

SYSTEMEX



SYSTEMEX CORPORATION

Stock Code: 6214

MEETING TIME: 06 16, 2017

**Handbook for the 2017 Annual
Meeting of Shareholders**

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Systemx Corporation

2017 Annual Shareholders' Meeting

Time: 9:00 a.m., Friday, June 16, 2017

Place: Liberty Square Convention Center

(2F, 399, Rueiguang Rd., Neihu District, Taipei City.)

I. Meeting Procedure:

- i. Call Meeting to Order
- ii. Chairman's Address
- iii. Report Items
- iv. Ratification Items
- v. Discussion Items
- vi. Extemporaneous Motions
- vii. Meeting Adjourned

II. Meeting Agenda:

i. Report Items:

1. 2016 Business report and Financial statements.
2. Audit Committee's review report on 2016 Financial Statements.
3. 2016 directors' and employees' compensation.
4. 2016 execution status of Endorsements and Guarantees.

ii. Ratification Items:

1. 2016 Business report and Financial statements.
2. 2016 retained earnings distribution.

iii. Discussion Items:

1. To discuss and approve the cash distribution from Capital Surplus.
2. To discuss and approve the amendment to "Procedures for the Acquisition and Disposal of Assets".

iv. Extemporaneous Motions

v. Meeting Adjourned

Report Items

1. 2016 Business report and Financial statements

Explanatory Note:

(1)Please refer to Attachment 1(pages 07-10) for the Business Report.

(2)Please refer to Attachment 2(pages 11-22) for the Financial statements.

2. Audit Committee's review report on 2016 Financial Statements.

Explanatory Note: Please refer to Attachment 3(page 23).

3. To report 2016 directors' and employees' compensation.

Explanatory Note:

The Company's 2016 employees' remuneration of NT\$1,101,742 and Directors remuneration of NT\$22,034,836 are issued entirely in cash in accordance with Article 235-1 of the Company Act and related regulations in the Company's "Articles of Incorporation."

4. To report 2016 execution status of Endorsements and Guarantees.

Explanatory Note:

(1)The Company's balance amount of endorsements and guarantees for subsidiaries as of December 31, 2016 is NT\$2,581,308,000.

(2)The report on endorsements and guarantees is hereby submitted to the shareholders' meeting in accordance with the Company's Procedures for Making Endorsements and Guarantees.

Ratification Items

1. Ratification of the 2016 Business report and Financial Statements. (Proposed by the Board of Directors)

Explanatory Note:

The Company's 2016 financial statements have been formulated in accordance with regulations. The statements have been audited by the CPA and reviewed by the Audit Committee; no inconsistencies have been found. Related information has been provided in Attachments 1-3 (pages 07-23).

Resolution:

2. Ratification of 2016 retained earnings distribution proposal. (Proposed by the Board of Directors)

Explanatory Note:

(1) The Company's net income after taxes in 2016 of NT\$1,108,267,790 (denomination same below), plus undistributed earnings from the previous year of \$1,587,221,713, minus the retained earnings for long-term share investment adjustment of \$7,497,500 and the actuarial (loss) gains listed in retained earnings of \$6,678,000 equals the amount available for distribution of \$2,681,314,003. Excluding the legal reserve of \$110,826,779 and special reserve of 64,493,835, the proposed cash dividend is \$3.5 per share. Calculated on the basis of the total number of 269,393,304 shares issued by the Company, the dividends total \$942,876,564.

(2) In compliance with the calculation of the tax deduction ratio provided in Article 66-6 of the Income Tax Act, the earnings from 1998 and later years are prioritized for distribution.

(3) In compliance with the calculation of the undistributed surplus earnings provided in Article 66-9 of the Income Tax Act, the earnings from 2016 are prioritized for distribution.

(4) The shareholders' meeting is requested to authorize the Chairman to process related matters regarding the baseline date for cash dividends and the issuance of cash dividends following resolution in the general shareholders' meeting.

(5) With regard to the preceding distribution proposal, the Chairman is authorized to process related matters if the Company transfers (or repurchases) the Company's shares or transfers, converts, or cancels the Company's treasury stocks and causes changes to the number of shares in external circulation and changes in the distributable dividends per share before the baseline date of the distribution of dividends in accordance with Article 28-2 of the Securities and Exchange Act.

(6) The 2016 earning distribution table has been provided in Attachment 4 (page 24).

Resolution:

Discussion Items

1. Discussion of the distributing cash dividends from the Capital Surplus. (Proposed by the Board of Directors)

Explanatory Note:

- (1)The value of the capital reserve in the Company's 2016 Financial Report exceeding the income on premiums of stocks issued at values exceeding their nominal value was NT\$6,042,331,683 (denomination same below). The proposal, in accordance with Article 241 of the Company Act, includes setting aside cash of \$404,089,956 to be distributed to shareholders from the income on premiums of stocks issued at values exceeding their nominal value.
- (2)The Company has issued a total of 269,393,304 shares. The dividend from the capital reserve is proposed at \$1.5 per share for a total of \$404,089,956, which shall be distributed based on the number of shares held by each shareholder in accordance with the Company's shareholders list on the baseline date. The shareholders' meeting is requested to authorize the Chairman to process related matters regarding the baseline date for issuing the capital reserve and the issuance of capital reserve following resolution in the shareholders' meeting.
- (3)The Chairman is authorized to process related matters if the Company hereafter transfers (or repurchases) the Company's shares or transfers, converts, or cancels the Company's treasury stocks and causes changes to the number of shares in external circulation and changes the distribution of capital reserve before the baseline date of the distribution of capital reserve in accordance with Article 28-2 of the Securities and Exchange Act.
- (4)Regarding the current proposal to distribute cash dividend from the Company's capital reserve, income on premiums of stocks issued at values exceeding their nominal value in the capital reserve from before January 1, 2007 shall be prioritized for distribution.

Resolution:

2. Discussion of the amendment to "Procedures for the Acquisition and Disposal of Assets". (Proposed by the Board of Directors)

Explanatory Note:

Amendments on the Procedures content and the Company's actual operations were made in response to the Financial Supervisory Commission order Jin-Guan-Zheng-Fa-Zi No. 1060001296 dated February 9, 2017. The comparison table of amended articles has been included in Attachment 5(pages 25-56).

Resolution:

Extemporaneous Motions

Meeting Adjourned

Attachment 1

System Corporation 2016 Business report

I. Foreword

The overall economy and domestic elections in 2016 resulted in a challenging year for SYSTEX. As the digital transformation of the new economy continues to accelerate, the hardware products become commodity, and software licensing procurement becomes increasingly cloud-based, it was inevitable that our profit margins in hardware and software procurement as well as maintenance services were affected. The overall financial market remains inactive as securities firms continue to consolidate their service locations. The deferral of public sector and telecommunication client budgets also pressured our business performance in 2016.

II. Summary of 2016 Operational Outcomes

In 2016, SYSTEX achieved an operating revenue of NT\$ (denomination) 5,733,038,000, a 6.03% decline from 2015. The net profit after tax in 2016 was \$1,108,268,000. The consolidated revenue in 2016 was \$16,210,380,000, a slight decrease of 0.63% from 2015. The consolidated net profit after tax in 2016 (excluding non-controlling equities) was \$1,108,268,000 and earnings per share were \$4.50.

III. Summary of 2016 Business Operations and Services

Despite mounting challenges, SYSTEX still achieved significant growth for the year 2016 in the new retail and multiple payment options market segments including one-stop services for e-commerce brands, government cloud services, digital voucher services, customer relationship management (CRM) for e-commerce platforms and multiple payment billing services etc. Intelligent financing, SYSTEX also helped clients in the financial industry such as online account opening platforms, online loan applications, Shenzhen-Hong Kong Stock Connect, FundRich Securities, cloud services for securities firms, cross-border foreign exchange platforms, and other projects acquire absolute leading positions in digital transformation and development. The Company moreover achieved substantial results in Telco Media Technology (TMT) market operations, including mobile video and audio services/e-commerce/payment, commercial platforms, and cybersecurity solutions. Other achievements include expansion in data processing for the

insurance industry, insurance agencies, and financing operations. In the healthcare industry, the Company also expanded from public and veterans' hospital systems to private medical systems, whereas smart manufacturing and large scale cross-industry and cross-border APP projects in the Central and Southern Regions of Taiwan are also listed among our major achievements for 2016.

In terms of business investment collaborations undertaken in 2016, SYSTEX invested in the leading electronic ticketing firm in Taiwan, intensified the Group's market share and influence in retail stores, and attained a leading position in the O2O electronic tickets market. In addition, the Company also continued to expand overseas collaboration and alliances including investment in Taiwan's first FinTech brand on the international market – INSTOMENT Inc., a service platform that provides C2C payment by installments, launched operations in the cross-border e-commerce market, and engaged in the development of cross-border APPs. All of these achievements demonstrate SYSTEX's success in advancing beyond traditional businesses and exploring new sectors of development.

In addition to Taiwan market, SYSTEX also achieved substantial progress in the Greater China market. Revenue from the China market already makes up 20% of SYSTEX Group's revenue. Among them, the strategic investment in shares of Shenzhen Forms Syntron Information began to bear fruit last year and has generated NT\$4 billion in profits for SYSTEX since the beginning of investment, a source of income that can be utilized as strong support for future business expansion. Investment in the smart hotel convergence platform has been gradually exhibiting positive outcomes and continues to grow at a steady pace. The number of partner hotels has reached 1,000, enabling our platform to become China's largest smart hotel services provider. The platform also obtained China's first video on demand (VOD) license and owns 30,000 hours of content, advantages that are anticipated to widen the gap with competitors as revenue from advertisement show substantial growth. Continuous expansion to overseas markets including Taiwan and Japan will be the next steps taken. The Company teamed up with the founder of Splunk to establish Gemini, which had started out from the Silicon Valley and obtained international channels. It now has clients all over the world and succeeded in expansion into the European and American markets.

IV. The effect of external competition, the legal environment, and the overall business environment

Global political and economic changes have led to four major variables in the outlook of the 2017 global economy. These include US policy changes, Brexit developments, the rise of trade protectionism, and shifting political and economic trends in the European Union. In terms of domestic policies, lively discussions on the development of FinTech and third-party payment in 2016 continued as related strategies and solutions become major development operations for both public and private sectors in 2017. Rapid developments in the Internet of Things (IoT) and artificial intelligence (AI) will moreover become important factors in the driving of corporate growth. In conclusion, 2017 will be a year of both challenges and opportunities.

V. The summary of the business plan for 2017

SYSTEX's goal this year is to become the "optimal partner in corporate digital transformation." To this end, the Company will focus on three major sectors, including "new retail - omni-channel multiple payment options," "intelligent finance," and "TMT" The Company shall continue to engage in innovative applications and increase the value of its services, lead the integration of the digital ecosystem, endeavor to acquire maximum client budgets in digital transformation and data value-added services, and increase profitability in digital transformation leadership and integration. To accomplish the goal of becoming the "optimal partner in corporate digital transformation," SYSTEX plans to reorganize the Group in 2017 and redefine the strategies of its three major business units:

- **FBI(Financial Business Integration)** : As leader of FinTech, the Company shall develop intelligent financing centered on FinTech so as to accommodate the digital transformation plans of customers in the finance sector. It shall also adequately maintain relationships with large-scale FinTech customers and focus on major aspects of business such as mobile APP transition services, integrated investor services, and upgraded wealth management services etc.
- **CBI(Consumer-Facing Business Integration)** : As leader in omni-channel multiple payment options services, the Company shall focus on the new retail sector and the provision of omni-channel multiple payment options services. It shall also focus on digital e-commerce and offer clients assistance with O2O operations for the realization of digital transformation.
- **DBI(Data Technology Business Integration)** : As leader in data technologies, the Company shall provide comprehensive data technology product combinations and

solutions and utilize data knowledge to play the role of the Data Enabler that drives corporate smart growth.

In addition to obtaining stable profits in the China market, the Company shall also partner with local companies to expand independent operations. It shall also develop its own products by acquiring products and teams with forward-looking technologies that are compatible with market demands. The Company is also actively seeking investment opportunities in Internet +, IoT, and the cloud service sectors or participation in collaborative businesses with new industries in China to drive momentum for growth.

VI. Future development strategy

The world is undergoing changes at increasing speeds and intensities. With the prevalence of the new digital economy, all companies will require digital transformation because "data profits" can only be achieved through the continued accumulation of "data capital" and "data assets."

SYSTEX will remain committed to investments in the five major strategic capabilities of digital transformation: Cloud, Mobile, Social, Analytics, and Cybersecurity. It shall also cultivate talents in related sectors, develop innovative applications, maintain leading positions among digital transformation competitors, and continue to extend its scopes of data-based alliances, investments, and acquisitions. SYSTEX will be increasing investments in FinTech (including RegTech, InsurTech, MarTech), Omni-channel, Social 2.0: Live Streaming, EC 2.0: AR/VR/MR, Retail 4.0: IoT + AI, Hybrid Cloud, Cybersecurity, AI, and other key growth sectors and leading the integration of the digital ecosystem through cross-sector collaboration. The Company shall also focus on the development of its three major core capabilities including software, data, and AI. With data technologies as its core capability and AI as the driving force for software application developments, SYSTEX will persist in creating new life experiences and increasing its value of services, thereby becoming the optimal partner for corporations seeking digital transformation.

Chairman	Huang, Tsong-Jen
President	Lin, Lung-Fen
Accounting Manager	Cheng, Yuan-Yih

Attachment 2

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying consolidated financial statements of Systex Corporation and its subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors (refer to paragraph of Other Matter), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Valuation of Inventory Write-down

As of December 31, 2016, the inventories amounted to \$2,422,283 thousand, significant to the Group. The valuation of inventory write-down involves subjective judgements, including identification of slow-moving and obsolete inventories, estimation of net realizable value, and provision for already-identified issues. Therefore, we consider the valuation of inventory write-down as a key audit matter in 2016. For the disclosure related to inventories, refer to Notes 5 and 11.

Our audit procedures for the abovementioned key audit matter included:

1. We obtained and assessed the report of lower of cost or net realizable value prepared by management. We examined the amounts and categories in the aging analysis report of inventories. We assessed the reasonableness of net realizable value by sampling the latest and post year-end sales.
2. We attended year-end inventory counts and assessed the condition of inventories to evaluate the completeness of inventory provisions for obsolete and damaged goods.

Valuation of Accounts Receivable Impairment

As of December 31, 2016, the accounts receivables amounted to \$3,304,915 thousand, significant to the Group. The decision of the determinant of the recoverability of accounts receivable involves subjective judgements, including the assumptions of credit risk to clients, the impairment rates based on historical experiences, and the provision for already-identified issues. Therefore, we consider the valuation of accounts receivable impairment as a key audit matter in 2016. For the disclosure related to accounts receivable, refer to Notes 5 and 10.

Our audit procedures for the abovementioned key matter included:

1. We obtained the reports of accounts receivable impairment and assessed the reasonableness of the methodology and data used in the reports. In order to evaluate the adequacy of the allowance for doubtful accounts, we reviewed the related calculation and validated the aging amounts as of the balance sheet date to understand, judge, and measure the potential risk in overdue balances.
2. We tested recoverability of accounts receivables by verifying cash receipts in the subsequent period. For a receivable that was past due and not yet received, we assessed the reasonableness of the allowance for the doubtful accounts based on the customer's payment history, the bank's guarantee provided, and our understanding of macro-economic environment.

Investments Accounted for Using Equity Method

The Group disposed of the investment (partial ownership of Shenzhen Forms Syntron Information Co., Ltd.) accounted for by the equity method, resulting in a gain of \$1,168,277 thousand, an amount that is material to the 2016 consolidated financial statements of the Group. The calculation for the gain on sale of the investments accounted for using the equity method was complicated and involved in tax computation, which affected the ending balance of the investment accounted for using the equity method and the recognized gain on the sale of the investments. For the disclosure related to the investment under the equity method, refer to Note 15.

Our audit procedures for the abovementioned key matter included:

1. We obtained and verified the documents regarding the disposal of the investment in Shenzhen Forms Syntron Information Co., Ltd., which was accounted for using the equity method, and regarding the transfer of the shares in order to confirm the completion of the transaction.
2. We reviewed and verified the movements of the investment accounted for using the equity method and the related gain on sale of investments according to related regulations. We verified the tax payment receipts related to this transaction in order to assess the appropriateness of the recognition for related income, expense, and tax.

Other Matter

We did not audit the financial statements for the years ended December 31, 2016 and 2015 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., which are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2016 and 2015 amounted to \$505,825 thousand and \$466,037 thousand, respectively, or 2.65% and 2.50% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2016 and 2015 were \$1,126,067 thousand and \$866,911 thousand, respectively, or 6.95% and 5.31% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2016 of Sanfran Technologies and Forms Syntron Information (Shenzhen) Limited, and the financial statements for the year ended December 31, 2015 of AFE Solutions Limited, Bisnews International Limited, Sanfran Technologies Inc., Yankey Information Co., Ltd. and Forms Syntron Information (Shenzhen) Limited, the investments in which were accounted by the equity method, shown in the accompanying consolidated financial statements. The aggregate carrying amounts of these investments accounted by equity method as of December 31, 2016 and 2015, including those reclassified to noncurrent assets held for sale, were \$838,453 thousand and \$1,227,632 thousand, respectively, or 4.39% and 6.58% of the respective consolidated assets. The aggregate amounts of share of their profit and other comprehensive income in 2016 and 2015 were \$4,339 thousand and \$(13,636) thousand, respectively, or 0.5% and (2.52%) of the respective consolidated comprehensive income. The subsidiaries and investees' financial statements were audited by other auditors whose reports have been provided to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We have also audited the parent company only financial statements of Systex Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified report with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Wan Lin and Shiow-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2017

Notice to Readers

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

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

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,245,282	22	\$ 2,805,641	15
Financial assets at fair value through profit or loss (Notes 4 and 7)	2,879,956	15	3,848,283	21
Available-for-sale financial assets (Notes 4 and 8)	18,984	-	40,607	-
Debt investments with no active market (Notes 4 and 9)	102,339	1	16,736	-
Notes receivable, net (Notes 4 and 10)	67,579	-	75,005	-
Accounts receivable, net (Notes 4, 5, 10 and 26)	3,304,915	17	3,448,823	18
Other receivables (Notes 21 and 27)	217,270	1	288,273	2
Inventories (Notes 4, 5 and 11)	2,422,283	13	1,975,011	11
Prepayments	850,922	5	863,508	5
Non-current assets held for sale (Notes 4 and 15)	890,095	5	-	-
Refundable deposits - current	210,691	1	186,948	1
Other current assets	53,754	-	43,813	-
Total current assets	<u>15,264,070</u>	<u>80</u>	<u>13,592,648</u>	<u>73</u>
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 12)	-	-	62,079	-
Financial assets measured at cost - non-current (Notes 4 and 13)	432,971	2	458,967	2
Debt investments with no active market-non-current (Notes 4 and 9)	548,375	3	-	-
Investments accounted for using equity method (Notes 4 and 15)	397,656	2	1,652,940	9
Property, plant and equipment (Notes 4, 16 and 27)	2,009,673	11	2,089,497	11
Computer software (Note 4)	79,585	1	51,531	-
Goodwill (Note 4)	-	-	315,967	2
Technological expertise (Note 4)	25,951	-	31,935	-
Other intangible assets (Note 4)	7,215	-	51,577	-
Deferred tax assets (Notes 4 and 21)	66,702	-	49,335	-
Refundable deposits - non-current (Note 28)	116,676	1	119,004	1
Long-term receivables (Note 10)	54,195	-	92,604	1
Other non-current assets (Notes 19 and 27)	79,559	-	94,773	1
Total non-current assets	<u>3,818,558</u>	<u>20</u>	<u>5,070,209</u>	<u>27</u>
TOTAL	<u>\$ 19,082,628</u>	<u>100</u>	<u>\$ 18,662,857</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 27)	\$ 1,046,022	5	\$ 589,821	3
Notes and accounts payable (Note 26)	2,953,992	15	2,833,633	15
Other payables	901,816	5	754,534	4
Current tax liabilities (Notes 4 and 21)	168,439	1	99,871	1
Receipts in advance	882,226	5	841,304	4
Other current liabilities	112,090	1	120,867	1
Total current liabilities	<u>6,064,585</u>	<u>32</u>	<u>5,240,030</u>	<u>28</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	5,894	-	17,719	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	246,379	1	240,113	2
Other non-current liabilities	6,575	-	7,292	-
Total non-current liabilities	<u>258,848</u>	<u>1</u>	<u>265,124</u>	<u>2</u>
Total liabilities	<u>6,323,433</u>	<u>33</u>	<u>5,505,154</u>	<u>30</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 19)				
Share capital				
Common shares	2,693,933	14	2,687,733	14
Advance receipts for common shares	-	-	650	-
Total share capital	<u>2,693,933</u>	<u>14</u>	<u>2,688,383</u>	<u>14</u>
Capital surplus	<u>7,634,980</u>	<u>40</u>	<u>8,197,220</u>	<u>44</u>
Retained earnings				
Legal reserve	786,087	4	729,659	4
Unappropriated earnings	2,681,315	14	2,317,133	12
Total retained earnings	<u>3,467,402</u>	<u>18</u>	<u>3,046,792</u>	<u>16</u>
Other equity	(64,494)	-	136,780	1
Treasury shares	(1,003,629)	(5)	(967,498)	(5)
Total equity attributable to owners of the Corporation	12,728,192	67	13,101,677	70
NON-CONTROLLING INTERESTS	<u>31,003</u>	<u>-</u>	<u>56,026</u>	<u>-</u>
Total equity	<u>12,759,195</u>	<u>67</u>	<u>13,157,703</u>	<u>70</u>
TOTAL	<u>\$ 19,082,628</u>	<u>100</u>	<u>\$ 18,662,857</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 23, 2017)

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 26)				
Sales	\$ 11,761,268	73	\$ 12,072,818	74
Less: Sales returns and allowances	<u>131,563</u>	<u>1</u>	<u>59,692</u>	<u>1</u>
Net sales	11,629,705	72	12,013,126	73
Service revenue	4,514,543	28	4,185,430	26
Other operating revenue	<u>66,132</u>	<u>-</u>	<u>114,532</u>	<u>1</u>
Total operating revenues	<u>16,210,380</u>	<u>100</u>	<u>16,313,088</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 20 and 26)				
Cost of goods sold	9,961,443	61	10,188,147	63
Service cost	1,895,107	12	1,769,840	11
Other operating cost	<u>21,770</u>	<u>-</u>	<u>54,615</u>	<u>-</u>
Total operating costs	<u>11,878,320</u>	<u>73</u>	<u>12,012,602</u>	<u>74</u>
GROSS PROFIT	4,332,060	27	4,300,486	26
OPERATING EXPENSES (Notes 18, 20 and 26)				
Selling expenses	3,172,663	19	2,999,706	18
General and administrative expenses	420,986	3	474,660	3
Research and development expenses	<u>459,143</u>	<u>3</u>	<u>406,758</u>	<u>3</u>
Total operating expenses	<u>4,052,792</u>	<u>25</u>	<u>3,881,124</u>	<u>24</u>
PROFIT FROM OPERATIONS	<u>279,268</u>	<u>2</u>	<u>419,362</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 15)	84,102	-	66,178	-
Interest income (Note 4)	29,965	-	22,594	-
Dividend income (Note 4)	42,918	-	45,696	-
Other income, net	62,455	-	89,728	1
Gain on sale of investments, net (Note 20)	1,227,033	8	159,122	1
Foreign exchange loss, net (Note 4)	(69,545)	-	(35,007)	-
Gain (loss) on financial assets at fair value through profit or loss, net (Note 4)	115,052	1	(50,257)	-
Interest expense	(24,823)	-	(14,805)	-
Other expenses	(29,095)	-	(8,943)	-
Gain on disposal of property, plant and equipment, net (Note 4)	17,804	-	147,685	1
Impairment loss on assets (Notes 4 and 20)	<u>(489,274)</u>	<u>(3)</u>	<u>(136,134)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>966,592</u>	<u>6</u>	<u>285,857</u>	<u>2</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

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

	2016		2015	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,245,860	8	\$ 705,219	4
INCOME TAX EXPENSE (Notes 4 and 21)	<u>155,532</u>	<u>1</u>	<u>141,892</u>	<u>1</u>
NET INCOME	<u>1,090,328</u>	<u>7</u>	<u>563,327</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(15,384)	-	(61,989)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21)	<u>437</u>	<u>-</u>	<u>874</u>	<u>-</u>
	<u>(14,947)</u>	<u>-</u>	<u>(61,115)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(129,765)	(1)	133,545	1
Unrealized gain (loss) on available-for-sale financial assets	10,428	-	(2,720)	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(81,450)</u>	<u>(1)</u>	<u>(91,278)</u>	<u>(1)</u>
	<u>(200,787)</u>	<u>(2)</u>	<u>39,547</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(215,734)</u>	<u>(2)</u>	<u>(21,568)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 874,594</u>	<u>5</u>	<u>\$ 541,759</u>	<u>3</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,108,268	7	\$ 564,274	3
Non-controlling interests	<u>(17,940)</u>	<u>-</u>	<u>(947)</u>	<u>-</u>
	<u>\$ 1,090,328</u>	<u>7</u>	<u>\$ 563,327</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 892,819	5	\$ 542,237	3
Non-controlling interests	<u>(18,225)</u>	<u>-</u>	<u>(478)</u>	<u>-</u>
	<u>\$ 874,594</u>	<u>5</u>	<u>\$ 541,759</u>	<u>3</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$4.50</u>		<u>\$2.29</u>	
Diluted	<u>\$4.50</u>		<u>\$2.29</u>	

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

(With Deloitte & Touche audit report dated March 23, 2017)

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Notes 4 and 19)												Non-controlling Interests (Note 19)	Total Equity
	Share Capital			Capital Surplus	Retained Earnings				Other Equity					
	Common Shares	Advance Receipts for Common Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments	Treasury Shares	Total		
BALANCE, JANUARY 1, 2015	\$ 2,669,163	\$ 1,950	\$ 2,671,113	\$ 8,685,259	\$ 655,188	\$ 114,116	\$ 2,175,281	\$ 2,944,585	\$ 86,276	\$ 11,561	\$ (953,252)	\$ 13,445,542	\$ 78,224	\$ 13,523,766
Appropriation of 2014 earnings														
Legal reserve	-	-	-	-	74,471	-	(74,471)	-	-	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	(401,087)	(401,087)	-	-	-	(401,087)	-	(401,087)
Reversal of special reserve	-	-	-	-	-	(114,116)	114,116	-	-	-	-	-	-	-
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	280,377	-	-	-	-	-	-	-	280,377	-	280,377
Distribution in cash of the capital surplus - NT\$3.5 per share	-	-	-	(935,870)	-	-	-	-	-	-	-	(935,870)	-	(935,870)
Issuance of common shares for exercised employee stock options	18,570	(1,300)	17,270	37,744	-	-	-	-	-	-	-	55,014	-	55,014
Net income (loss) for 2015	-	-	-	-	-	-	564,274	564,274	-	-	-	564,274	(947)	563,327
Other comprehensive income (loss) for 2015	-	-	-	-	-	-	(60,980)	(60,980)	41,663	(2,720)	-	(22,037)	469	(21,568)
Total comprehensive income (loss) for 2015	-	-	-	-	-	-	503,294	503,294	41,663	(2,720)	-	542,237	(478)	541,759
Acquisition of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	-	-	-	-	-	-	-	(47,091)	(47,091)	(49,168)	(96,259)
Disposal of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	21,188	-	-	-	-	-	-	32,845	54,033	56,417	110,450
Cash dividends received by subsidiaries from the Corporation	-	-	-	108,522	-	-	-	-	-	-	-	108,522	-	108,522
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(28,969)	(28,969)
BALANCE, DECEMBER 31, 2015	2,687,733	650	2,688,383	8,197,220	729,659	-	2,317,133	3,046,792	127,939	8,841	(967,498)	13,101,677	56,026	13,157,703
Appropriation of 2015 earnings														
Legal reserve	-	-	-	-	56,428	-	(56,428)	-	-	-	-	-	-	-
Cash dividends - NT\$2.5 per share	-	-	-	-	-	-	(673,483)	(673,483)	-	-	-	(673,483)	-	(673,483)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	58,753	-	-	-	-	-	-	-	58,753	-	58,753
Distribution in cash of the capital surplus - NT\$2.5 per share	-	-	-	(673,483)	-	-	-	-	-	-	-	(673,483)	-	(673,483)
Issuance of common shares for exercised employee stock options	6,200	(650)	5,550	11,045	-	-	-	-	-	-	-	16,595	-	16,595
Net income (loss) for 2016	-	-	-	-	-	-	1,108,268	1,108,268	-	-	-	1,108,268	(17,940)	1,090,328
Other comprehensive income (loss) for 2016	-	-	-	-	-	-	(14,175)	(14,175)	(211,225)	9,951	-	(215,449)	(285)	(215,734)
Total comprehensive income (loss) for 2016	-	-	-	-	-	-	1,094,093	1,094,093	(211,225)	9,951	-	892,819	(18,225)	874,594
Acquisition of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	-	-	-	-	-	-	-	(36,131)	(36,131)	(37,728)	(73,859)
Cash dividends received by subsidiaries from the Corporation	-	-	-	116,457	-	-	-	-	-	-	-	116,457	-	116,457
Disposal of investments accounted for by using equity method	-	-	-	(83,588)	-	-	-	-	-	-	-	(83,588)	-	(83,588)
Changes in percentage of ownership interest in subsidiaries (Note 23)	-	-	-	8,576	-	-	-	-	-	-	-	8,576	(8,576)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	39,506	39,506
BALANCE, DECEMBER 31, 2016	\$ 2,693,933	\$ -	\$ 2,693,933	\$ 7,634,980	\$ 786,087	\$ -	\$ 2,681,315	\$ 3,467,402	\$ (83,286)	\$ 18,792	\$ (1,003,629)	\$ 12,728,192	\$ 31,003	\$ 12,759,195

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

(With Deloitte & Touche audit report dated March 23, 2017)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,245,860	\$ 705,219
Adjustments for		
Depreciation expenses	130,915	147,297
Amortization expenses	61,760	51,639
Provision for allowance for doubtful accounts	18,811	22,446
(Gain) loss on financial assets at fair value through profit or loss, net	(115,052)	50,257
Interest expense	24,823	14,805
Interest income	(29,965)	(22,594)
Dividend income	(42,918)	(45,696)
Share of profit of associates	(84,102)	(66,178)
Gain on disposal of property, plant and equipment, net	(17,804)	(147,685)
Gain on sale of investment, net	(859)	(142,864)
Gain on sale of investments accounted for using equity method	(1,168,277)	-
Impairment loss on financial assets	174,051	54,943
Impairment loss on non-financial assets	315,223	81,191
Write-down of inventories	78,285	13,900
Unrealized gain on foreign currency exchange, net	(5)	(6,763)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	1,078,598	949,416
Decrease (increase) in notes receivable	7,426	(6)
Decrease (increase) in accounts receivable	86,031	(296,694)
Decrease (increase) in other receivables	93,565	(3,505)
Increase in inventories	(527,021)	(37,460)
Decrease (increase) in prepayments	10,187	(145,872)
(Increase) decrease in other current assets	(10,024)	15,461
Increase (decrease) in notes and accounts payable	148,228	(150,095)
Increase (decrease) in other payables	148,269	(94)
Increase in receipts in advance	42,695	156,483
(Decrease) increase in other current liabilities	(8,285)	5,925
Decrease in net defined benefit liabilities	(9,118)	(4,012)
Cash generated from operations	1,651,297	1,199,464
Interest paid	(24,089)	(14,871)
Income tax paid	(132,989)	(156,816)
Net cash generated from operating activities	<u>1,494,219</u>	<u>1,027,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	150,032
Acquisition of debt investments with no active market	(548,836)	-
Acquisition of held-to-maturity financial assets	-	(60,025)
Proceeds on sale of held-to-maturity financial assets	52,112	-
Acquisition of financial assets measured at cost	(43,212)	(18,000)
Proceeds on sale of financial assets measured at cost	2,478	91,064
Return of capital from capital reduction and liquidation of financial assets investees measured at cost	671	1,303

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2016	2015
Acquisition of investments accounted for using equity method	\$ -	\$ (238,729)
Proceeds on sale of investments accounted for using equity method	1,361,442	-
Payments for property, plant and equipment	(93,448)	(111,948)
Proceeds on disposal of property, plant and equipment	36,039	309,208
Increase in refundable deposits	(21,704)	(26,118)
Payments for intangible assets	(41,179)	(44,943)
Proceeds on disposal of intangible assets	160	-
Decrease in long-term receivables	38,409	17,761
Decrease in pledged time deposits	17,893	3,759
(Increase) decrease in time deposits with original maturity of more than 3 months	(85,931)	440
(Increase) decrease in other non-current assets	(2,692)	14,213
Interest received	24,136	21,083
Dividends received	42,949	45,696
Dividends received from associates	42,430	108,437
Distribution in cash of the capital surplus received from financial assets measured at cost	<u>75</u>	<u>13,401</u>
Net cash generated from investing activities	<u>781,792</u>	<u>276,634</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	462,229	338,406
Decrease in guarantee deposits received	(684)	(1,555)
Dividends paid	(673,483)	(401,087)
Proceeds from exercise of employee stock options	16,595	55,014
Payments for buy-back of common shares	(73,859)	(96,259)
Proceeds on sale of the Corporation's shares by subsidiaries	-	110,450
Increase (decrease) in non-controlling interests	39,506	(28,969)
Cash dividends received by subsidiaries from the Corporation	116,457	108,522
Distribution in cash from the capital surplus	<u>(673,483)</u>	<u>(935,870)</u>
Net cash used in financing activities	<u>(786,722)</u>	<u>(851,348)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(49,648)</u>	<u>42,595</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,439,641	495,658
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>2,805,641</u>	<u>2,309,983</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,245,282</u>	<u>\$ 2,805,641</u>

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

(With Deloitte & Touche audit report dated March 23, 2017)

(Concluded)

Attachment 3

Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2016 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying SYSTEX's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219, 208 of the Company Act, this report is submitted for your examination.

System Corporation
Audit Committee Convener:

Huang, Jih-Tsan

March 23, 2017

Attachment 4

System Corporation
Earnings Distribution Proposal
December 31, 2016

Unit: NTD

Items	Amount	
	Subtotal	Total
Beginning unappropriated retained earnings		1,587,221,713
Adjustment for investments accounted for using equity method	(7,497,500)	
Remeasurement on net defined benefit plan	(6,678,000)	
Add: Net income of 2016	1,108,267,790	
Retained earnings available for distribution		2,681,314,003
Distribution items		
Legal reserve	(110,826,779)	
Special reserve	(64,493,835)	
Cash dividends (NT\$3.5/per share)	(942,876,564)	
Total distribution		(1,118,197,178)
Ending unappropriated retained earnings		1,563,116,825

Chairman
President
Accounting Manager

Huang, Tsong-Jen
Lin, Lung-Fen
Cheng, Yuan-Yih

Attachment 5

System Corporation

Table of Comparison of "Procedures for the Acquisition and Disposal of Assets"

Before Amendments	After Amendments	Remark
<p>[Transaction Assessment and Operating Procedures]</p> <p>Article 10: Special Applicable Procedures:</p> <p>I. Appraisal:</p> <p>(I) In acquiring or disposing of real estate or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall appoint an objective and independent professional appraiser to formulate an appraisal report prior to the date of occurrence of the event and shall further comply with the following provisions:</p> <p>1.~4. omitted</p> <p>(II) Omitted</p> <p>(III) If the dollar amount of memberships or intangible assets to be acquired or disposed of by the</p>	<p>[Transaction Assessment and Operating Procedures]</p> <p>Article 10: Special Applicable Procedures:</p> <p>I. Appraisal:</p> <p>(I) In acquiring or disposing of real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>authority</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall appoint an objective and independent professional appraiser to formulate an appraisal report prior to the date of occurrence of the event and shall further comply with the following provisions:</p> <p>1.~4. omitted</p> <p>(II) Omitted</p> <p>(III) If the dollar amount of memberships or intangible assets to be acquired or disposed of by the</p>	<p>Revised wording.</p>

Before Amendments	After Amendments	Remark
<p>Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u>, the Company shall 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; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20.</p> <p>Contents below omitted.</p>	<p>Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government <u>authority</u>, the Company shall 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; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20.</p> <p>Contents below omitted.</p>	
<p>Article 15: Approval by the Board of Directors: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% 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 <u>domestic</u> money market funds, the Company may not enter into a transaction contract or make a payment</p>	<p>Article 15: Approval by the Board of Directors: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>issued by a domestic securities investment trust enterprise</u>, the Company may not</p>	<p>Revised wording to clarify definitions.</p>

Before Amendments	After Amendments	Remark
<p>until the following matters have been approved by the Board of Directors and recognized by the Audit Committee: Contents below omitted.</p>	<p>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 Audit Committee: Contents below omitted.</p>	
<p>[Corporate Merger, Demerger, Acquisition, or Transfer of Shares] Article 22: Expert Opinion When engaged in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the Board of Directors for deliberation and passage.</p>	<p>[Corporate Merger, Demerger, Acquisition, or Transfer of Shares] Article 22: Expert Opinion When engaged in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the Board of Directors for deliberation and passage. <u>However, where the Company merges subsidiaries whose issued shares or total capital are wholly owned by itself directly or indirectly, or subsidiaries whose issued shares or total capital are wholly owned by the Company directly or indirectly are merged together, the Company may be exempted from obtaining the</u></p>	<p>According to the Business Mergers and Acquisitions Act, mergers of wholly owned subsidiaries or subsidiaries wholly owned through separate investments constitute reorganization within the same group. If a merger does not involve share exchange ratio agreements or issuance of cash or other properties to shareholders, expert opinion on the rationality of the share exchange</p>

Before Amendments	After Amendments	Remark
	<u>aforementioned expert opinion on the reasonableness of the merger.</u>	ratio may be exempted for the merger.
<p>[Information Disclosure]</p> <p>Article 29: Under any of the following circumstances, the department undertaking the acquisition or disposal of assets shall immediately notify the Shareholder Service Department which shall, within 2 days from the date of occurrence of the event, publicly announce and report relevant information on the acquisition or disposal of assets on the website designated by the competent authority using the specified format:</p> <p>I. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. This however shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p>	<p>[Information Disclosure]</p> <p>Article 29: Under any of the following circumstances, the department undertaking the acquisition or disposal of assets shall immediately notify the Shareholder Service Department which shall, within 2 days from the date of occurrence of the event, publicly announce and report relevant information on the acquisition or disposal of assets on the website designated by the competent authority using the specified format:</p> <p>I. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. This however shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds_ <u>issued by domestic securities investment trust</u></p>	<p>I. Revised wording to clarify definitions.</p> <p>II. Adjustment of paragraph sequence and descriptions.</p> <p>III. The Company is not a "professional investor" as defined in laws and regulations, therefore related clauses are duly deleted.</p> <p>IV. The content and time period for rectifications of announcements that are required to be made in the event the Company makes an error or omission in</p>

Before Amendments	After Amendments	Remark
<p>II~III: omitted.</p> <p><u>IV.</u> With the exception of the transaction of assets specified in the <u>three</u> preceding paragraphs or investment conducted in the China region, the amount of any individual transaction, the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year, the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year that reaches 20% of the Company's paid-in capital or NT\$300 million shall be implemented in accordance with the Procedures. This shall not apply to the following circumstances:</p> <p>(I) Trading of government bonds.</p> <p><u>(II) Where the company is a professional investor,</u></p>	<p><u>enterprises.</u></p> <p>II~III: omitted.</p> <p><u>IV. Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u></p> <p><u>V.</u> 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 more than NT\$500 million.</p> <p><u>VI.</u> Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is more than NT\$500 million.</p> <p><u>VII.</u> With the exception of the transaction of assets specified in the <u>six</u> preceding paragraphs or investment conducted in the China region, the</p>	<p>an item required by regulations to be publicly disclosed at the time of public announcement are expressly stipulated.</p>

Before Amendments	After Amendments	Remark
<p><u>the securities are traded through domestic or overseas exchanges or through securities firms, or the securities are subscribed to by a securities firm in the primary market in accordance with the law.</u></p> <p>(III) Bond repurchase/resale, subscription or redemption of domestic money market funds.</p> <p><u>(IV)</u> Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not an actual related party, and the transaction amount is <u>less</u> than NT\$500 million.</p> <p><u>(V)</u> Acquisition or disposal by a public company in the construction business of real estate for construction use, where the trading counterparty is not an actual related party, and the transaction amount is <u>less</u> than NT\$500 million.</p> <p><u>(VI)</u> 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</p>	<p>amount of any individual transaction, the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year, the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year that reaches 20% of the Company's paid-in capital or NT\$300 million shall be included. This shall not apply to the following circumstances:</p> <p>(I) Trading of government bonds.</p> <p>(II) Trade of bonds under repurchase and resale agreements, or subscription or repurchase of money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>The amount of transactions specified in the preceding paragraph shall be calculated as follows:</p>	

Before Amendments	After Amendments	Remark
<p>of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is <u>less</u> than NT\$500 million.</p> <p>The amount of transactions specified in the preceding paragraph shall be calculated as follows:</p> <p>I. The amount of any individual transaction.</p> <p>II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>III. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"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</p>	<p>I. The amount of any individual transaction.</p> <p>II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>III. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"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 the provisions herein need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivative transactions (including those conducted for transaction purposes and otherwise) conducted up to the end of the preceding month by</p>	

Before Amendments	After Amendments	Remark
<p>announced in accordance with the provisions herein need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivative transactions (including those conducted for transaction purposes and otherwise) conducted up to the end of the preceding month by itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The information shall be disclosed along with the status of monthly operations on the information reporting website specified by the competent authority before the 10th of each month using the required format.</p> <p>When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety of its error or omission. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where otherwise provided by laws and regulations.</p>	<p>itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The information shall be disclosed along with the status of monthly operations on the information reporting website specified by the competent authority before the 10th of each month using the required format.</p> <p>When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety <u>within 2 days upon knowledge</u> of its error or omission.</p> <p>When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where otherwise provided by laws and regulations.</p>	

Before Amendments	After Amendments	Remark
<p>[Other Matters]</p> <p>Article 34: Supplementary Provisions I~V. omitted.</p> <p>VI. The Procedures were established in October 1999. The 1st Amendment on Mar. 9, 2000, the 2nd Amendment on Feb. 27, 2001, the 3rd Amendment on Jan. 23, 2002, the 4th Amendment on Jan.28, 2003, the 5th Amendment on May 18, 2005, the 6th Amendment on Feb. 15, 2006,the 7th Amendment on June 15, 2006, the 8th Amendment on June 13, 2007, the 9th Amendment June 19, 2009, the 10th Amendment on June 18, 2010, the 11th Amendment on June 15, 2012, <u>and</u> the 12th Amendment on June 20, 2014.</p>	<p>[Other Matters]</p> <p>Article 34: Supplementary Provisions I~V. omitted.</p> <p>VI. The Procedures were established in October 1999. The 1st Amendment on Mar. 9, 2000, the 2nd Amendment on Feb. 27, 2001, the 3rd Amendment on Jan. 23, 2002, the 4th Amendment on Jan.28, 2003, the 5th Amendment on May 18, 2005, the 6th Amendment on Feb. 15, 2006, the 7th Amendment on June 15, 2006, the 8th Amendment on June 13, 2007, the 9th Amendment June 19, 2009, the 10th Amendment on June 18, 2010, the 11th Amendment on June 15, 2012, the 12th Amendment on June 20, 2014, <u>and the 13th Amendment on June 16, 2017.</u></p>	<p>Addition of revision dates.</p>

Systemx Corporation
Procedures for the Acquisition and Disposal of Assets (Amended)

[Purpose and Basis]

Article 1: To regulate the Company's operations in the acquisition and disposal of assets in compliance with Article 36-1 of the Securities and Exchange Act and in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies promulgated by the competent authority, and for the purpose of protecting investors and fulfilling information disclosure, the Company's operations in the acquisition and disposal of assets shall be implemented in accordance with these Procedures.

[Applicable Scope]

Article 2: These Procedures apply to the following asset categories:

- I. 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.
- II. Real property (including land, houses and buildings, investment property, land use rights, inventory in construction business) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, licenses and other intangible assets.
- V. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VI. Derivatives.
- VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
- VIII. Other major assets.

[Terms and Definitions]

Article 3: Terms used in the Procedures are defined as follows:

- I. Derivatives: Refer to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts as well as any combination of the above whose value is derived from assets, interest rates, foreign exchange rates, indices 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.
- II. Assets acquired or disposed of through mergers, demergers, acquisitions or transfer of shares: refer to assets that have been acquired or disposed of

during a merger, demerger, or acquisition in accordance with the Business Mergers and Acquisitions Act or other relevant laws, or through an arrangement whereby new shares are issued in exchange for another company's shares under Article 156, Paragraph 8 of the Company Act.

- III. Related party or subsidiary: As defined in the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. 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.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors meeting resolutions, or any other dates that serve to confirm the counterpart and monetary amount of the transaction, whichever date is earlier. However, for investments that require the approval of the competent authority, the date of occurrence shall be determined as the earlier between the above dates and the date approved by the competent authority.
- VI. 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.
- VII. "Latest financial statements" refer to the audited or reviewed financial statements duly disclosed by the Company prior to the acquisition or disposal of assets.
- VIII. "Major assets or commodity derivative trades" refer to assets or derivative commodity trades approved by the Board of Directors pursuant to the provisions stipulated in the Company's procedures for the acquisition or disposal of assets or other laws and regulations.

[Specialists]

Article 4: Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide public companies 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.

[Investment Amount]

Article 5: Investments in various assets undertaken by the Company and its subsidiaries are restricted to investment amounts as specified below:

- I. Purchase of real property for non-business use may not exceed 10% of the Company's paid-in capital.

- II. Total long-term investment in securities is not subject to the maximum amount of 40% of paid-in capital as stipulated in the Company's Articles of Incorporation. Unless otherwise approved in a shareholders' meeting, investment in a single security may not exceed 30% of the equities attributable to the owners of the parent company as specified in the latest financial statements of the Company.
- III. Total short-term investment in securities may not exceed 60% of the equities attributable to the owners of the parent company as specified in the latest financial statements of the Company and investment in a single security may not exceed 10% of the equities attributable to the owners of the parent company as specified in the latest financial statements of the Company.

[Basis for Non-NTD Transactions]

Article 6: Where a transaction amount is not denominated in NTD, the basis of calculation shall be its equivalent value in USD or other foreign currency equivalents upon acquisition or disposal.

[Calculation of Transaction Amount]

Article 7: The transaction amount refers to the agreed price in acquisition or disposal. All other necessary expenses paid to improve the acquisition to a usable state shall be included in the cost of the asset with regard to transaction accounting but shall not be included in the basis of calculation within the scope of the Procedures.

[Transaction Assessment and Operating Procedures]

Article 8: The Company's assessment and operating procedures for the acquisition or disposal of assets shall be implemented in accordance with these Procedures in conjunction with the Company's authorization guidelines, related operating procedures of the internal control system, or other related procedures.

Article 9: General Applicable Procedures:

I. Application:

The department managing the asset shall evaluate the gains and losses incurred through the acquisition or disposal of assets using methods that ensure the investment interests of the Company. Where necessary, it shall report to related departments for approval before implementation.

II. Tender price comparison or negotiation:

After evaluation, the department managing the asset procurement shall formulate a base price and carry out procurement in accordance with the

tender or price comparison procedures. If tendering or price comparison cannot be conducted due to practical limitations, the acquisition/disposal may be conducted through price negotiations.

III. Contract establishment:

The results of price comparison or negotiation shall be adopted to establish a transaction contract with the counterparty; efforts shall be duly made to ensure the Company's rights and interests.

IV. Acceptance or inventory:

Acceptance or inventory in the acquisition or disposal of assets shall be conducted in accordance with the content or terms and conditions of the contracts, their related documents, and the required procedures on an item by item basis. If any discrepancy is discovered, it shall be reported in an approval form.

V. Property right registration:

An acquisition of real property shall be registered with the competent authority within the statutory period. The same applies to all subsequent changes.

VI. The General Affairs Department shall purchase insurance for Company assets in accordance with their nature and actual status.

Article 10: Special Applicable Procedures:

I. Appraisal:

(I) In acquiring or disposing of real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government authority, 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 appoint an objective and independent professional appraiser to formulate an appraisal report prior to the date of occurrence of the event and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to establish a restrictive price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted advance to the Board of Directors for approval; the same procedures shall be complied with 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 the difference between the professional appraiser's appraisal results and the transaction amount exceeds 20% of the transaction

amount, or if the difference between two or more professional appraisers exceed 10% of the transaction amount, unless all appraisal results for the assets to be acquired are higher than the transaction amount, or all 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 and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price.

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. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

(II) In the acquisition or disposal of securities, the Company shall, prior to the date of occurrence of the event, obtain the financial statements of the issuing company for the most recent period which have been certified or reviewed by a certified public accountant for reference in appraising the transaction price. In the event the dollar amount of the transaction reaches 20% 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 requires the use of an expert report as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20. This requirement does not apply, however, to securities with publicly quoted prices from an active market, or where other regulations of the competent authority prevail.

(III) If the dollar amount of memberships or intangible assets to be acquired or disposed of by the Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a government authority, the Company shall 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; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20.

(IV) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report or CPA opinion.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be conducted in accordance with Article 29, Paragraph 2 herein. In the meantime, "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. The basis for calculation, however, shall not include any transactions for which a professional appraisal report or CPA's opinion has been obtained according to the Procedures.

II. Reports to the Board of Directors:

- (I) The Company's acquisition or disposal of assets shall require the approval of the Board of Directors in accordance with the Company's authorization guidelines, other procedures, or other legal requirements. If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to the Audit Committee.
- (II) When the transactions in the acquisition or disposal of assets are proposed for discussion by the Board of Directors in accordance with the above regulations, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.
- (III) Major asset transactions or other matters that require the approval of the Audit Committee in accordance with the law shall first be approved by more than half of all Audit Committee members and then submitted to the Board of Directors for resolution.
- (IV) If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

[Related-Party Transactions]

Article 11: When engaged in the acquisition or disposal of assets from or to a related party, the Company shall, in accordance with the regulations, complete the relevant resolution procedures and appraisal of the reasonableness of the transaction terms. If the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion.

The calculation of the transaction amounts referred to in the preceding paragraph shall be conducted in accordance with Article 29, Paragraph 2 herein. In the meantime, "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. The

basis for calculation, however, shall not include any transactions for which a professional appraisal report or CPA's opinion has been obtained according to the Procedures.

When determining whether the transaction counterparty is a related party, the Company shall take into account not only the legal formalities, but also the substance of the relationship.

Article 12: Evaluation of Transaction Cost:

- I. When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by means of the following methods:
 - (I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law.
 - (II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; the actual cumulative amount loaned shall have been 70% 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.
- II. Where land and buildings thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and buildings may be separately appraised in accordance with either of the methods listed above.
- III. When acquiring real property from a related party, the Company shall appraise the cost of the real property in accordance with Paragraphs 1 and 2 above, and engage a CPA to review the appraisal and render an opinion.
- IV. Where the Company acquires real property from a related party under any of the following circumstances, the acquisition shall be conducted in accordance with Article 15 and the preceding three paragraphs shall not apply:
 - (I) The real property was acquired in the first place by the related party as an inheritance or gift.
 - (II) More than 5 years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 - (III) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

Article 13: Principles for Processing Non-Arm's Length Transactions:

Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 12 and Article 14 are uniformly lower than the transaction price, the following steps shall be taken:

- I. A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in the investee, a special reserve shall be set aside pro rata in a proportion consistent with the share of the equity stake in the investee.
- II. The Audit Committee shall comply with Article 218 of the Company Act.
- III. Actions taken pursuant to Subparagraphs 1 and 2 above shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and investment prospectus.
- IV. If the Company has set aside a special reserve under Paragraph 1, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased at a premium; has disposed of the assets or made adequate compensation; or has restored the status quo ante; or there is other evidence confirming that there was nothing unreasonable regarding the transaction. Approval from the competent authority is also required.
- V. The Company shall also comply with the preceding regulations if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 14: Standards for Determining Non-Arm's Length Transactions:

Where the results of appraisals conducted by the Company in accordance with Article 12 are uniformly lower than the transaction price, the transaction shall be carried out in accordance with regulations in Article 13. However, under the following circumstances and where objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance that fulfills one of the following conditions:
 - (I) Where the sum of undeveloped land appraised in accordance with the means in the preceding Article and buildings appraised according to the

related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price.

(II) 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.

(III) 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.

II. Where the Company has provided evidence that the terms and conditions for purchasing the real property from the related party are equivalent to the terms of the transactions concluded in neighboring areas for similarly-sized parcels by other non-related parties within one year.

Article 15: Approval by the Board of Directors:

When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by a domestic securities investment trust enterprise, the Company may not 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 Audit Committee:

- I. The purpose, necessity, and expected benefits for acquiring or disposing of the asset.
- II. The reason for choosing the related party as a trading counterparty.
- III. 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 Article 12 and Article 14.
- IV. 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.
- V. 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.

VI. Professional value's report or CPA's opinion obtained according to the regulations.

VII. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be conducted in accordance with Article 29, Paragraph 2 herein. In the meantime, "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 Audit Committee in accordance with the Procedures need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's Board of Directors authorizes the Chairman of the Board sole discretion to decide such matters in accordance with related regulations in the Procedures when the transaction is within NT\$500 million; the decisions shall be submitted to and retroactively ratified by the next Board of Directors meeting.

Article 16: Definitions of Terms for Acquisition of Real Property from Related Parties are as follows:

- I. Cost of funds: The "necessary cost of funds" specified in Article 12, Paragraph 1, Subparagraph 1 is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property and may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. Reasonable construction profit: The "reasonable construction profit" specified in Article 14, Paragraph 1, Subparagraph 1 shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
- III. Completed transactions for neighboring parcels of land: The "completed transactions for neighboring parcels of land" specified in Article 14, Paragraph 1, Subparagraph 2 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.
- IV. Similar land area: The "similar land area" specified in Article 14, Paragraph 1, Subparagraph 2 in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction.

- V. Within the preceding year: The "within the preceding year" specified in Article 14, Paragraph 2 refers to the year preceding the date of occurrence of the acquisition of the real property.

[Derivatives Transactions]

Article 17: The Company shall pay attention to the following principles and guidelines in derivatives transactions:

I. Derivatives Categories Eligible for Transactions

- (I) The "derivatives" specified in the Procedures refer to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts as well as any combination of the above whose value is derived from assets, interest rates, foreign exchange rates, indices or other interests.
- (II) The term "forward contracts" specified in the Procedures does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- (III) Transactions in bond deposits shall also be conducted in accordance with the regulations of the Procedures.

II. Management or Hedging Strategy

The difference between strategies for the purpose of transactions or and those for non-transaction purposes shall be clearly defined. The main purpose shall be the prevention of risks as well as the establishment of a sound internal control system. The transaction counterparties shall be financial institutions with healthy systems that regularly conduct business with the Company.

III. Division of Powers and Responsibilities

(I) Transaction Department

1. Collection of market information, familiarity with derivatives, laws and regulations, and risk assessment.
2. Undertaking of transactions and risk management within the authorized scope.
3. Provision of sufficient and timely information to senior managers authorized by the Board of Directors and undertaking of periodic assessment of profits and losses.

(II) Accounting Department

1. Verification of transactions.
2. Understanding of the nature of products, agreements, and transaction format and provision of appropriate registration.

3. Assessment of the profit and loss of positions at the end of each month.

(III) Settlement Department

Receipt of notification from the Transaction Department and verification with the Accounting Department before execution of settlement.

IV. Performance Evaluation Guidelines

Periodic assessments and reviews shall be conducted based on a reliable assessment model and the principles of stability and consistency. Statements for reference and management by senior managers authorized by the Board of Directors shall be compiled.

V. Total Contract Value of Derivative Eligible for Transactions

(I) For non-transaction purposes

1. The total contract value of transactions undertaken to avoid foreign exchange risk may not exceed the total value of import/export in the current year.
2. The total contract value of transactions undertaken to avoid foreign exchange risk may not exceed the total value of assets or liabilities in the current year.
3. The total contract value of transactions undertaken to avoid foreign exchange and interest risks arising from project implementation may not exceed the total project budget.

(II) For transaction purposes: Traders shall conduct transactions within the authorized project amount.

VI. Maximum Limit on Loss

A stop-loss order shall be established for derivative transactions undertaken for transaction purposes. The maximum limit on loss under each contract shall be 5%. However, a transaction with a loss of under USD 50,000 shall be exempted from the 5% of contract value restriction specified above. The total net loss of all contracts may not exceed 1% of the paid-in capital of the Company.

Derivative transactions undertaken for non-transaction purposes must comply with the regulations on hedging and accounting specified in the accounting procedures for financial products in Statement of Accounting Standards No. 34. Formal written documents shall be required for related hedging relations, corporate risk management goals, and hedging strategies.

Article 18: Procedures for Derivatives Transactions

I. Authorized Amount

- (I) The authorized amounts for derivatives transactions undertaken for non-transaction purposes are specified below: Transactions undertaken in response to business development, market changes, or under special circumstances may be exempted from the restrictions on authorized amount upon the approval of the Board of Directors.

	Single Transaction Amount	Total Transaction Amount Per Day	Net Position Per Day
President	US\$10 million	US\$15 million	US\$10 million
Chief Financial Officer	US\$5 million	US\$7.5 million	US\$5 million

- (II) A single derivatives transaction undertaken for transaction purposes with a total contract value of over US\$200,000 shall be submitted to the Board of Directors for approval before the transaction is conducted. A single transaction with a total contract value of less than US\$200,000 shall be submitted to the senior manager authorized by the Board of Directors for approval before the transaction is conducted.
- (III) Transactions performed by relevant authorized personnel in accordance with the Procedures for Engaging in Financial Derivative Transactions shall be reported to the next upcoming meeting of the Board of Directors.
- (IV) Derivatives transactions that require the approval of the Audit Committee shall first be approved by more than half of all Audit Committee members and then submitted to the Board of Directors for resolution.
- (V) If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
- (VI) The term "major derivative transaction" refers to derivative trades approved by the Board of Directors pursuant to the provisions stipulated in the Company's Procedures for Engaging in Financial Derivative Transactions or other laws and regulations.

II. Implementation Unit

The Transaction Department shall conduct transactions within the authorization described above or within the amount authorized for the project.

Article 19: Accounting Methods for Derivatives Transactions

- I. Memo records for registering related information of derivatives transactions shall be established.
- II. Independent accounting items that clearly record profit or loss shall be established.

Article 20: Internal Control System:

I. Risk Management Measures:

(I) Credit risk management

Credit checks on the transaction target prior to transactions and periodic follow up on its credit status shall be conducted; avoid concentrating transactions with a single counterparty.

(II) Market price risk management

1. Authorized transaction personnel on each level shall adhere to the provisions specifying the authorized amount and maximum limit on loss in derivatives transactions.
2. The personnel shall assess the possible loss amount and the possibility of loss due to changes in market interest rate and exchange rates at appropriate times and take appropriate measures.

(III) Liquidity risk management

To maintain liquidity, transaction personnel must pay attention to the scale, depth, liquidity, and transaction capabilities of the financial institution.

(IV) Cash flow risk management

The Asset Management Department shall assess the cash collection and payment of transaction agreements.

(V) Operating risk management

1. Personnel engaged in derivatives trading may not serve concurrently in other operations such as verification and settlement.
2. Personnel responsible for risk measurement, monitoring and control shall be affiliated to department separate from the individuals specified in the preceding subparagraph, and shall report to the Board of Directors or other senior managers who are not engaged in decision making on transactions or trading positions.

(VI) Management of legal risks

1. The content of contracts shall firstly be filed to the Legal Affairs Department for approval.
2. Verify that the transaction counterparty has acquired the legality and authorization to operate derivatives.

- II. Periodic assessment methods and processing of irregularities:
- (I) The Company shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under Subparagraphs 2, 3, and 4 of the current Paragraph shall be recorded in detail in the log book.
 - (II) The Company shall assess its derivative trading positions at least once a week. Hedging transactions conducted to meet business requirements shall be assessed at least twice a month. Assessment reports shall be submitted to the senior management level authorized by the Board of Directors.
 - (III) The senior manager authorized by the Board of Directors shall periodically assess whether the risk management procedures currently in use are suitable and strictly carry out operations in accordance with the Procedures established by the Company. The senior manager is also required to supervise transactions, profits, and losses. In case any irregularities are found (such as a position with losses exceeding the maximum limit on loss), the senior manager shall report to the Board of Directors immediately and take all necessary response measures. If the Company has appointed Independent Directors, an Independent Director shall be present at the Board meeting to provide opinions.
 - (IV) The Board of Directors shall periodically assess whether the performance of derivatives transactions meet established management strategies and whether the risks undertaken are within the scope of the Company's risk tolerance.

Article 21: Internal Auditing System:

- I. The internal auditors shall, on a regular basis, check the adequacy of the company's internal control system for derivatives transactions and conduct monthly audits on the Transaction Department to ensure compliance with the Procedures. Audit reports shall be produced. The auditors are required to advise the Audit Committee in writing if any significant violations are found.
- II. The Company shall submit the Audit Report of the previous year along with the implementation status of the internal auditing procedures in the annual inspection plan to the competent authority before the end of February each year. The Company shall also file improvements for the irregularities to the competent authority for reference before the end of May at the latest.

[Corporate Merger, Demerger, Acquisition, or Transfer of Shares]

Article 22: Expert Opinion

When engaged in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the Board of Directors for deliberation and passage.

However, where the Company merges subsidiaries whose issued shares or total capital are wholly owned by itself directly or indirectly, or subsidiaries whose issued shares or total capital are wholly owned by the Company directly or indirectly are merged together, the Company may be exempted from obtaining the aforementioned expert opinion on the reasonableness of the merger.

Article 23: Confidentiality Obligations

All personnel participating in or privy to the plan for the merger, demerger, acquisition, or transfer of shares shall be required to issue an undertaking of confidentiality in writing not to disclose the content of the plan prior to public disclosure of the information. Neither shall they, in their own name or under the name of a third person, trade in any stock or other equity securities of any company related to such plan.

Article 24: Provisions to be Included in Contracts:

- I. When participating in mergers, demergers, acquisitions, or transfer of shares, the Company shall state clearly in the relevant contracts the rights and obligations of the participating companies. The following provisions shall also be expressly stipulated:
 - (I) Handling of breach of contract.
 - (II) 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.
 - (III) The amount of treasury stock participating companies are permitted under law to buy back after the baseline date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (IV) The manner of handling changes in the number of participating entities or companies.
 - (V) Timetable for project execution, and anticipated completion date.
 - (VI) Scheduled date for convening the legally mandated shareholders' meeting if project implementation has exceeded the proposed deadline

as well as relevant procedures.

- II. If any of the participating companies of the merger, demerger, acquisition, or the company participating in the merger, demerger, acquisition, or transfer of shares is not a publicly listed company, the Company shall sign an agreement with such participating companies, while abiding by the provisions of Articles 23, 25 and 27 herein.

Article 25: Organizing Board of Directors and Shareholders' Meetings

- I. Unless otherwise regulated by law or approved in advance by the competent authority for any special reason, when the Company participates in a merger, demerger or acquisition, it must convene Board of Directors meetings and shareholders' meetings on the same day to resolve any details related to the merger/demerger/acquisition.
- II. Unless otherwise provided by law or agreed in advance by the competent authority for special reasons, the Company is required to convene a Board of Directors meeting on the same day when participating in share exchange.
- III. Before participating in a merger, demerger, or acquisition, the Company shall, before the shareholders' meeting, prepare a public report to the shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition. The report shall be sent to the shareholders along with the notification for shareholders' meeting and the expert opinions referred to in the Article 22, so that it can be used as a reference for decision-making on the merger, demerger, or acquisition. However, where other legal provisions exempt a company from convening a shareholders' meeting to approve the merger, demerger or acquisition, this restriction shall not apply.
- IV. When participating in a merger, demerger or acquisition, if the shareholders' meeting of the Company fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the Company shall immediately explain publicly the reason, the follow-up measures and the proposed date of the next shareholders' meeting.

Article 26: Share Exchange Ratio or Acquisition Price shall not be Arbitrarily Modified

Except for the following circumstances, the Company shall not arbitrarily change the share exchange ratio or acquisition price when participating in the merger, demerger, acquisition or transfer of shares. The Company shall, in the meantime, stipulate in the relevant contracts for the merger, demerger, acquisition, or transfer of shares the conditions where such changes are

allowed:

- I. The implementation of capital increase by cash, issue exchangeable corporate bonds, stock grants, equity warrant bonds, equity warrant special shares, stock option certificates, and other securities that involve shareholding rights.
- II. Actions for the disposal of major assets of the Company etc. that impact the finance and business of the Company.
- III. Incidents including major disasters or major technological breakthroughs that impact the interests of shareholders or stock price.
- IV. Adjustments by any party participating in the merger, demerger, acquisition, or transfer of shares for the repurchase of treasury stocks in accordance with regulations.
- V. Increase or decrease in the main entity or the number of parties participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Changes in conditions that were specified in the contract and those that have been disclosed to the public.

Article 27: Disclosure of Information before a Merger, Demerger, Acquisition, or Transfer of Shares with Another Company

In the event that, after the public disclosure of the information for the merger, demerger, acquisition or transfer of shares participated in by the Company, one of the participating companies intends to engage another company (companies) in such activities, the participating company shall again go through all the procedures and legal actions which have already been completed for the original merger, demerger, acquisition or transfer of shares. A participating company, however, may be exempted from calling another shareholders' meeting to reapprove the plan, if the number of participating companies has decreased and the Board of Directors of the Company have received approval and authorization from the shareholders' meeting to change the authority.

Article 28: Retention of Information

When participating in a merger, demerger, acquisition or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference.

- I. Basic information of personnel: Including the job title, name and ID number (or passport number in the case of foreign nationals) of all personnel involved in the planning or implementation of the merger, demerger, acquisition, or transfer of shares prior to public disclosure of the information.

- II. Dates of important events: Including the dates of signing a letter of intent/memorandum of understanding, commissioning a financial or legal advisor, signing contracts or holding Board of Directors meetings.
- III. Important documents and meeting minutes: Including the plans for merger, demerger, acquisition or transfer of shares, letter of intent or memorandum of understanding, important contracts and minutes of the Board of Directors meetings.

[Information Disclosure]

Article 29: Under any of the following circumstances, the department undertaking the acquisition or disposal of assets shall immediately notify the Shareholder Service Department which shall, within 2 days from the date of occurrence of the event, publicly announce and report relevant information on the acquisition or disposal of assets on the website designated by the competent authority using the specified format:

- I. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. This however shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. Merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures.
- IV. Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- V. 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 more than NT\$500 million.
- VI. Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is more than NT\$500 million.
- VII. With the exception of the transaction of assets specified in the six preceding paragraphs or investment conducted in the China region, the

amount of any individual transaction, the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year, the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year that reaches 20% of the Company's paid-in capital or NT\$300 million shall be included. This shall not apply to the following circumstances:

- (I) Trading of government bonds.
- (II) Trade of bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions specified in the preceding paragraph shall be calculated as follows:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- III. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- IV. 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 the provisions herein need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivative transactions (including those conducted for transaction purposes and otherwise) conducted up to the end of the preceding month by itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The information shall be disclosed along with the status of monthly operations on the information reporting website specified by the competent authority before the 10th of each month using the required format.

When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly

corrected and publicly announced in entirety within 2 days upon knowledge of its error or omission.

When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where otherwise provided by laws and regulations.

Article 30: If the following situations arise after the Company has announced or reported transactions according to the preceding article on information disclosure, the Company shall announce and report such matters within two days on the website specified by the competent authority:

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

[Control Procedures for the Acquisition and Disposal of Assets by Subsidiaries]

Article 31: The subsidiaries of the Company shall establish "Procedures for the Acquisition or Disposal of Assets" and submit them to the highest ranking supervisor in the Company's finance department and the President for approval. The Procedures shall then be sent to the Board of Directors and the shareholders' meeting of the subsidiary for approval before implementation. The same procedures shall apply for revisions.

- I. The subsidiaries shall establish their own "Procedures for the Acquisition or Disposal of Assets" based on these Procedures. They shall reference the Company's authorization methods, the guidelines on parent-subsidiary financial operations, and other related investment regulations to establish their own procedures for implementation.
- II. The assets acquired or disposed by subsidiaries may not exceed the regulated amount specified in Article 5 herein.
- III. For the calculation of 10% of total assets under the Procedures, 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.

For subsidiaries whose shares are issued without face value or where the face value does not equal to NT\$10, the 20% requirement on paid-up capital, as specified in these Procedures, shall be calculated instead at 10% of equity attributable to parent company owners.

[Information Disclosure of Subsidiaries]

Article 32: For a subsidiary in which the Company directly holds shares or indirectly holds shares through a subsidiary amounting to over 50% of issued shares with voting rights and that which is not publicly listed, if assets it has acquired or disposed of reach announcement and reporting standards, the subsidiary shall immediately notify the Company on the date of occurrence of the event. The Company shall, within two days of receiving notification from the subsidiary, announce and report such matters on the website specified by the competent authority in accordance with the Procedures.

[Penalties for Violation of the Procedures]

Article 33: The Board of Directors shall impose penalties on related personnel who are in violation of the Company's Procedures for the Acquisition or Disposal of Assets.

[Other Matters]

Article 34: Supplementary Provisions

- I. The Procedures shall be delivered to the Audit Committee and submitted to the shareholders' meeting for approval following approval in the Board of Directors meeting. The same shall apply to any revision. If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to the Audit Committee.
- II. When the Procedures are proposed for discussion by the Board of Directors, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.
- III. The establishment and revision of the Procedures must be approved by at least one half of all members of the Audit Committee and submitted to the Board of Directors for resolution.
- IV. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
- V. The terms "all Audit Committee members" and "all Directors" in Article 10, Paragraph 2, Article 18 Paragraph 1, Paragraph 3 of this Article, and the preceding paragraph shall refer to the actual number of persons currently holding those positions.

VI. The Procedures was established in October 1999.

The 1st Amendment on Mar. 9, 2000, the 2nd Amendment on Feb. 27, 2001, the 3rd Amendment on Jan. 23, 2002, the 4th Amendment on Jan.28, 2003, the 5th Amendment on May 18, 2005, the 6th Amendment on Feb. 15, 2006, the 7th Amendment on June 15, 2006, the 8th Amendment on June 13, 2007, the 9th Amendment June 19, 2009, the 10th Amendment on June 18, 2010, the 11th Amendment on June 15, 2012, the 12th Amendment on June 20, 2014, and the 13th Amendment on June 16, 2017.

Appendix 1

Systemx Corporation

Rules and Procedures for Shareholders' Meetings

Article 1: Unless otherwise stipulated by law, shareholders' meetings of the Company shall proceed according to these Rules and Procedures.

Article 2: The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters of attention.

The time period during which attendance registration of shareholders shall be accepted as specified in the preceding paragraph shall be implemented in accordance with the regulations of the competent authority. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel shall be assigned to handle the registrations.

Shareholders and their proxies (hereinafter collectively referred to as "shareholders") shall attend shareholders meetings upon presentation of attendance cards, sign-in cards, or other certifications. Solicitors soliciting proxy forms shall also bring identification documents for verification.

Attendance books shall be provided at the shareholders' meetings of the Company and shall be signed by the shareholders (or proxies) present. Alternatively, shareholders (or proxies) attending the meeting shall submit an attendance card for the purpose of signing in.

The number of shares in attendance shall be calculated according to the shares registered in the attendance book and attendance cards handed in.

Article 3: The attendance and votes of a shareholders' meeting shall be calculated based on the number of shares represented by shareholders present at the meeting.

Article 4: Shareholders' meetings of the Company shall take place in a location suitable for convening a shareholders' meeting within the county or city of the head office and convenient for shareholders to attend. The commencement time for the meeting shall not be earlier than 9:00 AM or later than 3:00 PM.

Article 5: Unless otherwise provided in the Company Act, the Chairman of the Board shall chair shareholders' meetings. In the event the Chairman is on leave or unable to exercise his/her authority, the Vice Chairman, if available, shall act on his/her behalf. In the absence of a Vice Chairman or the Vice Chairman is also on leave or unable to exercise his/her authority, the Chairman shall designate a Managing Director to act on his/her behalf. In the absence of Managing Directors, a Director shall be designated. If none has been designated by the Chairman, a Managing Director or Director shall be elected to act on the Chairman's behalf from among all Managing Directors and

Directors of the Company.

When a Managing Director or a Director serves as chair as referred to in the preceding paragraph, the Managing Director or Director shall be an individual who has held said position for a period specified by the competent authority and who possesses adequate knowledge of the Company's financial and business conditions. The same shall apply to representatives of corporate directors serving as chair.

Article 6: The Company may appoint lawyers, certified public accountants, or relevant personnel retained by the Company to be present at shareholders' meetings.

Staff handling administrative affairs of the shareholders' meeting shall wear identification badges or arm-bands.

Article 7: The Company, starting from the time it begins accepting shareholder attendance registrations, shall undertake audio and video recordings of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials as specified the preceding paragraph shall be retained for at least 1 year.

Article 8: The chair shall announce the commencement of the meeting at the stipulated time. However, if shareholders (or proxies) representing more than one-half of the total number of issued shares are not present at the meeting, the chair may postpone the meeting. The postponements shall be limited to two times at maximum and total aggregate delay shall be no longer than 1 hour. If after two postponements the number of shareholders (or proxies) present is still insufficient, whereas at least one third of total issued shares are represented at the meeting, tentative resolutions may be adopted in accordance with Article 175, Paragraph 1 of the Company Act. If during the process of the meeting the number of issued shares represented by the shareholders (or proxies) present are sufficient to constitute the quorum, the chair may submit the tentative resolutions to the meeting for approval in accordance with Article 174 of the Company Act.

Article 9: The agenda of the meeting shall be formulated by the Board of Directors. Unless otherwise resolved at the meeting by shareholders, the meeting shall proceed in accordance with the agenda.

Unless by the resolution of the shareholders' meeting, the chair may not declare the meeting ended until all items on the agenda (including extempore motions) stipulated in the preceding paragraph have been completed.

If the chair violates the rules of procedure and declares the adjournment of the shareholders' meeting, one person may be elected chair with the consent of one half of the votes represented by shareholders present to resume the meeting.

The shareholders cannot designate any other person as chair and resume the meeting in the same or another place after the meeting is adjourned.

Article 10: When a shareholder (or proxy) present at the meeting wishes to speak, a speech note shall be filled out specifying the summary of the statement, the shareholder's account number (or the number on their attendance card) and the name of the shareholder. The sequence of shareholder statements shall be decided by the chair.

A shareholder (or proxy) present at the meeting that merely submits a speech note without speaking is considered not to have spoken. If the shareholder's actual comments differ from those stated on the speech note, only the actual comments expressed shall be recorded.

Unless consent has been given by the chair and the speaking shareholder, other shareholders may not speak to interrupt when a shareholder is speaking; otherwise the chair shall prohibit the interruption.

Article 11: Unless permitted by the chairperson, no shareholder (or proxy) may speak more than twice regarding the same proposal, and shall not speak for more than five minutes each time.

If a shareholder violates the rules outlined in the preceding paragraph or goes beyond the scope of proposals in speaking, the chair may prohibit him/her from making further statements.

Article 12: If a corporate shareholder is commissioned to attend a shareholders' meeting, the corporate shareholder may only designate one representative to attend the meeting.

In the event a corporate shareholder assigns two or more representatives to attend the shareholders' meeting, only one of the representatives may speak on any single agenda item.

Article 13: Upon the speech of a shareholder, the chairman may respond in person or appoint an appropriate person to respond.

Article 14: When the chairman considers that a matter has been sufficiently discussed to qualify for a vote, the chairman may announce the discussion closed and bring the matter to a vote.

Article 15: The Chairman shall appoint ballot examiners, ballot counters and other members of staff for processing proposal votes; ballot examiners must however be shareholders.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the venue where the shareholders' meeting is being held. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of numbers of votes, shall be announced on-site at the meeting, and a record shall be made of the vote.

The election of Directors at a shareholders meeting shall be held in

accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as Directors and the numbers of votes with which they were elected.

Article 16: During the meeting, the chair may, at his/her discretion, allocate and announce intermissions.

Article 17: Unless otherwise specified in the Company Act or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders (or proxies) present at the meeting.

In voting, a proposal is considered approved if the chair receives no dissenting opinions after requesting, which has the same effect as voting by ballot.

Article 18: Where there is an amendment or an alternative to a proposal, the chairperson shall determine the order in which they are to be voted on with the original proposal. If any resolution has been reached, alternative proposals shall be treated as rejected and not be voted on separately.

Article 19: The chairman may direct the proctors (or security guards) to assist in maintaining order of the meeting venue. While maintaining order in the meeting, all proctors or security staff shall wear arm bands reading "Proctor."

Article 20: These Rules and Procedures shall come into force after the approval of the Board of Directors and ratification in the shareholders' meeting. The same procedures shall apply for future amendments.

These Rules and Procedures were established on April 12, 2001, the 1st Amendment on March 28, 2002, and the 2nd Amendment on June 21, 2013.

Appendix 2

Systemx Corporation Articles of Incorporation

Chapter I General Provisions

Article 1: The Company is constituted in accordance with the Company Act, and shall be known as Systemx Corporation.

Article 2: The Company shall engage in the following businesses:

- 1.F113050 Wholesale of Computing and Business Machinery Equipment
- 2.F118010 Wholesale of Computer Software
- 3.F113070 Wholesale of Telecom Instruments
- 4.F113020 Wholesale of Household Appliance
- 5.F113110 Wholesale of Batteries
- 6.F119010 Wholesale of Electronic Materials
- 7.E605010 Computing Equipments Installation Construction
- 8.JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops
- 9.J399010 Software Publication
- 10.IG02010 Research Development Service
- 11.I599990 Other Designing
- 12.JZ99050 Agency Services
- 13.F113030 Wholesale of Precision Instruments
- 14.E603050 Cybernation Equipments Construction
- 15.F401010 International Trade
- 16.I301010 Software Design Services
- 17.I301020 Data Processing Services
- 18.I301030 Digital Information Supply Services
- 19.F213030 Retail sale of Computing and Business Machinery Equipment
- 20.F218010 Retail Sale of Computer Software
- 21.F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
- 22.G902011 Type II Telecommunications Enterprise
- 23.E701010 Telecommunications Construction
- 24.F213060 Retail Sale of Telecom Instruments
- 25.F399040 Retail Business Without Shop
- 26.F601010 Intellectual Property
- 27.IE01010 Telecommunications Number Agencies
- 28.I103060 Management Consulting Services
- 29.JE01010 Rental and Leasing Business
- 30.I401010 General Advertising Services
- 31.IZ99990 Other Industry and Commerce Services Not Elsewhere Classified

- 32.J304010 Book Publishers
- 33.F401021 Restrained Telecom Radio Frequency Equipments and Materials
Import
- 34.J303010 Magazine and Periodical Publication
- 35.J305010 Audio Tape and Record Publishers
- 36.J201031 Technique and Performing Arts Training
- 37.I501010 Product Designing
- 38.I199990 Other Consultancy
- 39.CC01101 Restrained Telecom Radio Frequency Equipments and Materials
Manufacturing
- 40.F108031 Wholesale of Drugs, Medical Goods
- 41.F208031 Retail sale of Medical Equipments
- 42.CC01110 Computers and Computing Peripheral Equipments Manufacturing
- 43.CC01120 Data Storage Media Manufacturing and Duplicating
- 44.CC01060 Wired Communication Equipment and Apparatus Manufacturing
- 45.CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- 46.CC01080 Electronic Parts and Components Manufacturing
- 47.CB01010 Machinery and Equipment Manufacturing
- 48.C701010 Printing
- 49.C703010 Printings Bindery and Processing
- 50.F113010 Wholesale of Machinery
- 51.IZ13010 Internet Identify Services
- 52.EZ05010 Apparatus Installation Construction
- 53.E701030 Restrained Telecom Radio Frequency Equipments and Materials
Construction
- 54.E601010 Electric Appliance Construction
- 55.F102170 Wholesale of Food and Grocery
- 56.F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel,
Clothing Accessories and Other Textile Products
- 57.F105050 Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures
- 58.F109070 Wholesale of Stationery Articles, Musical Instruments and
Educational Entertainment Articles
- 59.F203010 Retail sale of Food and Grocery
- 60.F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel,
Clothing Accessories and Other Textile Products
- 61.F205040 Retail sale of Furniture, Bedclothes, Kitchen Equipment and
Fixtures
- 62.F208050 Retail Sale of the Second Type Patent Medicine
- 63.F102020 Wholesale of Edible Oil
- 64.F102040 Wholesale of Nonalcoholic Beverages

- 65.F102050 Wholesale of Tea
- 66.F102180 Wholesale of Ethanol
- 67.F103010 Wholesale of Animal Feeds
- 68.F106010 Wholesale of Ironware
- 69.F106020 Wholesale of Articles for Daily Use
- 70.F107030 Wholesale of Cleaning Preparations
- 71.F107070 Wholesale of Animal Medicines
- 72.F108040 Wholesale of Cosmetics
- 73.F110010 Wholesale of Clocks and Watches
- 74.F110020 Wholesale of Spectacles
- 75.F114030 Wholesale of Motor Vehicle Parts and Supplies
- 76.F116010 Wholesale of Photographic Equipment
- 77.F117010 Wholesale of Fire Fighting Equipments
- 78.F203030 Retail Sale of Ethanol
- 79.F206010 Retail Sale of Ironware
- 80.F206020 Retail Sale of Articles for Daily Use
- 81.F206050 Retail of pet food and appliances
- 82.F207030 Retail Sale of Cleaning Preparations
- 83.F207070 Retail Sale of Animal Medicine
- 84.F208040 Retail Sale of Cosmetics
- 85.F210010 Retail Sale of Watches and Clocks
- 86.F210020 Retail Sale of Spectacles
- 87.F213010 Retail Sale of Household Appliance
- 88.F213110 Retail Sale of Batteries
- 89.F216010 Retail Sale of Photographic Equipment
- 90.F219010 Retail Sale of Electronic Materials
- 91.F301010 Department Stores
- 92.I301040 the third party payment
- 93.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: The Company may provide external guarantees.

Article 2-2: The Company's total external investment may exceed forty percent (40%) of its paid-in capital.

Article 3: The Company's head office is established in Taipei City. Where necessary the Company may establish branch companies domestically or overseas subject to the resolution by its Board of Directors and the approval of the competent authority.

Chapter II Shares

Article 4: The total capital of the Company shall be in the amount of NT\$4 billion divided into 400 million shares to be raised in multiple issues at NT\$10 per share.

An additional NT\$200 million shall be reserved from the total capital as specified in Paragraph 1 for the issuance of employee stock options issuable in 20 million shares at NT\$10 per share over multiple installments in accordance with the Board of Directors resolution.

Before issuing any employee stock options at a strike price lower than the closing price of the Company's stocks on the date of issuance, the Company shall first obtain the agreement of at least two-thirds of the voting rights present at the shareholders' meeting attended by shareholders representing a majority of total issued shares, and may issue the stock options in installments within a year of the date of resolution in the shareholders' meeting. Other conditions or restrictions on employee stock options issued in accordance with the provisions described above shall be processed in accordance with related laws and regulations.

Before transferring shares to employees at a price lower than the average of the actual repurchase price, the Company shall first obtain the agreement of at least two-thirds of the voting rights present at the most recent shareholders' meeting attended by shareholders representing a majority of total issued shares.

Article 5: Stocks of the Company shall be registered, signed or sealed by at least three Directors. The stocks shall be issued after proper certification by the competent authority or its authorized registration institutes. Stocks issued by the Company are not required to be printed. The Company, however, shall contact the centralized securities depository enterprise institution for registration or depository of the share certificates for the stocks or shares issued in accordance with this Paragraph.

Article 6: The Company shall administer all the stock-related operations in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authority. The competent authority may request consolidated issuance of securities with large nominal value.

Chapter III Shareholders' Meeting

Article 7: Registration for the transfer of shares shall be suspended for 60 days before a general shareholders' meeting, for 30 days before an extraordinary shareholders' meeting, and for 5 days before the baseline date for distributing dividends, bonus or other benefits. The above periods shall be calculated from the date of the meeting or the baseline date.

- Article 8: The Company holds general and provisional shareholders' meetings. A general meeting is convened once a year within six months after the end of a fiscal year. Extraordinary meetings are convened when necessary in accordance with the law. The shareholders' meeting shall be held in accordance with the Company's "Rules and Procedures for Shareholders' Meetings."
- Article 9: All shareholders shall be informed of the meeting and agenda 30 days before a general meeting or 15 days before an extraordinary meeting is convened.
- Article 10: A shareholder, if unable to attend the shareholders' meeting, may appoint a proxy to attend on the shareholder's behalf by executing a power of attorney and stating therein the scope of power authorized to the proxy. The authorization shall be processed in accordance with Article 177 of the Company Act.
- Article 11: A shareholders' meeting convened by the Board of Directors shall be chaired by the Chairman. If the Chairman is on leave or unable to exercise powers, the acting chair shall be selected in accordance with Article 208, Paragraph 3 of the Company Act. If a shareholders' meeting is convened by an individual with the right to convene a meeting but who is not a member of the Board of Directors, the said individual shall chair the meeting. If two or more individuals have the right to convene the meeting, one shall be elected from those eligible to chair the meeting.
- Article 12: Unless otherwise regulated by the Company Act, a shareholders' meeting resolution shall be passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting.
- Article 12-1: A proposal to cancel the public issuance of the Company's shares shall be filed for a resolution in the shareholders' meeting.
- Article 13: Each shareholder of the Company shall be entitled to one vote for each share. No voting power shall be granted, however, to Company shares prescribed in Article 179 of the Company Act.
- Article 14: Shareholders' meeting resolutions shall be compiled into minutes with details including the date and place of the meeting, the name of Chairman, method of resolution, and a summary of the essential points of meeting proceedings and results. The minutes shall be signed or sealed by the Chair. The minutes described in the previous paragraph shall be retained by the Company along with the attendance cards and power of attorney letters for proxies of shareholders in attendance. The minutes shall be distributed to each shareholder within 20 days of the meeting. The minutes may be distributed in announcements.

Chapter IV Directors

Article 15: The Company shall appoint nine to thirteen Directors who shall be elected from among the shareholders with capacity at the shareholders' meeting in accordance with the provisions stipulated in Articles 198 and 227 of the Company Act to serve terms of three years each; directors may serve consecutive terms. The election of Directors is held by nomination in accordance with Article 192-1 of the Company Act, and the shareholders shall vote on the list of candidates. Unless otherwise approved by the competent authority, the following relations may not exist among more than half of the directors of the Company.

I. A spousal relationship.

II. Familial relationship within the second degree of kinship.

Article 15-1: The Company shall appoint three Independent Directors among the Directors of the Board in accordance with Article 14-2 of the Securities and Exchange Act and in compliance with Article 183 of the Securities and Exchange Act. The selection of Independent Directors shall be conducted in accordance with the candidate nomination system prescribed in Article 192-1 of the Company Act. The Company shall assemble an Audit Committee in accordance with Article 14-4 and Article 183 of the Securities and Exchange Act. The Committee shall be solely composed of Independent Directors.

Article 16: The Directors shall form a Board of Directors, under which functional committees with various duties and purposes may be established. The Chairman of the Board shall be elected from among those present by a majority vote at a Board meeting with more than two-thirds of the directors present. A Vice Chairman may be elected to assist the Chairman. The Chairman is the Chair of the Board of Directors and represents the Company in conducting all affairs. If the Chairman is on leave or unable to exercise his/her duties for whatever reason, a proxy shall be selected in accordance with Article 208, Paragraph 3 of the Company Act.

Article 17: A Board meeting may be convened through written, email or facsimile notification that states the reason for the meeting to each Director and Supervisor at least seven days before the meeting date. A meeting of the Board of Directors may be convened at any time in the event of an emergency. Directors who participate in meetings via video conferencing shall be deemed to have personally attended the meeting. The Board of Directors meeting shall be held in accordance with the Company's "Rules and Procedures for Board of Directors Meetings." If a Director is unable to attend a Board meeting, he/she may appoint a proxy to attend the meeting by completing the Company's proxy form and specifying the scope of delegation. Any proxy prescribed in the preceding paragraph, however, shall only represent one Director in the meeting.

Article 18: Unless otherwise provided for under the Company Act, resolutions of the Board of Directors shall be approved by majority vote at a meeting attended by a majority of the Directors.

Article 19: Remuneration for the Chairman and Directors shall be determined by their level of participation in the Company's operations and the value of their contribution as well as their personal performance and the Company's long-term operating performance while taking into account the Company's operating risks and the industry's prevailing rates in the domestic and international markets.

The Board of Directors is authorized to determine the remuneration. The Company may purchase liability insurance for Directors.

Chapter V Managers

Article 20: The Company may appoint a Chief Executive Officer following a resolution in the Board of Directors meeting to oversee the business operations and strategies of the Company and its subsidiaries. The Company shall also appoint a President whose appointment, dismissal, and remuneration shall be governed by Article 29 of the Company Act.

Chapter VI Accounting

Article 21: The Company's fiscal year begins on January 1 and ends on December 31 of every year. The fiscal year shall end on the last day of the Gregorian calendar and the Board shall prepare the following documents and submit them to the Audit Committee for review before ratification in the General Shareholders' Meeting.

(I) Business report.

(II) Financial Statements.

(III) Distribution of earnings or loss offsetting proposals.

Article 22: In response to the overall economy and the characteristics of industry growth and in compliance with the Company's long-term financial plans for sustainable operations and stable development, the Company adopts a residual dividend policy. The policy mainly assesses the annual funding requirements based on the Company's future capital budget plans and retains required funding from earnings before distributing remaining earnings as dividend. The distribution procedures are as follows:

(I) The optimal capital budget is determined.

(II) The amount of capital required to satisfy the capital budget in paragraph (I) is determined.

(III) The amount of funding required for financing to be supported by the retained earnings (the remaining can be supported through cash capital

increase or corporate bonds etc.) is determined.

(IV) An appropriate amount of the remaining earnings shall be retained in accordance with operational requirements before distributing dividends to shareholders.

The Company distributes dividends through cash or stocks and cash dividends are prioritized. If dividends are distributed in stocks, the stock dividends shall not exceed 50% of the total dividends issued in the current year. The distribution of dividends may be dependent on the Company's current and future investment environment, funding requirements, domestic and foreign competition, and capital budgets while taking into consideration shareholder interests, balanced dividends, and the Company's long-term financial plans. The Board of Directors shall formulate dividend distribution methods or related options in accordance with the law and submit them to the shareholders' meeting for discussion and resolution.

Article 23: In the event the Company makes a profit during the fiscal year it shall set aside no less than 0.1% of the profits for employee remuneration. The remuneration for Directors shall be no higher than 2%. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any.

The preceding employee remuneration may be paid in cash or shares, and shall be payable to employees of subsidiary companies who meet the requirements stipulated by the Board of Directors. Remuneration of directors as specified above may be distributed in cash only.

The procedures in the two preceding paragraphs shall be approved by the Board of Directors and reported to the shareholders' meeting.

Article 23-1: Any net income after taxes at final accounting of the current period shall be used to compensate cumulative losses while 10% of net income after taxes shall be allocated as statutory reserve according to the law, except when the cumulative statutory reserve has reached the Company's paid-in capital. The balance shall then be allocated or reversed as special reserve in accordance with regulatory requirements. The remaining balance shall be retained or distributed in accordance with the resolution in the shareholders' meeting.

Chapter VII Supplementary Provisions

Article 24: Matters not addressed in these Articles shall be governed by the Company Act and other relevant laws and regulations.

Article 25: The Articles of Incorporation were established on Dec. 26, 1996.

The 1st Amendment was approved by the shareholders' meeting on June 23, 1998, the 2nd Amendment on May 6, 1999, the 3rd Amendment on April 18, 2000, the 4th Amendment on April 12, 2001, the 5th Amendment on October 2, 2001, the 6th Amendment on March 28, 2002, the 7th Amendment on April 22,

2003, the 8th Amendment on April 14, 2004, the 9th Amendment on June 24, 2004, the 10th Amendment on May 18, 2005, the 11th Amendment on June 15, 2006, the 12th Amendment on June 13, 2007, the 13th Amendment on June 13, 2008, the 14th Amendment on June 18, 2010, the 15th Amendment on June 24, 2011, the 16th Amendment on June 15, 2012, the 17th Amendment on June 17, 2015, and the 18th Amendment on June 17, 2016.

The Articles of Incorporation were implemented after approval in accordance with laws and regulations.

Appendix 3

Systemx Corporation Shareholdings of Directors

1. The Company discloses the shares held by Directors in the shareholder's register as of April 18, 2017 as the table shown below.
2. Legal holding of all directors in number of shares: 12,000,000 shares

Title	Name	Date Elected	Term (Years)	Shareholdings when Elected		Current Shareholdings	
				Shares	%	Shares	%
Chairman	Huang, Tsong-Jen	2016.06.17	3	20,755,750	7.70	20,755,750	7.70
Director	Lin, Lung-Fen	2016.06.17	3	1,374,762	0.51	1,374,762	0.51
Director	Cheng, Deng-Yuan	2016.06.17	3	263,152	0.10	223,152	0.08
Director	Lu, Ta-Wei	2016.06.17	3	765,656	0.28	765,656	0.28
Director	Shaw, Shung-Ho	2016.06.17	3	861,475	0.32	921,475	0.34
Director	Hsieh, Chin-Ho	2016.06.17	3	20,000	0.01	20,000	0.01
Director	Huang, Ting-Rong	2016.06.17	3	242,152	0.09	242,152	0.09
Director	Huang, Chi-Rong	2016.06.17	3	633,780	0.24	633,780	0.24
Director	Huang, Yi-Shiung (Representative of Joway Investment Co.,Ltd)	2016.06.17	3	482,309	0.18	482,309	0.18
Director	Lin, Chih-Min (Representative of Joway Investment Co.,Ltd)	2016.06.17	3	482,309	0.18	482,309	0.18
Independent Director	Huang, Jih-Tsan	2016.06.17	3	0	0	0	0
Independent Director	Cheng, Huang-Yen	2016.06.17	3	0	0	0	0
Independent Director	Cheng, Wen-Feng	2016.06.17	3	0	0	0	0
Total				25,399,036	9.43	25,419,036	9.44

SYSTEX CORPORATION

No.318, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan

Tel +886-2-7720-1888

www.system.com