision	Reason of amendment
	<p><u>approved by two third of the members of the Directors in case that it is not approved by more than half of the members of the Auditing Committee. The resolution of the Auditing Committee shall be recorded at the Board's meeting minutes. The members of the Auditing Committee and the Board of Directors shall be computed with the incumbent members.</u></p>		
12	<p>The amendment of this operating procedure shall be approved by <u>the Auditing Committee</u>, then by <u>the resolution</u> of the Board of Directors, and finally at the Shareholders Meeting. In the event of objection from the Director(s) with record or written claims, the Company shall send the Director(s)' objection information to <u>the Auditing Committee</u> and reported at the Shareholders Meeting for discussion.</p>	<p>The amendment of this operating procedure shall be approved by the Board of Directors, and at the Shareholders Meeting. In the event of objection from the Director(s) with record or written claims, the Company shall send the Director(s)' objection information to the <u>Supervisors</u> and reported at the Shareholders Meeting for discussion.</p>	

**【Fifth Item】**

Proposed by the Board of Directors

Cause of action: The Company's amendment of "Loans to Others Operating Procedures"

Description:

- I. In response to the established Auditing Committee in replacement of the Supervisory system; thus, parts of the provision of "Loans to Others Operating Procedures" were subject of amendment
- II. The provisions of "Loans to Others Operating Procedures" before and after the amendment are listed in the ta below
- III. The item was approved at the 17th meeting of the 9th Board of Director's resolution on 2015/12/23.
- IV. Please resolve.

Resolution:



Elite Material Co., Ltd.

The comparative chart of the provisions of the “Loans to Others Operating Procedures” before and after the amendment

Article	Amended provision	Existing provision	Reason of amendment
6	<p>Operating procedures (1) ~ (3) Unmodified (omitted).</p> <p>(4) The resolution of the Board of Directors: Loan(s) approved by the General Manager shall be sent to the Auditing Committee for approval, and then to the Board of Directors with a resolution.</p> <p>Loans between the Company and the subsidiaries or between the subsidiaries of the Company shall be reported to the Board of Directors for resolution as stated in the previous paragraph, while the Chairman of the Board is authorized to grant the lending of certain limit in installment or revolver within one year to the same target of loan, only that the authorized credit for a single enterprise shall not exceed ten percent of the target company's most recent net worth stated at the financial statement.</p> <p><u>When the Company discusses this operating procedure or the lending to third parties in the meeting of the Board of Directors, the opinions of the independent Directors shall be taken into consideration, and list the explicit opinions of the agreement or objection as well as the reasons of objection into the meeting minutes.</u></p> <p>(5) ~ (13) Unmodified (omitted).</p>	<p>Operating procedures (1)~ (3) Unmodified (omitted).</p> <p>Loan(s) approved by the General Manager shall be approved by the Board of Directors with a resolution.</p> <p>Loans between the Company and the subsidiaries or between the subsidiaries of the Company shall be reported to the Board of Directors for resolution as stated in the previous paragraph, while the Chairman of the Board is authorized to grant the lending of certain limit in installment or revolver within one year to the same target of loan, only that the authorized credit for a single enterprise shall not exceed ten percent of the target company's most recent net worth stated at the financial statement.</p> <p>(5) ~ (13) Unmodified (omitted).</p>	<p>The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.</p>

Article	Amended provision	Existing provision	Reason of amendment
7	<p>Loan matters shall be recorded in a memorandum book with the entry for which the loan is given to, the amount, <u>the date of the approval by the Auditing Committee</u>, the date of the approval by the Board of Directors, the date on which the loan is given and all assessment matters according to Article 5 of the regulation for future reference.</p>	<p>Loan matters shall be recorded in a memorandum book with the entry for which the loan is given to, the amount, the date of the approval by the Board of Directors, the date on which the loan is given and all assessment matters according to Article 5 of the regulation for future reference.</p>	
8	<p>The internal auditors shall at least audit the loan operating procedures and the implementations once every season, and made a written record. In case that major violation is found, it shall report to the <u>Auditing Committee</u> immediately in written notice.</p>	<p>The internal auditors shall at least audit the loan operating procedures and the implementations once every season, and made a written record. In case that major violation is found, it shall report to the <u>Supervisors</u> immediately in written notice.</p>	
9	<p>In the event of changes or loan balance overrun, an enhancement plan shall be established and sent to the <u>Auditing Committee</u>. Enhancement shall be accomplished in accordance with the agenda.</p> <p><u>Matters that shall be approved by the Auditing Committee according to the provisions of this Procedure shall be approved by two third of the members of the Directors in case that it is not approved by more than half of the members of the Auditing Committee. The resolution of the Auditing Committee shall be recorded at the Board's meeting minutes.</u></p> <p><u>The members of the Auditing Committee and the Board of Directors shall be computed with the incumbent members.</u></p>	<p>In the event of changes or loan balance overrun, an enhancement plan shall be established and sent to the <u>Supervisors</u>. Enhancement shall be accomplished in accordance with the agenda.</p>	
14	<p>The amendment of this operating procedure shall be approved by the <u>Auditing Committee</u>, then by the <u>resolution of the Board of Directors</u>, and finally at the Shareholders Meeting. In the event of objection from the Director(s) with record or written claims, the Company shall send the Director(s)' objection information to the <u>Auditing Committee</u> and reported at the Shareholders Meeting for discussion.</p>	<p>The amendment of this operating procedure shall be approved by the Board of Directors, and at the Shareholders Meeting. In the event of objection from the Director(s) with record or written claims, the Company shall send the Director(s)' objection information to the <u>Supervisors</u> and reported at the Shareholders Meeting for discussion. The same procedure for the amendment.</p>	

Cause of action: The Company's amendment of "Engagement in Derivatives Transactions Operating Procedures"

Description:

- I. In response to the established Auditing Committee in replacement of the Supervisory system; thus, parts of the provision of "Engagement in Derivatives Transactions Operating Procedures" were subject of amendment.
- II. The provisions of "Engagement in Derivatives Transactions Operating Procedures" before and after the amendment are listed in the ta below.
- III. The item was approved at the 17th meeting of the 9th Board of Director's resolution on 2015/12/23.
- IV. Please resolve.

Resolution:

The comparative chart of the provisions of the “Engagement in Derivatives Transactions Operating Procedures” before and after the amendment

Article	Amended provision	Existing provision	Reason of amendment
17	The Company shall report to the Financial Supervisory Commission via <u>internet information system</u> the implementation of the inspection plan of the transaction of the derivative products of the <u>last year</u> before the end of February of every year <u>for future reference</u> .	The Company shall report to the Financial Supervisory Commission <del>of the Executive Yuan</del> the audit reports of the transaction of derivative products and the internal audit inspection plans before end of February of every year.	The Auditing Committee was established in replacement of the Supervisory system; thus, the clause related to the Supervisor in this provision was deleted and modified.
18	The Company shall report to the Financial Supervisory Commission via <u>internet information system</u> the missing of the internal control <u>seen in the inspection</u> and the enhancement of abnormalities in regard to the transaction of derivative products of <u>the last year</u> before the end of May of every year for future reference.	The Company shall report to the Financial Supervisory Commission <del>of the Executive Yuan</del> the enhancement of abnormalities in regard to the transaction <del>procedure</del> of derivative products before the end of May of every year for future reference.	
25	The internal auditors shall check periodically the adequacy of the internal control of the transaction of derivative products, and verify the financial officers' compliance towards the Engagement in Derivatives Transactions Operating Procedures and analyze the transaction cycle, making them into an audit report that shall be reported to the Board of Directors. In case that major violation is found, it shall report <u>to the Auditing Committee</u> immediately in written notice	The internal auditors shall check periodically the adequacy of the internal control of the transaction of derivative products, and verify the financial officers' compliance towards the Engagement in Derivatives Transactions Operating Procedures and analyze the transaction cycle, making them into an audit report that shall be reported to the Board of Directors. In case that major violation is found, it shall report <del>to the Supervisors</del> immediately in written notice	
28	The amendment of this operating procedure shall be approved by <u>the Auditing Committee</u> , then by <u>the resolution</u> of the Board of Directors, and finally at the Shareholders Meeting. In the event of objection from the Director(s) with record or written claims, the Company shall send the Director(s)' objection information <u>to the Auditing Committee</u> .	This procedure shall be approved by the Board of Directors, <del>sent to the Supervisors</del> and reported at the Shareholders Meeting for approval. <del>The same procedure for the amendment.</del>	

## Matters for Voting

### 【First Item】

Proposed by the Board of Directors

Cause of action: The Company's re-election of Directors.

Description:

- I. The term of duty of the Company's 9<sup>th</sup> Directors and Supervisors will expire on June 14<sup>th</sup>, 2016. After the Board's resolution on March 23<sup>rd</sup>, 2016, the 10<sup>th</sup> Directors consisting of seven person (including three independent Directors) will be elected in the Shareholders Meeting, and at the same time, an Auditing Committee in replacement of the Supervisory system has been established (the three independent Directors shall be the auditors), with the term of duty dating from June 25<sup>th</sup>, 2016 till June 24<sup>th</sup>, 2019, a duration of three years.
- II. According to Article 192-1 of the Company Act and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", the candidate list of the Directors and independent Directors approved by the 9<sup>th</sup> Board of Directors at the 19<sup>th</sup> meeting on April 28<sup>th</sup>, 2016 is shown in the below.
- III. Please vote.

Results of the voting:

Candidates of Directors and Independent Directors

Type	Name	Education	Major experience	Current position	Shares in possession (unit: share)	Government or corporate representative	Other relevant information
Director	Tsai Fei Liang	M.A. of Chemical Engineering, Tsing Hua University	General Manager of Taiwan Union Technology Corporation	Director, Chairman and CEO of Elite Material Co., Ltd.	25,461,477	Yu Chang Investment Co., Ltd.	None
Director	Lee Wen Shiang	Department of Chemical Engineering, Tamkang University	Director of Unimicron President of Isola Taiwan	Consultant at Taiwan Printed Circuit Association	25,461,477	Yu Chang Investment Co., Ltd.	None
Director	Dong Ding Yu	Ph.D. of Engineering, Stanford University, USA	Assistant professor at San Jose State University, California	Director and General Manager of Elite Material Co., Ltd.	5,265,766	None	None
Director	Hsieh Mon Chang	M.A. of International Affairs, Columbia University, USA	Managing Director of Food Industry Research and Development Institute Director of Eisenhower Fellowships, Republic of China Finance Manager of Salomon Brothers	Chairman of Synmax Biochemical Co., Ltd. Chairman of Taitung Societe Generale	-	None	None
Independent Director	Yeh Chia Hsiu	Department of Chemistry, Fu Jen Catholic University	CEO of Uniplus Electronics Co., Ltd.	None	-	None	None

Type	Name	Education	Major experience	Current position	Shares in possession (unit: share)	Government or corporate representative	Other relevant information
Independent Director	Shen Bing	Master of Business School, Harvard University, USA	Financial analyst of World Bank Investment Officer of International Finance Corporation Executive Director of Morgan Stanley, USA Deputy General Manager of CDBI General Manager of CDIB Partners Investment Holding Corp.	Director of CTCI Corporation	-	None	None
Independent Director	Chen Xiang Sheng	Department of Chemistry, National Taiwan Normal University	Engineering Manager of Asahi-Schwebel Taiwan Material Manager of QUME Deputy General Manager of Chin Poon Industrial	None	-	None	None

**Matters for Discussion (3)**

**【First Item】**

Proposed by the Board of Directors

Cause of action: Lifting of the non-competence case for the Company's Directors

Description:

- I. According to the first paragraph of 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." The provision shall be complied.
- II. Owing to the fact that the Company's newly elected Director who has investment or business operation/company with identical/similar scope of business with the Company and is in charge of the position of Director or manager, it is proposed to the Shareholders Meeting the permission to lift the non-competence prohibition for the Company's newly elected Directors or representatives in accordance with Article 209 of the Company Act.
- III. The Company's newly elected Director(s) and legal representative(s) who has part-time job at companies with identical/similar scope of business is shown in the below:

Name	Company name of the part-time job	Position
Tsai Fei Liang	Elite Material (Kunshan) Co., Ltd.	Director
Dong Ding Yu		

- IV. Please resolve.

Resolution:



## Extempore Motion

Extempore Motion:

## Appendix

Elite Material Co., Ltd.  
Articles of Incorporation

**Chapter 1 General Provisions**

Article 1 The Company complies with the Company Act of the Republic of China for the organization of as limited company. It is named as “台光電子材料股份有限公司” and “ELITE MATERIAL CO., LTD.” in English.

Article 2 The company's business scope is as the following:

- 1 · CC01080 Manufacturing of electronic components
- 2 · CB01020 Manufacturing of business machines
- 3 · CC01110 Manufacturing of computers and the peripherals
- 4 · C801010 Basic chemical industry
- 5 · C801990 Manufacturing of other chemical materials
- 6 · C901990 Manufacturing of other non-metallic mineral products
- 7 · F401010 International commerce
- 8 · ZZ99999 In addition to licensing business, business not prohibited or restricted by regulations

Article 3 In response to the Company’s business needs, the Board of Directors shall agree as for the external guarantee.

Article 4 In response to the Company’s business needs for which the Company shall reinvest in other business, the total amount of the reinvestment shall not be restricted by Article 13 of the Company Act stating that the total reinvestment shall not exceed 40% of paid-up share capital. The Board of Directors shall handle the matters concerning of the reinvestment.

Article 5 The Company is located at Taoyuan County, Taiwan. Other national and international branches may be established depending on the actual needs.

Article 6 Deleted.

**Chapter 2 Shares**

Article 7 The total capital of the Company consists of NTD \$ 4 billion. The shares are divided into four billion shares. The denomination per share is NTD \$ 10. The Board of Directors will distribute the unissued shares in the future depending on the needs.

In terms for the aforementioned total amount of shares, 15 million shares are destined for the issuing of stock option certificates for the employees.

Article 7-1 In terms of the issuing of stock option certificates for the employees, the employee stock option certificates shall be issued in a price lower than the market price. With the presence of more than half of the shareholders of the issued shares, they shall be approved and issued with more than two third of the agreement of the shareholders. The application for registration shall be carried out at different stages within one year of the day of resolution of the Shareholders Meeting.

Article 7-2 If the Company buys back the treasury shares and transfers them to the employees with an average price lower than the actual purchasing price, before the transfer, it shall be approved by two third of the present shareholders with the presence of more than half of the shareholders of the issued shares in the latest Shareholders Meeting.

Article 8 The Company's shares are inscribed shares, legally issued with the signature or seals of more than three Directors and serial numbers.

Article 8-1 The Company's publicly issued inscribed shares may not be printed, but shall be registered at Centralized Securities Depository Enterprises.

Article 9 The shareholders shall register the real name/title and address/domicile at the shareholders' roster with the sample of the seal at the Company as the seal shall be considered as a certificate. If the shareholder's seal is lost or destroyed, the shareholder shall immediately notify the Company in written notification. The shareholder shall notify the invalidation of the seal at the current newspaper circulating the location of the headquarter, and apply for the renewal of the seal to the Company.

Article 10 In terms of the stock assignment/transfer of the Company, the assignor/transferor shall endorse at the stock and register the name of the assignee at the stock, and fill the stock transfer application form. After the Company registers the assignee's name and residential address at the shareholders' roster, the transfer shall be considered as accomplished. Assignment/transfer of shares shall not be set up as a defence against the issuing company, unless name/title and residence/domicile of the assignee/transferee have been recorded in the shareholders' roster.

Article 11 In case that the stock is lost, destroyed or not being able to identify, "Regulations Governing the Administration of Shareholder Services of Public Companies" shall be followed for the renewal or replacement of a new stock.

Article 12 The Company shall charge for the renaming, transfer or replacement of the stock and the renewal of the stock.

Article 13 The renaming of the stock owing to a transfer shall be suspended sixty days before the Shareholders Meeting, thirty days before the Shareholders Extraordinary Meeting, and five days before the distribution of dividends and bonuses or other interests.

### **Chapter 3 Shareholders Meeting**

Article 14 The Company's Shareholders Meeting is divided into two types: ordinary and extraordinary meetings. The ordinary meeting is convened at least once every year in compliance with the regulation within six months after the end of the every fiscal year. The extraordinary meeting shall be convened when necessary.

Article 15 The procedure and execution matters at the Shareholders Meeting are the following:

- i. Formulation and amendment of the Articles of Incorporation.
- ii. Election of Directors and Supervisors.
- iii. The Board's reports and statistical forms approved by the Supervisors.
- iv. The decision to increase or decrease capital.
- v. Resolution to allocate earnings and dividends.
- vi. Resolution of other important matters.

Article 16 The convention of the Shareholders Meeting shall be notified to the shareholders thirty days prior to the meeting. The convention of an extraordinary meeting shall be notified to the shareholders fifteen days prior to the meeting, or state the date, location and reason of the convention of the meeting in the announcements.

Article 17 Unless it is otherwise regulated by the Company Act, resolution shall be approved with more than half of the total amount of shareholders with issued shares, and with the agreement of more than half of the shareholders attending the meeting. By competent authority, the Company's shareholders may exercise the voting right via the electronic way. The exercise of the voting right via the electronic way is considered as the presence of the shareholder. The related matters shall comply with the laws and regulations. If the amount of shareholders attending the meeting does not reach to the aforementioned amount, but more than one third of the shareholders with issued shares are present, the resolution shall be first approved by half of the present shareholders, and shall be considered as a false resolution. The false resolution shall be notified to the shareholders, and another Shareholders Meeting shall be convened within one month. In case that in this Shareholders Meeting more than one third of the shareholders with issued shares are present and the resolution is approved by half of the present shareholders, the false resolution shall be considered as officially approved.

Article 18 For each shareholder of the Company, each share means one right to vote. In the event of the situation stated at Article 179 of the Company Act, there will be no right to vote.

Article 19 When the shareholder entrust an agent to attend the Shareholders Meeting, the latter shall present the authorization letter printed by the Company, and sent to the Company five days prior to the Shareholders Meeting. A shareholder is restricted to issue one authorization letter to appoint one person as the agent. When there is repetition of authorization letters, the first to be received shall be adopted except for the declaration to revoke the agent. Except for trust business, when one person is entrusted by more than two shareholders, his or her rights to vote shall not exceed three percent of the total issued amount of shares. When it exceeds the rights to vote, it shall not be computed. The agent is not limited to the Company's shareholders.

Article 20 The Company's Chairman of Board shall be the chairman of the Shareholders Meeting. In case the Chairman is absent, the Vice Chairman shall act in behalf of it. In case the Vice Chairman is absent, the Vice Chairman shall assign an agent. If it is not assigned, the Directors shall assign an agent.

In case the Chairman and the Vice Chairman are absent and cannot exercise the powers, the Chairman shall assign a Managing Director to act in behalf of it. In case there is no Managing Director, a Director shall be assigned to act in behalf of it. If the Chairman does not assign any agent, the Managing Directors or the Directors shall assign one person to act in behalf of it. In case the Shareholders Meeting is convened by a convener other than the Board of Directors, the convener shall be Chairman of the meeting. If there is more than one convener, one of them shall be the chairman of the meeting.

Article 21 All matters for resolution in the Shareholders Meeting shall be recorded in the meeting minutes and signed or sealed by the chairman. The meeting minutes shall be sent to the shareholders within twenty days after the meeting. The meeting minutes shall record the year, month, date, location, chairman's name and resolutions of the meeting as well as the essences and results of the procedures. The meeting minutes shall be kept at the Company together with the signature book of the attending shareholders and the agents' authorization letters. The delivery of the meeting minutes shall be announced.

#### **Chapter 4 Directors and Supervisors**

Article 22 Five to seven Directors and two to three Supervisors are established in the Board of the Company, who are selected among the shareholders with competence by the Shareholders Meeting.

For the aforementioned amount of Directors, three are independent Directors.

Article 192-1 concerning the candidate nomination system is adopted for the election of Directors and Supervisors, while the shareholders shall select from the list of candidates. Independent, non-independent and Supervisors shall be elected together, yet the elected places are computed separately.

Article 22-1 In compliance with Article 14-4 of Securities and Exchange Act, the Auditing Committee, formed by the members of the independent Directors, is established by the Company. It is in charge of the execution of the Company Act, the Securities and Exchange Act and other regulations regulating the Supervisor's rights and duties. The Supervisors are removed on the date of the establishment of the Auditing Committee. Relevant regulations or provisions in the Articles of Incorporation shall be followed for the Auditing Committee members, term of reference or other matters to be complied with. The organizational rules shall be otherwise established by the Board of Directors.

Article 23 The term of the Directors of the Company is three years, and the term of the Supervisors is three years; they can serve for another term after re-election. If re-election cannot be carried out in time upon the expiration of the term of the Director and Supervisor, the term of the duty shall be extended until the election of the Directors and Supervisors. The competent authority may mandate a deadline for the company's re-election. In case the re-election is not carried out upon the expiry of the deadline, the office will be dismissed.

Article 24 The term of reference for the Board of Directors is shown in the following:

1. To propose amendment over the Articles of incorporation and to approve important procedure rules.
2. Establishment and abolition of branch(es).
3. Annual budget approval and consideration on the annual accounts, including the review, supervision and implementation of the annual business plan.
4. To propose earning distribution, loss make-up, or capital increase or capital reduction.
5. The acquisition of the approved shared from the Company's reinvestment on other business.
6. Hiring and dismissal of the Company's accountant.
7. To propose the transfer of the right of dien, selling, rental, pledge, mortgage or any other action to the whole or key parts of the Company's property or business.
8. The Company applies for the he financing, guarantee, acceptance and any other credit granting, the permission for a loan with an amount above 20 million to a financial institution or a third party. For loan below 20 million, it shall be reported to the latest Board of Directors. Loan with the same purpose shall not be subdivided.
9. The approval of an capital expenditure within the authorized scope of budge, above NTD \$ 50 million or within an authorized scope of budge, or above 10 million (including). Amount below 10 million but above 5 million shall be reported to the latest Board of Directors. Expenditure with the same purpose shall not be subdivided.
10. The approval of endorsement, guarantee and acceptance in the name of the Company with an amount above 10 million.
11. The approval of a contract of more than one year and with an amount of above NTD \$ 50 million.
12. The approval of major transaction between the Company and the interest party (including affiliates).
13. The hiring and dismissal of employee below the level of Vice General Manager (included) of the Company.
14. The approval, amendment or termination of the acquisition, transfer, authorization and technical cooperation contract of technical expertise patents, trademarks and copyrights.
15. To report to the Supervisors the doubt of the Company suffering from a major loss or damage.



16. Responsibilities given by other regulations, Articles or Board's resolution.

Article 25 The Board of Directors is formed by the Directors. One Chairman and one Vice Chairman, who will act in behalf of the Company, are elected by the attendance of more than two third of the Directors and the approval of more than half of the present Directors. Their terms of reference are restricted by the laws and regulations, articles and resolutions of the Shareholders Meeting and the Board of Directors.

Article 26 The convention of the Board's meeting shall comply with the Company Act. The convention of the Board shall be notified in written or via the electronic way or fax. The Chairman of Board shall be the chairman of the Board's meeting. When the Chairman of Board is absent, the Vice Chairman shall act in behalf of it. If the Vice Chairman is absent, one Director shall be assigned as to act in behalf of it. If no one is assigned, the Directors shall assign one among them.

Article 27 Unless it is otherwise regulated by the Company Act, the resolution of the Board shall be approved by more than half of the Directors who attend the meeting and more than half of the Directors shall attend the meeting. If the absence of the Directors reaches to one third, the Board shall convene a Shareholders Extraordinary Meeting within sixty days as to resolve.

Article 28 The Directors shall authorize their agents in written authorization so as to attend the Board's meeting and to exercise the right to vote; however, every Director is restricted to act in behalf of one Director. If the Board's meeting is conducted in video conference, the participants of the video conference shall be considered as attendance in person.

Article 29 The Supervisor's term of reference consists of (1) verification of the Company's financial status; (2) review and inspection of the accounting books and settlement reports; (3) term of reference assigned by other regulations.

Article 30 The Supervisor shall not be a Director, manager or other employee of the Company.

Article 31 The remuneration of the Chairman, vice chairman, Directors and Supervisors shall be paid depending on the Company's profit status, and two percent of the net profit after tax as maximum. The amount shall be reported by the Chairman and resolved at the annual Shareholders Meeting.

Article 31-1 The national and international standard of the industry shall be taken as reference for the salary and compensation of the Chairman, vice chairman and the Directors who are involved in the operations. The Board of Directors is authorized to come with an agreement.

Article 32 The Supervisors shall attend and the managers shall be invited for the meeting of the Board of Directors as delegates. The delegates have non-voting rights.

Article 32-1 The company is responsible for the liability insurance coverage for the Chairman, the vice chairman, the Supervisors and the Directors.

## **Chapter 5 Managers**

Article 33 Managers are established in the Company. Article 29 of the Company Act shall be complied with for their hiring, dismissal and remuneration.

Article 34 The Managers of the Company shall not operate by their own or for a third party business of the same nature.

## **Chapter 6 Accounting**

Article 35 At the end of each fiscal year of the Company, the Board shall make (1) business reports (2) financial statements (3) earning distribution or loss make-up and other forms to be handed to the Shareholders Meeting for adoption.

Article 36 Taking the characteristics of industrial growth into consideration and improving the company's financial structure, the Company shall not distribute the annual surplus in the year when losses are incurred. The dividend policy shall prioritize the company's future development and financial situation, and take into account the shareholder remuneration. Then, the Company's future capital expenditure budget shall take into account for the distribution of the stock dividends so as to keep the necessary cash. The rest shall be distributed to the shareholders in cash dividend, only that the distribution of the cash dividend shall not be lower than the twenty percent of the total amount of the dividend of the proposed issuance.

When there is surplus in the general annual financial statement, income tax should be paid first and past losses should be made up. Also, as in compliance with the law, ten percent shall be allocated for the legal reserve, and, in compliance with Article 41 of Securities and Exchange Act, special reserve may be allocated because of requirement or as a resolution of the Shareholders Meeting, or to keep a certain proportion of its earnings as special reserve without distributing it. The special legal reserve required by law may be kept as retained earnings in the event of law amendment or the termination of the reason of the allocation of special reserve by applicable law.

After the allocation of the earnings to be distributed to the various reserves and after adding the previously accumulated undistributed earnings, the distribution shall be based on the principle of ten to seventy percent of the distributable earnings, and distributed based on the following proportion of distribution:

1. The employee's bonus consists of three to five percent and is distributed based on the Employee Bonus Distribution Approach which is established by the Board of Directors. The targets of the employee bonus distribution include the subordinated employees who meet certain conditions; the approach shall be otherwise established by the Board of Directors.
2. The compensation of the Directors and Supervisors consists of two percent.
3. Depending on the Company's operating status, the Board of Director shall provide a proposal for the distribution of the shareholder dividend and the resolution shall be passed in the shareholder meeting.

The Board of Directors of the Company shall adjust the earning distribution depending on the actual business environment, and appeal to the shareholder meeting for the resolution of the distribution.

## Chapter 7 Supplementary

Article 37 Any matter beyond the Articles shall be conducted in compliance with the Company Act and the related laws and regulations.

Article 38 The Articles was agreed by all the initiators on February 25<sup>th</sup>, 1992, with first amendment on March 12<sup>th</sup>, 1992, second amendment on January 5<sup>th</sup>, 1993, third amendment on July 7<sup>th</sup>, 1993, fourth amendment on January 23<sup>rd</sup>, 1995, fifth amendment on December 15<sup>th</sup>, 1995, sixth amendment on May 17<sup>th</sup>, 1996, seventh amendment on May 30<sup>th</sup>, 1997, eighth amendment on July 30<sup>th</sup>, 1997, ninth amendment on May 28<sup>th</sup>, 1999, tenth amendment on May 16<sup>th</sup>, 2000, eleventh amendment on May 25<sup>th</sup>, 2001, twelfth amendment on June 11<sup>th</sup>, 2002, thirteenth amendment on November 12<sup>th</sup>, 2003, fourteenth amendment on November 12<sup>th</sup>, 2004, fifteenth amendment on June 29<sup>th</sup>, 2005, sixteenth amendment on June 15<sup>th</sup>, 2006, seventeenth amendment on June 13<sup>th</sup>, 2007, eighteenth amendment on June 13<sup>th</sup>, 2008, nineteenth amendment on June 16<sup>th</sup>, 2009, twentieth amendment on June 14<sup>th</sup>, 2010, twenty-first amendment on June 13<sup>th</sup>, 2012 and twenty-second amendment on June 15<sup>th</sup>, 2015.

Elite Material Co., Ltd.

Chairman: Tsai Fei Liang

## Appendix II

### Elite Material Co., Ltd. Guideline for Shareholders Meeting

1. Purpose: To specify related matters for the Annual Shareholders Meetings and the Extraordinary Meetings.
2. Scope of application: Shareholders Meeting and Extraordinary Meetings.
3. Rules of Procedure:

- (1) The Company's Shareholders Meeting shall follow this guideline unless it is otherwise regulated by law and regulations.
- (2) A signature book shall be provided for the shareholders who attend the Shareholders Meeting, or the shareholders who attend the Shareholders Meeting shall hand in attendance cards in replacement of the signature. The amount of attending shares shall be computed with the signature book or the attendance cards.
- (3) The attendance and voting at the Shareholders Meeting shall take the shares as the basis.
- (4) The location where the Shareholders Meeting is convened shall be at the Company's location or other location that is convenient for the shareholders to attend and is suitable for the convention of the Shareholders Meeting. The meeting shall not be earlier than 9 AM or later than 3 PM.

The Chairman of Board shall be the Chairman of the meeting in Shareholders Meeting convened by the Board of Directors. In case the Chairman is absent or cannot exercise the powers, the Vice Chairman shall act in behalf of it. In case the Chairman and the Vice Chairman are absent and cannot exercise the powers, the Chairman shall assign a Managing Director to act in behalf of it. In case there is no Managing Director, a Director shall be assigned to act in behalf of it. If the Chairman does not assign any agent, the Managing Directors or the Directors shall assign one person to act in behalf of it.

In case the Shareholders Meeting is convened by a convener other than the Board of Directors, the convener shall be Chairman of the meeting.

- (5) The lawyers, accountants or other relevant persons appointed by the Company shall be present in the Shareholders Meeting.

The meeting staff who organizes the Shareholders Meeting shall wear an identification card or armband.

- (6) The process of the Shareholders Meeting shall be recorded in audio or in video, and shall be kept for at least one year.

- (7) Upon the starting time of the meeting, the chairman shall announcement its commencement. In case that less than half of the shareholders with issued shares attend the meeting, the chairman shall announce the delay of the commencement. The amount of delay is limited to twice. The time of delay shall not exceed more than one hour. If there are more than one third of the shareholders with issued shares present after the second delay, false resolution shall be conducted in accordance with Article 175-1 of the Company Act.

If there are more than half of shareholders with issued share present before the end of the regular meeting, the chairman shall reach to a false resolution. According to Article 174 of the Company Act, it shall be resolved again by the general assembly.

- (8) If the Board convenes the Shareholders Meeting, the meeting agenda shall be established by the Board, and the meeting shall be conducted following the agenda unless it is resolved by the Shareholders Meeting to a change.

If the Shareholders Meeting is convened by right holder other than the Board, the regulation of the previous paragraph shall be applied. Before the resolution of the scheduled resolutions in the first paragraph (including extempore motion) is finished, the chairman shall not announce the adjournment of the meeting unless it was decided so.

After the adjournment of the meeting, the shareholders shall not delegate another chairman as to continue the meeting at the same place or in another location. If the chairman violates the rules of procedure and announces the adjournment of the meeting, another person can be delegated as chairman by the agreement of more than half of the present shareholders with rights to vote, and the meeting may continue.

- (9) Before the present shareholder speaks, the shareholder shall fill a speaking statement with the subject, shareholder number (or attendance number) and account name. The chairman shall delegate the order to speak.

If the present shareholder only fills the speaking statement without actually making the speech, it shall be considered as not making the statement. If the speaking content is inconsistent with the speaking statement, the actual content of the speech shall be based on.

When the present shareholder is making a speech, the other shareholders shall not speak unless the chairman and the speaking shareholder agree to, or otherwise they shall not intervene. The chairman shall stop the violators.

- (10) Each of the shareholders shall not make more than two speeches for the same item unless it is agreed by the chairman. The time of the speech shall not exceed five minutes. The chairman must stop the speech delivery if the shareholder violates the aforementioned regulations or goes beyond the scope of the subject.

- (11) When a legal person is entrusted to attend the Shareholders Meeting, the legal person shall assign one representative to attend the meeting. If the shareholder is a legal person and

assigns two representatives to attend the Shareholders Meeting, only one person can speak for the same item.

- (12) After the shareholders' statement, the Chairman may reply in person or assign relevant personnel for the reply.
- (13) In terms of the discussion of certain item, when the Chairman considers to have reached to the extent of voting, the Chairman shall announce the suspension of the discussion and proceed to the voting.
- (14) The Chairman shall assign the scrutineers and counting staff for the voting of the item, but the scrutineer shall have the identity of shareholder. The results of the voting shall be recorded and announced on site.
- (15) During the meeting, the Chairman may announce a break according to his or her judgement.
- (16) For item resolution, unless it is otherwise regulated by the Company Act and the Articles of Incorporation, it shall then be approved by more than half of the present shareholders with rights to vote.

In the resolution, if there is no objection after being inquired by the chairman, it shall be considered as approved. The effectiveness is the same as being resolved via voting.

- (17) If there is amendment or alternative item for the same item, the chairman shall decide the order for voting for all of them. If one item is approved, the other items shall be considered as objected, and voting shall not be conducted.
- (18) The chairman shall instruct the picketers (or security guards) to assist with the order maintenance in the meeting. When the picketers (or security guard) are assisting with the order maintenance in the meeting, they shall wear the armlet with the "picketeer" in word.
- (19) This regulation is implemented after the approval in the Shareholders Meeting. The same for the amendment.

Elite Material Co., Ltd.

Procedures for Election of Directors and Supervisors

I. Purpose: Procedures regulating the election of directors and supervisors of the Company.

II. Operating Procedures:

1. The election of company directors and supervisors shall comply with the provisions set forth in this Procedure.
2. Each share of the company is entitled to the right to vote for the same number of directors and supervisors of the company to be elected, which should be centralized on the election of one candidate or distributed to the election of several candidates.
3. The Board of the Directors shall prepare the election vote equivalent to the number of directors or supervisors to be elected with indication of the rights.
4. Prior to the start of election, the chairperson shall assign a number of ballot examiner and vote tabulators to execute the various related duties.
5. The Board of the Directors shall set up the ballot box for the election of directors and supervisors. The ballot examiners shall examine the votes in public.
6. In case the candidates are shareholders, the candidates shall fill out the column of the “candidate” with the name of candidate and additional shareholder’s number. In case of non-shareholder identify, and the name and GUI NUMBER candidate should be filled out. Nonetheless in case the government or corporate shareholders are the candidates, the column on the candidate of the vote should be filled out with the government or cooperate name, while the government or corporate name and the name of representative should also be recorded. In case there are several representatives, the name of each representative should be indicated.
7. Votes are void in case of one of the following circumstances:
  - (1) Votes without compliance with the Procedures.
  - (2) Votes left blank and placed into the ballot box.
  - (3) Blurry print that could not be identified or have been altered.
  - (4) In case the candidates are shareholders but the name and shareholder number do not conform to the shareholder’s list; the candidates filled out are not shareholders, which name and GUI NUMBER number are nonconforming.
  - (5) Other text written except for the account name (name) or shareholder account number (GUI NUMBER), account name and distributed election weights.
  - (6) Missing account name (name) of candidates or shareholder account number (GUI NUMBER).

- (7) The same vote that has been filled by two or more candidates.
8. The Company directors and supervisors are elected from persons with behavioral competence at the shareholder's by the quantity defined in the Articles of Association. The candidates with more number of representative votes shall be elected as the directors or supervisors accordingly. In the event of two or more people receiving the same number of rights which exceeds the required quantity, the persons receiving the same rights are determined by drawing and candidates not present shall be drawn by the Chairperson.
- The Company shareholders elected as the director and supervisor concurrently shall voluntarily determine if to take the position as director or supervisor, who may not concurrently serve as the director and supervisor. The vacancy shall be recurred by the number of elects with the most rights.
- 8-1. The Company director elects should have received majority seats while at least one seat of supervisor elects or between supervisor elect and director elect may not be involved in one of the following relations.
- (1) Spouse.
  - (2) Second-degree kinship.
- 8-2. In case the director and supervisor elects of the Company fail to comply with the provisions prescribed in Article 8 of the Procedures, the determine the elected director or supervisors in accordance with the following provisions.
- (1) The nonconforming directors with lower number of election votes shall lose the power of election.
  - (2) The same procedures from aforementioned provisions apply to the supervisor nonconforming to the provision.
  - (3) Among the nonconforming supervisor and directors, the ones with lower number of election votes shall lose the power of election.
9. Upon casting the votes, examine the votes immediately and the Chairperson shall announce the examination results at spot.
10. Directors and supervisors having been elected will be issued with the Notice of Election by the Board of the Directors.
11. For matters not mentioned in the procedures, comply with the Company Act, the Articles of Association of the Company, and relevant laws and regulations for processing.
12. The Procedures are adopted by the Shareholder's Meeting for implementation. The same procedures apply to revision.



Elite Material Co., Ltd.

Regulations Governing the Acquisition and Disposal of Assets

Article 1 These Regulations are amended in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan, R.O.C. (hereinafter referred to as FSC)

Article 2 The Company shall handle the acquisition or disposal of assets in compliance with these Regulations; provided, where another law or regulation provides otherwise, such provisions shall govern.

Article 3 The applicable scope of the term, "assets," as used in these Regulations, includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment
3. Memberships.
4. 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 of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Article 4 Terms used in these Regulations are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance

of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.

3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, 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.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Article 6 The procedures for the acquisition or disposal of assets in accordance with the provisions of these Regulations shall be approved by the board of directors, submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.

Where the position of independent director has been created for the Company, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. The expression and reason of objection and reservations shall be recorded in the meeting minutes.

Where an audit committee has been established for the Company, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

Article 7

1. The acquisition of property or equipment shall be evaluated by the purchase department, administrative office or other relevant unit with the reason for asset acquisition, target, trading counterpart, transfer price, collection and payment term, and price reference as well as other matters in accordance with the provisions set forth in Article 24 of the Articles of Association of the Company.
2. The disposal of property or equipment shall be evaluated by the administrative office or other relevant department for the disposal of target, trading counterpart, transfer

price, collection and payment terms, and price reference and other matters, which shall be approved by the Board of the Directors before execution. Nonetheless the Board of the Directors may delegate the President to execute within certain amount.

3. The procedures for acquisition or disposal of non-operational property or equipment shall comply with the provisions set forth in paragraph 1 and paragraph 1 of this Article. Nonetheless the transaction shall be conducted in accordance with the amount specified by paragraph 1 of Article 28 of these Regulations.
4. The acquisition or disposal of long-term holding securities should be analyzed by the financial and accounting department or other relevant department for benefits and evaluated for the possible risk, in addition to acquiring the latest financial report or other data attested or audited by the CPA as reference of evaluation on transaction price and reporting to the Board of the Directors for approval and execution.
5. The acquisition or disposal of short-term holding securities should comply with paragraph 4 of this Article. Nonetheless the Board of the Directors may delegate the President to invest in target within the amount specified by paragraph 2 and paragraph 3 of Article 28 of these Regulations and the approval of investment operation quota.
6. The acquisition or disposal of non-centralized transaction market or OTC stocks, corporate bonds, private placement of securities, while the transaction amount reaches the announced standards of filing, shall be adopted by the Board of the Directors for resolution before implementation.

Article 8 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each supervisor.

Where the position of independent director has been created for the Company, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. The expression and reason of objection and reservations shall be recorded in the meeting minutes.

Article 9 In acquiring or disposing of real property or equipment where 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 prior to the date of occurrence of the event from a professional appraiser 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 for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, 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.

Article 10 A public company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 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 an opinion 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.

The calculation of transaction amount specified in Article 8 and Paragraph 1 of Article 10 shall be processed in accordance with the provisions set forth in Paragraph 2 of Article 26. The so-called actual date of this transaction occurrence within one year shall be applied as base date and traced back up to 1 year. The appraisal report submitted by professional appraiser in accordance with the regulation standards or the CPA opinion shall be exempt from calculation.

Article 11 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 12 When a the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in compliance with the provisions of the specified by the regulations, 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.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 10-2 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 13 The acquisition or disposal of real property from or to a related party, or the acquisition or disposal of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 26, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the company's board of directors may pursuant to Article 7, paragraph 1 and paragraph 2 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

Article 14 The Company acquiring real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer: The so-called "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent 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 counterparties.

The 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.

The Company that acquires real property from a related party and appraises the cost of the real property in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where a public company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 13 and the preceding three paragraphs do not apply:

1. The related party acquired the real property through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

Article 15 When the results of a public company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where 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 has been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross profit from operations of the related party's construction division over the most recent 3 years or the gross profit margin for the construction

industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where the Company 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 of a similar size by unrelated parties within the preceding year.

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

Article 16 Where a public company acquires real property from a related party and the results of appraisals conducted in accordance with Article 14 and Article 15 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Supervisors shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

When the Company obtains real property from a related party, it shall also comply

with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 17 The Company engaging in derivatives trading shall comply with the "Procedures for Processing Transaction Engaging in Derivative" developed by the Company for processing.

Article 18 The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

Article 19 The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content 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 for reference in 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.

Article 20 A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

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



3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation, in accordance with the prescribed format via the Internet-based information system.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

Article 21 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.

Article 22 The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

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

Article 23 The Contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the Company participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.

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

Article 24 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 share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 25 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 20, Article 21, and Article 24.

Article 26 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

- (1) Trading of government bonds.
- (2) 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.
- (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
- (4) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- (5) Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- (6) 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.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

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 by the 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to

correct it, all the items shall be again publicly announced and reported in their entirety.

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 27 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, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Article 28 The restriction of quota for the Company to acquire non-operating real property, other fixed asset, other assets, and short-term securities are described below:

1. The total amount of real property provided for non-operational use, other fixed assets, and other assets may not exceed 10% of the paid-in capital of the Company.
2. The total amount of investment in short-term securities may not exceed 10% of the paid-in capital of the Company.
3. The total amount of investment in individual short-term securities may not exceed 5% of the paid-in capital of the Company.
4. "Short-term securities" refer to the securities held for the purpose of investment trading in accordance with paragraph 1 of Article 3 of the Regulations.

Article 29 Information required be publicly announcing and reporting on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the public [parent] company.

The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 26, paragraph 1, subparagraph 4 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of a company whose shares have no par value or a par value other than

NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under Article 9 to Article 10, Article 13, Article 26, and Article 29 of these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

Article 30 Affiliated personnel in violation of the Company's provisions on the acquisition or disposal of asset handling procedures shall be punished in accordance with the work conduct of the Company.

Article 31 Upon adoption by the Board of the Directors, the Regulations governing the acquisition or disposal of asset handling shall be submitted to the supervisor and reporting to the Shareholders' meeting for agreement. The same procedures shall apply. The subsidiary of the Company shall apply the same procedures when developing and revising the procedures, in addition to reporting to the Board of the Directors of the parent company for review.

Elite Material Co., Ltd.

Endorsement & Guarantee Procedure

1. External endorsement & guarantee carried out by our company and all our subsidiaries shall comply with the procedure stipulated herein.
2. This regulated procedure is established based on the December 18, 2002 (91) TaiTsaiZen (six) Zi No. 0910161919 Mandate issued by the Securities and Futures Commission of Ministry of Finance, and amended based on the July 6, 2012 JinGuanZenShen Zi No. 1010029874 Mandate issued by the Financial Supervisory Commission of Executive Yuan.
3. The said endorsement & guarantee includes financing endorsement & guarantee, customs endorsement & guarantee and other endorsement & guarantee.

(1) Financing endorsement & guarantee means:

1. third-party discounted bill financing;
2. endorsement or guarantee for other company's financing;
3. guarantee for our company's financing by issuing a bill to a non-financial institute.

(2) Customs endorsement & guarantee means an endorsement or a guarantee associated with customs carried out for our company or for other companies.

(3) Other endorsement & guarantee means any other endorsements or guarantees that cannot be categorized as either one of the above two types.

Our company's providing chattel or real estate for pledge, collateral setting as guarantee for loans by other companies shall also comply with this regulated procedure.

4. Our company may endorse or guarantee for the following companies:

- (1) The companies we are doing business with.
- (2) The companies of which our company holds over 50% of direct or indirect voting shares.
- (3) The companies which hold over 50% of our company's direct or indirect voting shares.

The companies of which our company holds over 50% of direct or indirect voting shares may endorse and guarantee for each other, and the endorsed or guaranteed amount shall not exceed 10% our company's net value, and also such an act shall be submitted to our company's Board of Directors for approval in advance. However, for companies 100% held by our company, the aforementioned restriction shall be exempted.

Identification of subsidiaries and their parent company shall be based on the Regulations Governing the Preparation of Financial Reports by Securities Issuer.

The Net Value referred to in this procedure means the owner's equity under the parent company's balance sheet in accordance with the Regulations Governing the Preparation of

## Financial Reports by Securities Issuer.

Based on a joint investment, the capital contribution shareholders may endorse and guarantee for the jointly invested company based on their shareholding ratios, without being restricted by the aforementioned conditions.

5. The endorsement & guarantee shall go through regulated approval process and be ultimately approved by the Board of Directors, except for cases with the following conditions that can be carried out first and then followed by the latest Board of Directors approval, on conditions that the process shall be documented and reported to the shareholders' meeting for future checkup:

- (1) It's conformable to the Company Charter.
- (2) The amount endorsed and guaranteed is within the competence of the Chairman authorized by the Board of Directors.
- (3) The amount is still within the authorized range for the same corporation.

If an endorsed and guaranteed amount exceeds the range set by the Endorsement & Guarantee Procedure and such an excess is necessary for business operations, the case must be approved by the Board of Directors and jointly endorsed by more than half of the board directors on possible losses out of the excessive amount, and the approval shall also be reported to the shareholders' meeting for recognition; in case that the shareholders do not agree with the endorsement, a plan must be initiated to eliminate the excessive part of the amount within a specific timeframe.

6. The total amount of our company's external endorsement & guarantee shall not exceed 100% of the corporate net value disclosed in our company's most recent financial statements; on endorsement & guarantee for a single corporate entity, the amount shall not exceed 50% of the corporate net value disclosed in our company's most recent financial statements. However, the endorsement & guarantee based on business operations is limited to our company's subsidiary sales companies. For a single non-subsiary sales company, the amount of endorsement & guarantee shall not exceed 10% of the net value disclose in our company's most recent financial statements.

The total endorsement & guarantee amount of our company and our subsidiaries shall not exceed 100% of the net value disclosed in our company's most recent financial statements; the amount of endorsement & guarantee of our company and our subsidiaries for a single corporate entity shall not exceed 50% of the net value disclosed in our company's most recent financial statements. If the object endorsed and guaranteed by our company and our subsidiaries is a subsidiary whose net value is less than half the paid-up capital, the subsidiary's financial and business status as well as its credibility should be monitored; and if there is any collateral, the value of the collateral should also be monitored for any possible changes, and in case of any major adverse changes, the endorsement & guarantee should be terminated or corresponding measures should be taken. For a subsidiary whose stocks have no face value or the face value is not NT\$10, its paid-up capital should be calculated as share capital + capital reserve - issue premium.

7. The process of endorsement & guarantee:

- (1) For registration or cancellation of an endorsement & guarantee, the applying unit shall fill out a guarantee application/cancellation form, with description of the endorsing company, the endorsed object, type of endorsement, reasons of endorsement and the amount endorsed, and the application shall be reviewed by the Chairman for approval.

- (2) Within the timeframe stipulated by the Financial Supervisory Commission of Executive Yuan, the Finance Department of our company shall report and promulgate endorsement & guarantee transactions on a monthly basis.
- (3) In the process of an endorsement & guarantee, the necessity and reasonability of the transaction shall be examined and the operational risks of the endorsed and guaranteed object shall be evaluated, in addition to the assessment on whether collaterals are needed and the collateral's value in consideration of possible operational risks our company may face in terms of the financial status and shareholders' interests.
- (4) The details of an endorsement & guarantee shall be written on the reference book, including the endorsed object, the endorsed amount, the date of approval by the Board of Directors or Chairman, the endorsement date, as well as the aforementioned details of transaction evaluation and assessment.
- (5) In case that subsequently the qualification of the endorsed object becomes unworkable or the endorsed amount exceeds the limit, an improvement plan shall be initiated and sent to the corporate supervisors for review.
- (6) The internal auditors shall audit the endorsement & guarantee procedure and implementations on a quarterly basis at the least, and the auditing records shall be documented. Should any major violations are detected during the auditing process, the auditors shall notify the corporate supervisors immediately in writing.

#### 8. Corporate seals keeping and procedure:

- (1) The dedicated corporate seals for endorsement & guarantee are registered at the Ministry of Economic Affairs.
- (2) For our company's overseas subsidiaries, the aforementioned dedicated corporate seals for endorsement & guarantee shall be registered at the local competent authorities or replaced by signatures.
- (3) The said corporate seals shall be kept by dedicated personnel, and use of the seals shall comply with the "Corporate Seals Regulations". The custodians of the corporate seals shall be approved by the Board of Directors, and the same as with change of the custodians.
- (4) In case of a guarantee for a foreign company, the Letter of Guarantee shall be signed by a representative authorized by the Board of Directors.

#### 9. Procedure for required promulgation and reporting:

- (1) The previous month's balance of amounts endorsed and guaranteed by our company and our subsidiaries shall be reported and promulgated by the 10th of every month.
- (2) When the balance of amounts of the endorsement & guarantee transactions reaches one of the following thresholds, it shall be reported and promulgated within 2 days starting from the day the fact occurs:
  1. The balance of the total amount endorsed and guaranteed by our company and our subsidiaries exceeds 50% of the net value disclosed in our company's most recent financial statements.



2. The balance of the amount endorsed and guaranteed by our company and our subsidiaries for a single corporate entity exceeds 20% of the net value disclosed in our company's most recent financial statements.
3. The balance of the amount endorsed and guaranteed by our company and our subsidiaries for a single corporate entity exceeds NT\$10 million, and the summation of endorsement & guarantee, long-term investment as well as loan balance related to this single corporate entity exceeds 30% of the net value disclosed in our company's most recent financial statements.
4. The newly added amount endorsed and guaranteed by our company and our subsidiaries exceeds NT\$3 million and exceeds 5% of the net value disclosed in our company's most recent financial statements.

For a subsidiary that is not a publicly held company at home and is qualified for the conditions described in the above 4 paragraphs, its said promulgation and reporting matters shall be executed by our company.

- (3) The promulgation and reporting stipulated herein means data entry to the website appointed by the Financial Supervisory Commission of Executive Yuan.
  - (4) The occurring date referred hereto means transaction signing date, payment date, Board of Directors resolution date as well as the date when a transaction object or transaction amount is confirmed, whichever comes first.
10. The contingent losses from endorsement & guarantee transactions shall be assessed or listed, and relevant information shall be appropriately disclosed in financial statements, and sent to a CPA for necessary auditing.
  11. Any manger and/or applicant applying for an endorsement & guarantee transaction violates this Endorsement & Guarantee Procedure shall be punished by our company's codes of practice and compliance.
  12. This Endorsement and Guarantee Procedure shall be reviewed by the Board of Directors for approval, and then sent to the corporate supervisors for reference, and sent to the shareholders' meeting for final approval. If any board directors raise objections, relevant documents or written statements should be sent to the corporate supervisors and the shareholders' meeting for discussion. The same requirement also applies to amendment of this Procedure.

Elite Material Co., Ltd.

Operational Procedures for Lending of Company Capital

- Articles 1 The Company and its Subsidiaries shall follow the Procedures set forth below for loaning funds to other parties.
- Article 2 The Procedures are established as per 18 December 2002 Order No. 0910161919 of the Securities and Futures Commission, Ministry of Finance, with amendments as per 6 July 2012 Order No. 1010029874 of the Financial Supervisory Commission.
- Article 3 The Company shall not loan funds to any shareholders or any other persons, except under the following circumstances:
- (1) Where an inter-company or inter-firm business transaction calls for a loan arrangement.
  - (2) Where the following subjects endorsed and guaranteed by the Company short-term financing facility is necessary:
    1. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
    2. A company which directly and indirectly holds more than 50 percent of the voting shares in the Company.
- Article 4 Amount Limit:
1. The total amount of the loan shall not exceed 30% of the total net worth of the Company.
  2. The loan amount granted by the Company to a company or firm with business relationship with the Company shall not exceed 3% of the net worth of the Company.
  3. Where funds are lent to a company with short-term financial need, the amount of the loan shall not exceed 10% of the net worth of the Company.
- Article 5 Evaluation & Review Procedures shall include:
1. The necessity and reasonableness of extending loans to others.
  2. Borrower credit status and risk assessment.
  3. Impact on the business operations, financial condition, and shareholders' equity of the Company.
  4. Whether collateral must be obtained and appraisal of the value thereof.
  5. For the fund loaning based on the business relationship which must be

consecutively over one year, the amount of the loan shall neither exceed one half of the total amount of the yearly mutual transaction, nor 3% of the net worth of the Company.

6. Fund-lending to companies or firms with short-term financial needs shall be limited to the Company's Subsidiaries with normal operation and only for the needs of short-term operation. The loan amount shall not exceed 10% of the net worth of the Company.

Article 6 Operational Procedures:

1. Application: When any borrower submits its loan application to the Company, the person-in-charge shall make the initial contact and obtain preliminary understanding of the purpose of the fund and its financial status. For feasible cases, the meeting minutes shall hence be taken to submit to the General Manager for approval.

2. Credit Investigation:

- (1) Finance Department shall then collect, analyze and evaluate the credibility status, operating conditions, financial position and repayment ability of the borrower for the reference of risk assessment by the Board of Directors.

- (2) Applicable Term for Reports:

1. For the first-time loan borrower, the borrowing company shall provide its basic information and financial data so as to conduct the credit check.
2. For the extended borrower, the credit check shall in principle be conducted once a year. In the event of a major case, depending on the actual needs, the credit check shall herein be conducted every half year.
3. Provided that the borrowing company is of good financial position, and the certification of financing of its annual financial statement is implemented by its appointed Certified Public Accountants, the check report more than one year but not yet two can be adopted, as read with the case report of the loan release in the Auditing and Attestation of Financial Statements by Certified Public Accountants.

3. Verification of the Loan:

- (1) Through the credit check and evaluation, if the credibility of the borrowing company is less than satisfactory, for the rejected loan releases, the person-in-charge shall submit the reason of refusal for ratification, and thereupon a prompt reply shall be rendered to the borrowing company.
- (2) Concerning the result of the credit check, for the approved loan release, the person-in-charge shall fill in the report and comment on the credit check, with drafted terms for the loan release, to submit progressively up to the General Manager for ratification.

#### 4. Resolution by the Board of Directors:

The loan release case approved by the General Manager shall without exception be executed after the agreed resolution by the Board of Directors. When fund lending is contemplated between the Company and its Subsidiaries, or among the Company's Subsidiaries, such case shall be submitted to the Board of Directors for resolution pursuant to the foregoing. The Board may authorize the Chairman to make several loans or recurring loans to the same borrower to the extent within a specific amount and within a period no longer than one year. "Specific amount" as referred to above shall mean that the authorized amount of loans by the Company or its Subsidiary to an individual entity shall not exceed 10% of the Company's or its Subsidiary's net worth in their most recent financial statement.

#### 5. Notice to the Borrower:

Upon approval of a loan case, the person-in-charge shall promptly inform the borrower by written document or by telecom, and describe in detail the Company's lending terms and conditions, including the amount, duration, interest rate, collateral and guarantor requirements. The borrower shall, within the time limit, sign the loan agreement and carry out the procedures to create a pledge (or mortgage) on the collateral and for verification and signing of the guarantor, as grounds for disbursing the funds.

#### 6. Contract Signing & Identity Verification:

- (1) The person-in-charge for the loan case shall draw up the terms and conditions of the loan agreement. With the ratification by the supervisory personnel and forwarding to the legal consultants for review and verification, the agreement shall proceed with the signing procedures.
- (2) The content of the loan agreement shall conform to the terms and conditions approved for the loan. After signing the loan agreement by the borrower and the joint guarantor, the person-in-charge shall complete the procedures of identity verification

#### 7. Collateral Registration:

For loan cases with collateral, the borrower shall provide such collateral and fulfill the legal procedures for mortgage and/or lien to protect the Company's interest.

#### 8. Insurance:

- (1) All collateral, except land and securities, shall be covered by fire (property damage) insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The Company shall be named as the beneficiary of the insurance. The insured object, quantity, location, coverage conditions and endorsements must be consistent with the requirements of the Company.
- (2) The person-in-charge shall be mindful of the duration of the insurance. Notice shall be made to the borrower to continue the insurance before its expiration.

#### 9. Disbursement of the Loan:

Once a loan release case is approved and the security procedures pursuant to the Procedures are implemented, which is checked and found no error by the Finance

Department, the loan may be disbursed to the borrowing company by issuing a check.

10. Duration of Fund Accommodation & Calculation of Interest:

- (1) The duration of each fund accommodation shall not exceed one year. Upon borrowing, the repayment date shall be specified.
- (2) The interest rate of the loan release shall be determined on the basis of the rate of the Company's capital cost and the interest rate of the bank loans, accrued on the monthly basis. Interest for less than a month shall be counted by one month.

11. Repayment:

- (1) Once a loan is disbursed, the financial, business and relevant credit conditions of the borrower and the guarantor shall be regularly monitored. Where collateral is provided, changes in its values shall be noted. Two months before the expiration of the loan disbursement, the borrower shall be notified to repay the loan principal and interest, and no extension is allowed.
- (2) When the borrower is making a repayment upon maturity, the interest shall first be calculated and repaid together with the principal. Only then can the relevant evidence of claim such as collateral, IOU and the contract be revoked and returned to the borrower.

12. Deleted.

13. Document Filing of the Loan Cases:

For loan cases handled by the person-in-charge, after the loan disbursement, the relevant evidence of claim such as the contract, promissory note, et cetera, together with the collateral document, insurance policy and correspondence papers shall be filed in order and placed inside the keeping bags. A note of the filed content and the name of the client shall be specified on the bags, submitted to the supervisory personnel for inspection, and sealed accordingly if inspected no error. On the perforation, the seal certification of the person-in-charge and the supervisory personnel shall be stamped. After registering on the registration transcript for safekeeping items, the filed documents shall be archived.

Article 7 A memorandum book shall be established for detailed documentation which specifies the borrower, loan amount, date of approval by the Board, drawdown date, and any other matters required to be reviewed and evaluated under the preceding Article 5.

Article 8 The internal auditing staff shall perform an audit on the procedures and performance of the loans on quarterly basis and written records shall be prepared. If any significant breach of rule is discovered, each Supervisor shall be notified in writing.

Article 9 If due to a change of circumstances, the outstanding balance of the loan exceeds the limit required thereof, an improvement plan shall be adopted and submitted to each Supervisor. The improvement plan shall be executed in accordance with the timeline specified therein.

Article 10 The Company shall, prior to the tenth day of each month, publicly announce and declare the loan balances of the preceding month by the Company and its Subsidiaries. The term "publicly announce and declare" as used in the Procedures refers to data uploads to the website for reporting information as designated by the Financial Supervisory Commission.

Article 11 Where the granted loans reach one of the following thresholds, a public announcement and declaration shall be made within two days commencing immediately from the date of occurrence of the fact:

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

If there is any reporting and announcement of the aforementioned Article 3 required for the Company's Subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its Subsidiary.

The term "date of occurrence of the fact" as used in the Procedures refers to the date of contract signing, date of payment, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

The term "net worth" as used in the Procedures refers to the Statement of Assets and Liabilities, as pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, belonging to the equity of the owner of the parent company.

Article 12 The Company shall evaluate the status of loans and account adequate allowance for bad debts, as well as make appropriate disclosure of relevant information in the financial reports and provide the Certified Public Accountants with relevant information for conducting the necessary audit.

Article 13 Should the managers and persons-in-charge violate the Procedures, subsequent castigation is subject to the related Personnel Articles of the Company.

Article 14 After the approval by the Board of Directors, the Procedure shall be sent to all Supervisors and submitted to the shareholders' meeting for agreement. Any objection by the Director which is recorded or in written statement shall be submitted to each Supervisor and to the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.

Transaction Processing Procedures of Financial Derivatives

**Chapter I General Provisions**

- Article 1: This Processing Procedures are revised according to the Criterion for Public Companies to Acquire or Dispose Assets as published by Financial Supervisory Commission of Executive Yuan on April 20, 1996.
- Article 2: The derivatives mentioned in this Processing Procedures refer to the transactional contracts with the value derived from the assets, interest rate, exchange rate, index or other interests (such as forward contracts, option contracts, futures contracts, leverage margin contracts, exchange contracts and the combined contracts composed of the above-mentioned commodities, etc.).
- Article 3: The forward contracts mentioned in this Processing Procedures do not include the insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts and long-term stock (sales) contracts.
- Article 4: Issues related to bond margin trading shall be transacted with reference to relevant provisions of this Processing Procedures.

**Chapter II Operational Procedures**

- Article 5: The transaction type of derivatives is only limited to the forward exchange and options in foreign currency.
- Article 6: The foreign exchange operation through the commodities as mentioned above is only for evade the exchange risks in operation, so no speculative transaction is allowed and the type of currency held must conform to the foreign currency actually needed by the company for import and export trade.
- Article 7: The financial clerk shall propose the future operational strategy according to the foreign currency statistics form and detailed form of received letter of credit each month, and submit it to general manager and board chairman for approval before operate according to it. Where there is foreign exchange operation different to the pre-set strategy, the financial clerk shall start relevant transaction after getting the approval from the general manager and board chairman.
- Article 8: 1.Total amount of contracts to evade risks in foreign currency shall not exceed total amount of foreign currency actually needed by the company for import and export.
2. The upper limit of the loss of contracts to evade risks in foreign currency is as follows:
- (1) Specific contract with the purpose of evading risk: upper limit of the loss is 30% of the contract amount.
- (2) All contracts: upper limit of the loss is 10% of total contract amount.

- (3) In case the loss amount of specific contract with the purpose of evading risk or all contracts as appraised at the end of successive two months reaches the upper limit, it shall be submitted to general manager and board chairman for the decision of whether the stop-loss is executed, and then the disposal situation shall be reported to the board of directors afterwards.

Article 9: The financial clerk shall appraise and self-criticize the operational performance based on market price every week, and appraise twice a month, and submit the operational performance regularly to the financial executive, general manager and board chairman to self-criticize and improve the operational strategy of evading risks.

Article 10: When the company engages in transaction of derivatives, each director and handler have the following rights and liabilities:

1. Business director of each level:

- (1) To control and manage the authorized amount made by the board of directors for the whole company.
- (2) To approve and decide the appointment and dismissal of dealers, and to regulate and control the authorized amount of dealers.
- (3) To decide the format of risk statements.
- (4) To decide the risk evaluation model and performance evaluation model.

2. Staff of transaction department:

- (1) To decide the transaction strategy within the authorization scope and to trade with the counterparty directly.
- (2) To provide in time the transaction notes and vouchers.

### **Chapter III Accounting Treatment Principles**

Article 11: The main target of accounting treatment policy of the company's derivatives is to properly express the transaction process and economic result according to different transaction natures and ways of disposal based on generally accepted accounting principles and relevant laws, with integrated accounting vouchers and records.

Article 12: As for the accounting treatment of derivatives transaction, the company shall compile proper accounting entries according to the vouchers at different time points when drawing margin, when transaction is carried out, when the contract expires or when the contract is settled and cleared, following the transaction procedures.

Article 13: When accounting treatment of derivatives transaction to evade risks is carried out, there is no need to evaluate and calculate the profits and losses based on the market price by the month at the end of each month, and the profits and losses only need to be calculated after the contract is settled and cleared.

Article 14: When the company compiles the regular financial report (including annual, semi-annual and quarterly financial report and consolidated financial report), it shall disclose general relevant items in the annotations to financial statements by category



according to the purpose of derivatives transaction, in compliance with the provisions in the Criterion for Public Companies to Acquire or Dispose Assets as published by Financial Supervisory Commission.

#### **Chapter IV Declaration Procedures of Announcement**

- Article15: The Company shall announce the contents related to derivatives transaction of previous month as well as the operation situation of that month before the 10th every month according to the Criterion for Public Companies to Acquire or Dispose Assets as published by Financial Supervisory Commission of Executive Yuan.
- Article16: In case the items to be announced according to this Processing Procedures are missed upon announcement which shall be supplemented, declaration of announcement shall be made again with all items included.
- Article17: The Company shall declare the audit report of derivatives transaction and the execution status of annual verification plan of internal audit to the Financial Supervisory Commission of Executive Yuan before the end of February every year.
- Article18: The Company shall declare the improvement status of abnormalities in the procedures of derivatives transaction to the Financial Supervisory Commission of Executive Yuan for review before the end of May every year.

#### **Chapter V Internal Control System**

- Article 19: The dealer of derivatives transaction and the staff in charge of confirmation and delivery shall not act as each other concurrently.
- Article20: The financial executive shall pay attention to the risk supervision and control of derivatives transaction at any time, regularly evaluate whether the performance of derivatives transaction conforms to the fixed operation strategy, and whether the undertaken risks are within the affordable scope of the company, and regularly evaluate whether the risk management procedures used now is suitable and in compliance with relevant provisions of this Processing Procedures.
- Article21: When the company engages in derivatives transaction, it shall carry out transaction evaluation according to the type of dealer, variety of commodity and overall transaction situation of the company.
- Article22: The Company shall regularly appraise the counterparties of derivatives transaction, adjust their credit grade and amount, and set transaction limits in time where abnormalities occur.
- Article 23: The Company shall set up memorandum book when engaging in derivatives transaction, and record the variety, amount, date of approval by board of directors and the above-mentioned appraisal items on the memorandum book in details for future reference.
- Article24: The Company shall report to the board of directors afterwards when engaging in derivatives transaction.

## **Chapter VI Internal Auditing System**

Article25: Internal auditing clerks shall regularly get to know the propriety of internal control of derivatives transaction, check the observance of financial clerks to the Transaction Processing Procedures of Derivatives and analyze the transaction cycle by the month, and form auditing report which shall be submitted to the board of directors. In case of any major violations, each supervisor shall be informed in written notice.

Articl26: The contents of verification and test carried out by the auditing clerks shall include the policy, trading limit, trading procedures, evaluation and risk control of derivatives, etc.

Article27: The auditing clerks shall verify the transaction deviating from market price, abnormal trading volume and special transactions after business hours or beyond the business premises, and issue a report on the possible impact caused by such transaction to the company which shall be submitted for reading.

## **Chapter VII Supplementary Provisions**

Article28: This Processing Procedures is passed by board of directors, sent to each supervisor and submitted to shareholders' meeting. Any amendments thereafter must be handled in the same manner.

## Appendix VIII

Elite Material Co., Ltd.

### Standard of Ethical Conduct

#### Article 1 Purpose and basis

This Standard is concluded for observance in order to make the behaviors of the directors, managers and all employees of the company conform to the code of ethics and to make the interested parties of the company know more about the company's code of ethics.

#### Article 2 Applicable object

This Standard is applicable to the directors, managers and all employees of the company (hereinafter referred to as "the staff of the company").

#### Article 3 Principle of honesty and credibility

The Company and the staff of the company shall abide by code of ethics in enterprise operation and when fulfilling the duties, adhere to the attitude of aggressiveness, chariness and responsibility, abandon selfish departmentalism, lay emphasis on team spirit and obey the principal of honesty and credibility.

#### Article 4 Prevention of conflicts of interest

The staff of the company shall deal with official business objectively and efficiently. They shall not use their positions in the company to gain illegal profits for themselves, their spouse, parents, children or second-class relatives.

In case the company is involved in capital loan with the associated enterprises where the foregoing persons work, or provides warranty, engages in material asset transaction or affairs of stock replenishment (goods sales), the related staff of the company shall actively illustrate whether potential conflicts of interest exist with the company, and handle according to the Code of Conduct for Employees formulated by the company to prevent conflicts of interest.

#### Article 5 No seeking of personal gains

The staff of the company are not allowed to get involved in any of the following events:

- (1) Seeking personal gains by using the company's properties, information or their positions.
- (2) Competing with the company. Those with non-competition released as agreed by shareholders' meeting do not subject to this limit.
- (3) Behaviors as prohibited by code of conduct or other relevant provisions of the company.

#### Article 6 Confidentiality

The staff of the company shall be obliged to keep secret the information of the

company or information of customers related to stock replenishment (goods sales), except as otherwise authorized or provided by the laws to make public. The confidential information includes all concealed information that is likely to be utilized by others or that may damage the company or the customers after being leaked.

#### Article 7 Fair trade

The staff of the company shall treat the customers related to stock replenishment (goods sales) of the company, competitors and employees impartially. They are not allowed to gain illegal profits by manipulating, concealing or abusing the information known from their positions, making misrepresentation to important items or in other unfair trading manner.

#### Article 8 Protection and proper use of company's assets

The staff of the company shall protect the company's assets and ensure they can be effectively and legally used in official business, not to be stolen, neglected or wasted.

#### Article 9 Observance of laws

The staff of the company shall abide by Securities Exchange Act and other laws and regulations.

#### Article 10 Encouragement of report of any illegal behaviors or any violations against Standard of Moral Behavior

The Company shall strengthen internal advocacy of morality, and encourage the staff to report any behaviors that violate laws and regulations or Standard of Moral Behavior to the managers, internal auditing supervisor or other appropriate personnel when they doubt or discover such behaviors, and to provide enough information to the company for the proper treatment of follow-up issues.

The Company shall dispose the report cases in a secret way, which will be verified by independent organ to protect the informer.

#### Article 11 Disciplinary measures

In case the staff of the company violates this Standard, the violation shall be disposed according to the laws or the company's relevant provisions, and in addition, the information about date of violation, violation reason, violated terms and disposal situation of the violator shall be disclosed in time at observation station of public information.

Those violating Standard of Moral Behavior must request for relief in general and normal manner.

#### Article 12 Procedures applicable to exemption

In case the staff of the company has the need of being exempted from observing this Standard, it shall be agreed by board of directors with the resolutions made, and the information about exemption date as agreed by board of directors, opinions of independent directors objecting to the exemption or reservations, applicable period of exemption and applicable terms shall be disclosed in time at observation station of public information so that the shareholders can evaluate whether such resolutions

made by the board of directors are proper, to avoid any suspicious observance exemption situations, to ensure there will be appropriate control mechanism for any observance exemption situations and to protect the company.

#### Article 13 Way of disclosure

The Company shall disclose this Standard and its revisions at the website, annual report, the prospectus and observation station of public information.

#### Article 14 Implementation

This Standard and its revisions are implemented after they are passed by board of directors and reported to shareholders' meeting.

Elite Materials Co., Ltd.

Procedures for Ethical Management and Guidelines for Conduct

Article 1. Purpose and scope

The Company based on the principles of fair, honesty, trustworthy, and transparency to carry on all the business activities. To implement the credibility policy and prevent the conducts of bad faith, the company set the Operation Procedures & Conduct Guidelines according to the Credibility Management Guidelines of the Listed Company at Stock Exchange Market and the Listed Company at Over-the-Counter Market, and the related laws and regulations of the location of the company and the corporations and agencies of the group. It concretely regulates all of the Company personnel have to pay attention to the issues during executing any practices.

The Operation Procedures & Conduct Guidelines is not only suitable to all of the subsidiary companies and the foundational juridical persons that the company has donated the accumulated funds over its 50% directly or indirectly, but also the organizations, legal persons, group corporations, and agencies that the company is able to dominate essentially.

Article 2. Applicable

Refer to the mentioned the company personnel in the Operation Procedures & Conduct Guidelines includes the directors, supervisors, managers, employees, on commission persons, or the person who possesses the essential power of control in the company, group corporations, and agencies.

Any patterns or means of money, present ,gift, commission, position, service, discount, kickback, lobbying fee, treatment, social engagement, or other benefit that is provided, promised, or requested by the third party and passed to the company personnel will be presumed as the behaviors of the company personnel.

Article 3. Unethical Conduct

Any bad faith conducts are prohibited for the company personnel. The unethical conduct means that due to the purpose of obtaining or maintaining the benefit. What the company personnel provides, receives, promises, or requests any unfair benefit directly or indirectly, or carries out other conduct that violets credibility or commission responsibility or is illegal.

The subjects who did the above mentioned conducts includes the public servant, candidates for political participation, political party or party crew, as well as the directors (directors), supervisors (supervisors), managers, employees on commission person, and the persons who essentially opposes the power of control or other stakeholders of the public or private enterprises or institutions.

#### Article 4. Types of the Benefit

The benefit that is mentioned in the Operation Procedures & Conduct Guidelines is such as money, present ,gift, commission, position, service, discount, kickback, lobbying fee, treatment, social engagement, or other valuable things.

#### Article 5. Laws & Regulations Compliance, Preventive Measures, and the Dedicated Unit

The Company shall comply with the Companies Act, the Securities Exchange Act, the Commercial Accountant Act, the Political Donations Act, the Corruption Offences Ordinance, the Government Procurement Act, the Public Servants to Avoid Conflict of Interest Law, and the Listed Company related regulations or other relevant commercial laws and regulations to be the basic premise of implementation of credibility management.

The Company shall establish the policy that is based on the credibility accordance with the incorruptible, transparent, and responsible management philosophy and constructs a good corporation governance and risk control mechanism for creating a management environment of sustainable development.

To ensure effective prevention and discovery of corruption events, the bad faith conduct preventive measures should be included in the Company's internal control mechanisms and internal sign-off process.

The Company assigns the Personnel Resource Department as the dedicated unit(hereinafter referred to as the company dedicated units) for the related tasks and execution supervising of the amendment, executing, interpretation, and consulting service of the Operation Procedure & Conduct Guidelines, the announce report, and the files build-up, etc.

#### Article 6.Prohibit Providing or Accepting the Improper Benefits

If the company personnel provides, receives, promises, or requests money, present, service, discount, treatment, social engagement, or other benefits directly or indirectly, he or she has to conform to the Credibility Management Guidelines of the Listed Company at Stock Exchange Market and the Listed Company at Over-the-Counter Market and the regulation of the Operation Procedures & Conduct Guidelines and follow the related procedures for applying. However, the following situations are out of the ordinary.

- 1.Subject to the laws and regulations of the operation location.
- 2.Based on the business demand or according to the local manners, customs or practices, it has to visit or accept the visitors, promote the business, or communicate or negotiate with the clients in domestic or foreign access.
- 3.To attend or invite others to the normal social activities based on the normal social customs, commercial purpose or to promote the relationship.
- 4.Due to the business requirement, it has to invite the clients or invited to participate in the specific business activities or plant tours, etc., the burden of cost, the number of the participants, and the accommodation grades and period of the mentioned activities should be informed before.

- 5.To participate the public folk festivals that is opened to the public.
- 6.The incentives, assistance, sympathy or consolation, etc. from the directors. °
- 7.For the purpose of the social customs °
- 8.The recognized standard of providing or receiving unfair benefit should according to the Employee Conduct Codes set by the Company.

Article 7. The Measure Procedure of Accepting the Improper Benefits

In case of offering or promising directly or indirectly to give money, presents, services, discounts, treatments, social engagements, or other benefits from others, the company personnel should follow the following procedure. Except the above Articles 6 mentioned situations.

- 1.If the person who offers or promises the benefits does not exist any vital interest relationship in duty with the company personnel, he or she has to report to the direct supervisor within 3 days from the date received or inform the company dedicated unit if it is necessary.
- 2.If the person who offers or promises the benefits exists vital interest relationship in duty with the company personnel, he or she has to refund or reject the benefit and report to the direct supervisor and inform the company dedicated unit. In the event of being unable to return, it has to be handed over to the company dedicated unit within 3 days from the date received.

Referred to above mentioned vital interest relationship in duty, it could be one of the following situations:

1. With the relationship of commercial dealing, command or supervision, or spending cost supplement or award.
- 2.With the relationship of seeking, processing, or entering into a contract, sale, or other agreement.
3. Other things that will cause the Company suffer favorable or unfavorable effects because of the decision or whether execution or not of the Company.
4. The company dedicated unit ought to propose the ways of refunding, receiving and paying, owning by the public, donating to the charities, or other proper recommendation and to execute after the company approved according to the nature and value of the property of the first item.

Article 8. Prohibit the lobbying fee and the handling procedure

The Company shall not provide or promise any lobbying fee.

If the company personnel provides or promises the lobbying fee due to be threatened or frightened, he or she has to record the process and report to the direct supervisor and inform the company dedicated unit.

The company dedicated units upon receiving the above mentioned notification should deal with the related matters immediately to reduce the re-happen risk. If it is found



involving illegal matters, the company dedicated unit has to inform the judiciary immediately.

#### Article 9. The Handling Procedure of the Political Contributions

The political donations of the company shall be governed by the following regulations :

- 1.It should be confirm and conform to the related laws and regulations of the located nation of the receiver, including the ceiling and the forms of the political donations.
- 2.The decision shall be made as a written record.
- 3.The political donations should be entered according to the laws and regulations and the related accountant procedures.
- 4.On the very moment of providing the political donations, it has to be avoided to do the things with the government related unit, such as commercial dealing, permit application, or other things that will involve in the company interest.

#### Article 10. The Handling Procedures of the Charity Donations or Sponsorships

The charity donations and sponsorships that the company provides shall follow as the followings :

1. It should comply with the Laws and Regulations of the operation location.
- 2.The decision shall be made as a written record.
3. The objects of the donations should be the charities, yet disguised bribery.
4. The feedback of the sponsorship shall be clear and reasonable and cannot be from the person who deals business with the company or exists any related benefit with the company personnel.
5. After the charity donations or sponsorship, the purpose of the capital flow direction shall be confirm and conform to the purpose of the donations.

#### Article 11. Recusal

The directors of the Company shall uphold the highly disciplined. They should explain the important parts of the stake in front of the Board of Directors if the listed bills of the Board of Directors exist any stakeholder relationship with their own or their representatives. If it is harmful to the Company's interest, they have to state and make a response to the Board of Directors, and would not join the discussion and vote. Meanwhile, they have to duck out during discussion and vote and would not act for other directors to exercise their right for voting. It should be autonomy between the directors and should not exist any unfair support mutually.

The Company personnel should report the related circumstances to the directors and the Company dedicated unit upon founding that there is stake situation with their own or their representative legal person, or that it will make their own, spouse, parents, child, or any of their stakeholder obtains unfair benefit when executing the Company business. The directors should provide appropriate instruction to the Company personnel as well.

The Company personnel shall not use the Company resources beyond the Company business activities and shall not participate in the commercial activities beyond the Company that will affect their performance in the Company.

#### Article 12. The Organization and the Responsibilities of the Secret Mechanism

The commercial secret of the Company is executed, governed, conserved, and operated by the units accordance with the various business scopes and related operation secret protection regulations.

#### Article 13. Prohibit to Disclose the Commercial Secrets

The Company personnel should indeed comply with the relevant commercial secret operation regulations of the Company, and ought not to disclose any known commercial secrets of the Company to others. Neither inquire nor collect the non-service related commercial secret.

#### Article 14. Prohibit the Insider Transaction

The Company personnel should comply with the relevant laws and regulations and the internal operating procedures as well. It is prohibited to use the undisclosed information that they are aware of in advance to conduct the insider transaction and to reveal the information to others in order to prevent others from using the information to conduct the insider transaction.

#### Article 15. The Confidentiality Agreement

The Company personnel should comply with the regulations of the Securities Exchange Act. Neither to use the undisclosed information that they are aware of in advance to conduct the insider transaction nor to reveal the information to others in order to prevent others from using the information to conduct the insider transaction.

All the organizations or personnel who involve in the merger, the division, the purchase, the acquisition of shares of the transferee, the memos, the strategic alliances, the cooperation in other business plan, or the important contracts shall sign a confidentiality agreement with the Company and promise not to reveal the Company commercial secret or other important information that is aware of in advance to others. The information would not be used unless the Company agrees, either.

#### Article 16. Declare the Credibility Management Policy to the Public

To make the suppliers, clients or other business related agencies and personnel realize the Company credibility management philosophy and norm ,the Company should disclose the credibility management policy in the internal regulations, annual report, the Company's web site or other propaganda and declare timely on the product launches and other external activities s as well.

#### Article 17. The Credibility Management Assessment before the Establishment of Commercial Relationship

To ensure the commercial management manners of the fair, transparent, and good faith conducts that will not request, provide or receive bribe, the Company should assess the legitimacy, credibility management policy, and whether there were bad faith conduct records of the agencies, suppliers, clients, and other commercial deal

subjects before the company has established business relationships with others.

Before the Company practices the above assessment, it is suitable to adopt certain appropriate checking procedures to realize the situation of credibility management of the commercial deal subject, such as the followings:

1. The nation, the operation location, the structure of the institute, the management policy, and the place of payment of the corporation.
2. Whether the corporation has laid credibility management policies or not and the execution situation.
3. Whether the operation location of the corporation is a high risk corruption nation or not.
4. Whether the business circumstances of the corporation is a high risk corruption industry or not.
5. The long term management situation and the business reputation of the corporation.
6. To be advised the opinions from the partners of the corporation.
7. Whether there is any bad faith conducts such as bribe or illegal political donation records or not. °

#### Article 18. To State the Credibility Management Policy to the Commercial Subjects

The Company personnel should state the Company credibility management policy and related regulations clearly to the trade subjects during the transaction procedure and reject to offer, promise, request or receive any unfair benefit directly or indirectly, including kickback, commission, lobbying fee or provide or receive any forms of unfair benefit through any other channels.

#### Article 19. To Avoid Deal with Unethical Operators

The Company personnel should avoid to deal with any bad faith agencies, suppliers, clients, or other commercial dealers. It has to stop the business dealing immediately and classified it as a reject dealing object to implement to the company credibility management policy upon discovering the bad faith conducts of the dealer or the cooperation subjects.

#### Article 20. To Stipulation of terms of ethical management in Contracts

When signing the contracts with others, the Company should fully understand the credibility management situation of the other party and the terms of the credibility management should be included in the contract. The followings should be included in any contracts merely:

1. Any party should immediately inform the identification, and the ways, amount, and other benefit of offering, promising or receiving to the other party if it is found that there are any person who violates the prohibition terms of the contract such as commission, kickback or other benefit and provide related evidences to harmony with the other party investigation. If any party of the contract suffers damage, the

party could claim for the damage compensation and the deduction from the payable expense accordance with the contract.

2. If any party of the contract involves in bad faith conducts in the commercial activities, the other party is able to terminate or rescind the contract unconditionally.
3. To set clear and reasonable riders content, including the place of payment, manner, subject to the relevant tax laws and regulations, etc.

#### Article 21. The Treatment of the Company Personnel Involves Bad Faith Conducts

The Company should immediately ascertain the related facts if it is discovered or received any report that there is the Company personnel involves any bad faith conducts. The Company should request the perpetrator to cease the relevant behaviors and acts appropriated disposals upon proving that it violates the related laws and regulations or the Company credibility management policy. Also, the Company has to claim for the damage compensation timely through the legal process in order to maintain the reputation and the interest of the Company.

Refer to the occurred bad faith conducts, the Company should instruct the relevant units to review the regulations and operation procedure of the internal control system and proposes the improvement measures to prevent the same conduct from happening again.

The Company dedicated units should report the bad faith conducts, the treatment, and the following improvement measures to the Board of Directors.

#### Article 22. The Treatment of Others Conduct Bad Faith to the Company

The Company should notify the illegal matters to the judicial and prosecution organizations if the Company personnel meets others conduct bad faith to the Company. In case of involving the public official organization or the public servants, the Company has to inform the incorruption agencies.

#### Article 23. Accountant and the Internal Control

The Company shall build up the effective system of the accountant and the internal control toward the operation activities of high risk bad faith conducts. To ensure the continuous and effective system of designation and execution, it should be ready to review and should not opposes any external accounts or keep secret accounts.

The internal auditors of the Company should regularly check the harmony situation of the above mentioned system and prepare the audit reports to the Board of Directors.

#### Article 24. To Establish the System of the Reward, Complaint, and Disciplinary Punishment

The Credibility Management of the Company should be included in the policies of the employee performance evaluation and the human resource, as well as the clear and effective reward and punishment, and complaint system should be established.

Refer to the Company personnel who seriously violate the credibility conducts, the Company should dismiss or fire them according to the relevant laws and regulations or the regulations of the Company personnel.

The Company provides smooth communication channels and complaints system with secreted protection of identification and the content, and the Company personnel could reflect and report to the management and personnel units through multiple channels as well.

#### Article 25. Enforcement

These Procedures and Guidelines, and any amendments shall be implemented after adoption by resolution of the Board of Directors, and shall be reported to the shareholder's meeting.

Appendix X

Table of Shares of the Directors and Supervisors

Reference Date : 2016/04/15

Title	Name	Appointed Date	Terms	Appointed Date Shares		Present Time Shares	
				Number of Shares	Shares of %	Number of Shares	Shares of %
President	You Chain Investment Co.,Ltd	2013/06/25	3-year	25,461,477	8.19	25,461,477	8.00
	Representative Tsai Fei Liang			1,526,244	0.49	1,775,244	0.56
Vice-President	Dong Ding Yu	2013/06/25	3-year	6,825,766	2.20	5,265,766	1.65
Director	You Chain Investment Co.,Ltd.	2013/06/25	3-year	25,461,477	8.19	25,461,477	8.00
	Representative Lee Su Jio			0	0.00	0	0.00
Director	Sang Yan Su	2013/06/25	3-year	0	0.00	0	0.00
Director	Hsieh Mon Chang	2013/06/25	3-year	0	0.00	0	0.00
Supervisor	Sen Dao eng	2013/06/25	3-year	2,242,316	0.72	2,242,316	0.70
Supervisor	Dong Fong Zon,	2013/06/25	3-year	0	0.00	0	0.00