



Stock Code: 5312

# Formosa Optical Technology Co., Ltd.

## Handbook for the 2020 Annual Meeting of Shareholders

Time: 9:00 a.m. on June 24, 2020

Place: 17F., No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City

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# **Formosa Optical Technology Co., Ltd.**

## **Meeting Agenda of the 2020 Annual Meeting of Shareholders**

Time: 9:00 a.m. on June 24, 2020

Place: 17F., No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City

- I. Call the Meeting to Order
- II. Chairperson Takes Chair
- III. Matters to Report
  - (I) 2019 business report
  - (II) The supervisors review the report of the 2019 final statement
  - (III) Report on the allocation of consideration to employees, directors, and supervisors in 2019
  - (IV) Partial amendment to the "Regulations Governing Procedure for Board of Directors Meetings" of the Company
  - (V) Other reporting items
- IV. Proposals:
  - (I) To adopt the 2019 final statement
  - (II) To adopt the proposal for 2019 appropriation of net income
- V. Discussions
  - (I) Amendment to the "Rules of Procedure for Shareholders' Meeting" of the Company
  - (II) Amendment to the "Articles of Association" of the Company
- VI. Questions and Motions
- VII. Adjournment

# Matters to Report

Case No. 1

Subject: 2019 business report of the Company

Explanation: For the 2019 annual business report, please refer to pages 5 to 6 of Annex 1 of this handbook.

Case No. 2

Subject: The supervisors review the report of the 2019 final statement

Explanation: For the review report of the supervisor, please refer to pages 7 to 9 of Annex II of this handbook.

Case No. 3

Subject: Report on the allocation of consideration to employees, directors, and supervisors in 2019.

Explanation: The Company's profit before tax in 2019 is NT\$ 453,566,277, of which 2.5% should be allocated as the employees' consideration totaling NT\$ 11,339,157 and 1% as the directors' and supervisors' consideration totaling NT\$ 4,535,663. The above consideration shall be paid in cash, and the chairman of the board is authorized to handle all related matters.

Case No. 4

Subject: Partial amendment to the "Regulations Governing Procedure for Board of Directors Meetings" of the Company

Explanation: Cooperating with the competent authority to revise the provisions, please refer to page 10 to page 24 of Annex III of this handbook for the comparison table of the amendment to the "Regulations Governing Procedure for Board of Directors Meetings."

Case No. 5: Other reporting items: none.

# Proposals

Case No.1 (Proposed by the Board of Directors)

Subject: Adoption of the Company's 2019 final statement, please acknowledge.

Explanation: We have prepared the Company's 2019 final statement, including business reports, individual financial reports, and combined financial statements, which have been approved by the Board of Directors and reviewed by the supervisors. For the above statements, please refer to pages 5 to 6 of Annex I and pages 25 to 46 of Annex IV of this handbook.

Please acknowledge.

Resolution:

Case No.2 (Proposed by the Board of Directors)

Subject: Adoption of the Company's proposal for the 2019 appropriation of net income, please acknowledge.

Explanation:

1. Please refer to page 47 of appendix V of this handbook for the proposed table of appropriation of net income of the Company in 2019.
2. The proposed allocation of cash dividends is \$ 4 per share, namely \$ 4,000 per thousand shares.
3. The cash dividend shall be calculated up to \$ 1, if the balance is less than \$ 1, the chairman of the board shall be authorized to negotiate with a specific person for distribution.
4. If the dividend allocation subsequently changes due to the change of the Company's share capital and affects the number of outstanding shares, resulting in the change of the allocation rate, it is proposed that the shareholders' general meeting to authorize the chairman of the board to handle the matter in full power in accordance with the Company Act or other relevant laws and regulations.
5. After the resolution of the shareholders' general meeting is approved, the chairman of the board shall be authorized to set another the record date for the distribution of dividends.

Please acknowledge.

Resolution:

## **Discussions**

Case No.1 (Proposed by the Board of Directors)

Subject: Amendment to the "Rules of Procedure for Shareholders' Meeting" of the Company, please acknowledge.

Explanation: Cooperating with the competent authority to amend the provisions, please refer to page 48 to page 65 of Annex VI of this handbook for the comparison table of the amendment to the "Rules of Procedure for Shareholders' Meeting." Please acknowledge.

Resolution:

Case No.2 (Proposed by the Board of Directors)

Subject: Amendment to the "Articles of Association" of the Company, please acknowledge.

Explanation: In accordance with the actual needs of the Company, it is proposed to amend some Articles of Association of the Company. Please refer to pages 66 to 68 of Annex VII of this handbook for the comparison table of the amendment to the "Articles of Association." Please acknowledge.

Resolution:

## **Questions and Motions**

## **Adjournment**

Formosa Optical Technology Co., Ltd.  
Business Report

**I. Implementation Results of Business Plan:**

Unit: NT\$ 1,000

Product type	Sales volume			Operating income		
	2018	2019	Increase (decrease)%	2018	2019	Increase (decrease)%
Glasses	7,015,414	6,884,971	-1.86%	3,066,268	3,216,310	4.89%

In 2019, we continued to increase store locations, increasing the total number of operating locations across the group by 9 to a total of 314. Due to the continuation of the U.S.-China trade dispute this year, the overall economic environment is unfavorable, consumption momentum is weakened, and consumers are more inclined to choose products with higher unit prices but durable traditional glasses. Therefore, although the sales volume decreased by 1.86% compared with the previous year, the overall turnover increased by 4.89%.

**II. Budget Execution:**

Unit: NT\$ 1,000

Year	Fiscal year 2019		
	Budget amount	Actual amount	Achievement rate
Turnover	3,227,234	3,216,310	99.66%
Operating cost	1,386,934	1,341,781	96.74%
Operating margin	1,840,300	1,874,529	101.86%
Operating expense	1,667,342	1,708,484	102.47%
Net operating profit	172,958	166,045	96.00%
Nonoperating revenue	259,923	295,947	113.86%
Nonoperating expense	8,534	19,799	232.00%
Profit before tax	424,347	442,193	104.21%
Income tax expense	84,869	65,281	76.92%
Net income	339,477	376,912	111.03%

In 2019, due to the continuation of the U.S.-China trade war, the global economic growth momentum has weakened, which in turn has affected domestic consumption momentum.

In 2019, the overall domestic private consumption remained stable, with the Company's revenue achievement rate of 99.66% and operating cost achievement rate of 96.74%, while the cost rate dropped to 41.72% from 42.22% in 2018 due to the properly controlled procurement costs. As revenue

was expected and costs were properly controlled, the achievement rate of operating margin was 101.86%. The Company's current employment cost increased from the budget this year, which resulted in an operating expense achieving rate of 102.47%. Due to the increase in related employment costs compared to the budget, the Company's achievement rate of operating expenses was 102.47%.

### **III. Financial balance and profitability analysis**

Operating revenue in 2019 was NT\$ 3,216,310,000, an increase of 4.89% at NT\$ 150,042,000, compared to NT\$ 3,066,268,000 in 2018. In 2019, operating activities generated a net cash inflow of NT\$ 624,191,000, an increase of NT\$ 158,643,000 compared to NT\$ 465,548,000 of net cash inflow generated from operating activities in 2018.

Profit before tax in 2019 was NT\$ 442,193,000, an increase of NT\$ 71,946,000 compared to that of NT\$ 370,247,000 in 2018, mainly due to higher investment performance this year. Net income of NT\$ 376,912,000 in 2019 was higher than that of NT\$250,159,000 in 2018 by NT\$ 126,753,000, an increase of 50.67%. Return on equity increased from 10.62% in 2018 to 15.32% in 2019, and earnings per share increased from NT\$4.22 in 2018 to NT\$6.31 in 2019. There is a growth in operating results compared to 2018, mainly due to increase in operating margin and good investment performance.

Chairman: Tsai, Kuo-Chou Manager: Tsai, Yi-Shan Accounting Manager: Chang, Li-Hui



Formosa Optical Technology Co., Ltd.  
Review Report on 2019 Final Accounts

Approval for

We, the Supervisors, have duly audited 2019 Business Report, Financial Statements, Table of 2019 Earnings Distribution, as well as 2019 Consolidated Balance Sheets, Consolidated Income Statements, Statements of Changes in Equity and Cash Flow submitted by the Board of Directors in accordance with Article 219 of the Company Act, and have found no inconsistencies. We hereby submit this report for your inspection.

To

2020 Annual Shareholders' Meeting

Supervisor: Formosa Electronics Co. Ltd  
Representative: Chueh, Tzu-CHIANG

March 27, 2020

Formosa Optical Technology Co., Ltd.  
Review Report on 2019 Financial Statements

Approval for

We, the Supervisors, have duly audited 2019 Business Report, Financial Statements, Table of 2019 Earnings Distribution, as well as 2019 Consolidated Balance Sheets, Consolidated Income Statements, Statements of Changes in Equity and Cash Flow submitted by the Board of Directors in accordance with Article 219 of the Company Act, and have found no inconsistencies. We hereby submit this report for your inspection.

To

2020 Annual Shareholders' Meeting

Supervisor: Chih-Wei Investment Co., Ltd  
Representative: Chang, Chih-Wei

March 27, 2020

Formosa Optical Technology Co., Ltd.  
Review Report on 2019 Financial Statements

Approval for

We, the Supervisors, have duly audited 2019 Business Report, Financial Statements, Table of 2019 Earnings Distribution, as well as 2019 Consolidated Balance Sheets, Consolidated Income Statements, Statements of Changes in Equity and Cash Flow submitted by the Board of Directors in accordance with Article 219 of the Company Act, and have found no inconsistencies. We hereby submit this report for your inspection.

Sincerely,

2020 Annual Shareholders' Meeting

Supervisor: Yao, Hsiu-Pi

March 27, 2020

**Formosa Optical Technology Co., Ltd.**  
**Regulations Governing Procedure for Board of Directors Meetings**  
**Comparison Table**

Amended Provision	Current Provision	Description
<p>1. Purpose To establish a strong governance system and sound supervisory capabilities for the Company's Board of Directors and to strengthen management capabilities, these Regulations are adopted pursuant to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.</p> <p>2. Scope: The main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements, for meetings of the Company's Board of Directors shall be handled in accordance with these Regulations.</p>	<p>Article 1: The Regulations are established in accordance with Article 2 of Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and the meetings of the Company's Board of Directors shall be handled in accordance with these Regulations.</p>	<p>1. Paragraphed the original provisions for clarity. 2. Minor changes to the wording.</p>
<p>3. Responsible units: 3.1 Finance and Accounting Office: In charge of formulation and editing the Regulations. 3.2 Agenda working group: Appointed by the Board of Directors to be in charge of executing the tasks of the Board meeting.</p>		<p>New Article.</p>
<p>4. Definition: 4.1 Related party: Means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. 4.2 A major donation to a non-related party: Means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT \$100 million or more, or at an amount</p>		<p>3. New Article. 4. Moved paragraph 2 of Article 7 to this Article.</p>

<p>equal to or greater than 1% of net operating revenue or 5% of paid-in capital as stated in the CPA-attested financial report for the most recent year.</p>		
<p>5. Description:  5.1 Convention and notice of Board meetings  5.1.1 The Company’s Board meetings shall be convened at least once every quarter.  5.1.2 The reasons for calling a Board meeting shall be notified to each Director and Supervisor at least 7 days in advance. In emergency circumstances, however, a meeting may be convened at any time.  5.1.3 The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.</p>	<p>Article 2: The reasons for calling a Board meeting shall be notified to each Director and Supervisor at least 7 days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.  The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.  A Board meeting shall be held at the location and during the business hours of the Company, or at a place and time convenient to all Directors and suitable for holding such a meeting.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Minor changes to the wording.</li> <li>3. Moved paragraph 1 of Article 3 to 5.1.1.</li> <li>4. Moved paragraph 3 of this Article to 5.2.</li> <li>5. Paragraphed the original provisions for clarity.</li> </ol>
<p>5.2 Location and time of board of directors meeting:  5.2.1 A Board meeting shall be held at the location and during the business hours of the Company, or at a place and time convenient to all Directors and suitable for holding such a meeting.</p>		<ol style="list-style-type: none"> <li>1. Minor changes to the wording.</li> <li>2. Moved paragraph 3 of Article 2 to this Article.</li> </ol>
<p>5.3 Chair of Board meetings and the proxy:  5.3.1 A Board meeting shall be convened and chaired by the Chairman.  5.3.2 The first meeting of each newly elected Board of Directors shall be convened and chaired by the Director who received votes representing the largest portion of voting rights at the shareholders’ meeting in which the directors were</p>	<p>Article 3: The Company’s Board meetings shall be convened at least once every quarter. Board meetings shall be called and chaired by the Chairman.  However, the first Board meeting of each term shall be convened and chaired by the Director whose ballots represent the most voting rights at the shareholders’ meeting. When there are two or more persons with the right to</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Moved paragraph 1 to 5.1.1.</li> <li>3. With the amendments to the Company Act on August 1, 2018, Article 203 paragraph 4 of the Act stipulates that the first meeting of each newly elected Board of Directors may be called by a majority</li> </ol>

<p>elected. If there are two or more Directors so entitled to convene the meeting, they shall choose one person by and from among themselves to chair the meeting.</p> <p>5.3.3 Where a Board meeting is convened by a majority of Directors on their own initiative, the Directors shall choose one person by and from among themselves to chair the meeting.</p> <p>5.3.4 When the Chairman is on leave or for some reasons unable to exercise the power, the Vice Chairman shall serve as a proxy. If there is no Vice Chairman or the Vice Chairman is on leave or for some reasons unable to exercise the power, the Chairman shall appoint a Managing Director to serve as a proxy. If there is no Managing Directors, the Chairman shall appoint one Director to serve as a proxy. If the Chairman does not appoint a proxy, the Directors shall elect one from among themselves.</p>	<p>convene, they shall choose one from among themselves.</p> <p>When the Chairman is on leave or for some reasons unable to exercise the power, the Vice Chairman shall serve as a proxy.</p> <p>If there is no Vice Chairman or the Vice Chairman is on leave or for some reasons unable to exercise the power, the Chairman shall appoint a Managing Director to serve as a proxy. If there is no Managing Directors, the Chairman shall appoint one Director to serve as a proxy. If the Chairman does not appoint a proxy, the Directors shall elect one from among themselves.</p>	<p>of Directors elect, and Article 203-1 paragraph 3 stipulates that a meeting of Board of Directors may be called by a majority or more of the Directors. Hence, Article 5.3.3 is added, specifying that where a meeting of the Board of Directors is called by a majority of Directors on their own initiative, including the first meeting of each newly elected Board of Directors called by a majority of Directors elect, the directors shall choose one person by and from among themselves to chair the meeting.</p> <p>4. Paragraphed the original provisions for clarity.</p> <p>5. Minor changes to the wording.</p>
<p>5.4 Meeting notice and pre-meeting materials:</p> <p>5.4.1 The agenda working group appointed by the Board of the Company is Finance and Accounting Office.</p> <p>5.4.2 The agenda working group shall prepare agenda items for Board meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting. If Directors consider the meeting materials to be insufficient, they may request the unit in charge to provide supplementary information. If Directors consider the materials</p>	<p>Article 4: The agenda working group appointed by the Board of the Company is Finance and Accounting Office.</p> <p>The agenda working group shall prepare agenda items for Board meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting. If Directors consider the meeting materials to be insufficient, they may request the unit in charge to provide supplementary information. If Directors consider the materials concerning the proposals to be insufficient, the deliberation may be postponed</p>	<p>1. Change of Article number.</p> <p>2. Minor changes to the wording.</p> <p>3. Paragraphed the original provisions for clarity.</p>

<p>concerning the proposals to be insufficient, the deliberation may be postponed upon a resolution of the Board.</p> <p>5.4.3 All matters set out in Article 5.7 shall be specified in the notice of the reasons for calling a Board meeting; none of them may be raised by an extempore motion except in the case of an emergency or legitimate reason.</p>	<p>upon a resolution of the Board. All matters set out in Article 7 paragraph 1 shall be specified in the notice of the reasons for calling a Board meeting; none of them may be raised by an extempore motion except in the case of an emergency or legitimate reason.</p>	
<p>5.5 Preparation of documents such as attendance book and attendance by a Director proxy</p> <p>5.5.1 When a meeting of the board of directors is held, an attendance book shall be made ready for signature by directors attending, and relevant materials shall be prepared for the directors to refer to at all times.</p> <p>5.5.2 All Directors shall attend Board meetings in person; if attendance in person is not possible, they may, pursuant to the Company's Articles of Association, appoint another Director to attend as their proxy. A proxy under the preceding paragraph may accept a proxy from one person only.</p> <p>5.5.3 Attendance via tele- or video-conference is deemed as attendance in person.</p> <p>5.5.4 A Director appointing another Director to attend a Board meeting in his or her place shall in each case give that Director a written proxy stating the scope of authorization with respect to the reasons for meeting.</p>	<p>Article 5: When a Board meeting is held, an attendance book shall be made ready for signature by Directors attending, and relevant materials shall be prepared for the Directors to refer to at all times.</p> <p>All Directors shall attend Board meetings in person; if attendance in person is not possible, they may, pursuant to the Company's Articles of Association, appoint another Director to attend as their proxy.</p> <p>Attendance via tele- or video-conference is deemed as attendance in person.</p> <p>A Director appointing another Director to attend a Board meeting in his or her place shall in each case give that Director a written proxy stating the scope of authorization with respect to the reasons for meeting.</p> <p>A proxy under paragraph 2 may accept a proxy from one person only.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Minor changes to the wording.</li> <li>3. Incorporated paragraph 4 to 5.5.2.</li> <li>4. Paragraphed the original provisions for clarity.</li> </ol>
<p>5.6 Reference materials for the Board of Directors, nonvoting participants and convening of the</p>	<p>Article 6: When holding a Board meeting, the Company may, as necessary for the agenda items of</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Minor changes to the</li> </ol>

<p>Board meeting:</p> <p>5.6.1 When holding a Board meeting, the Company may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants. When necessary, the Company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements. However, they shall leave the meeting when deliberation or voting takes place.</p> <p>5.6.2 When the time of a meeting has arrived and one-half all Directors are not present (calculated as the number of Directors then in office), the meeting chair may announce postponement of the meeting time, provided that only two postponements may be made. If the quorum is still not met after two such delays, the chair shall re-call the meeting following the procedures provided in Article 5.1.</p>	<p>the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants. When necessary, the Company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements. However, they shall leave the meeting when deliberation or voting takes place.</p> <p>Agenda items for regular Board meetings shall include at least the following:</p> <p>I. Announcements</p> <p>(I) Minutes of the last meeting and actions arising.</p> <p>(II) Reporting on important financial and business matters.</p> <p>(III) Reporting on internal audit activities.</p> <p>(IV) Other important matters to be reported.</p> <p>II. Discussions:</p> <p>(I) Items discussed and continued from the last meeting.</p> <p>(II) Items to be discussed at this meeting.</p> <p>III. Extempore Motions</p>	<p>wording.</p> <p>3. Moved paragraph 2 to 5.7.</p> <p>4. Moved paragraph 1 of Article 9 to 5.6.2.</p> <p>5. Paragraphed the original provisions for clarity.</p>
<p>5.7 Agenda items:</p> <p>5.7.1 Agenda items for regular Board meetings shall include at least the following:</p> <p>5.7.1.1 Announcements</p> <p>5.7.1.1.1 Minutes of the last meeting and actions arising.</p> <p>5.7.1.1.2 Reporting on important financial and business matters.</p> <p>5.7.1.1.3 Reporting on internal audit activities.</p> <p>5.7.1.1.4 Other important matters to be reported.</p>		<p>1. Moved paragraph 2 of Article 6 to this Article for clarity</p> <p>2. Minor changes to the wording.</p>



<p>5.7.1.2 Discussions:</p> <p>5.7.1.2.1 Items discussed and continued from the last meeting.</p> <p>5.7.1.2.2 Items to be discussed at this meeting.</p> <p>5.7.1.3 Extempore motions</p>		
<p>5.8 Items requiring discussion at a Board meeting:</p> <p>5.8.1 The Company shall submit the following items for discussion at a board meeting:</p> <p>5.8.1.1 The Company’s business plan.</p> <p>5.8.1.2 Annual and semi-annual financial reports. However, semi-annual financial reports, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).</p> <p>5.8.1.3 Adoption or amendment of the internal control system as stipulated in Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.</p> <p>5.8.1.4 Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>5.8.1.5 Offering, issuance, or private placement of any equity-type securities.</p> <p>5.8.1.6 The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>5.8.1.7 A donation to a related party or a major donation to a non-related party. However, a public-interest</p>	<p>Article 7: The Company shall submit the following items for discussion at a Board meeting:</p> <p>1. The Company's business plan.</p> <p>2. Annual and semi-annual financial reports. However, semi-annual financial reports, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).</p> <p>3. Adoption or amendment of the internal control system as stipulated in Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.</p> <p>4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.</p> <p>5. Offering, issuance, or private placement of any equity-type securities.</p> <p>6. The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>7. A donation to a related party or a major donation to a non-related party. However, a public-interest donation of disaster relief for a major natural disaster no</p>	<p>1. Change of Article number.</p> <p>2. Minor changes to the wording.</p> <p>3. Moved paragraph 2 to 4.1 and 4.2.</p> <p>4. Incorporated Article 8 to 5.8.3.</p> <p>5. Paragraphed the original provisions for clarity.</p>

<p>donation of disaster relief for a major natural disaster no more than NT\$ 5 million may be submitted to the following Board meeting for retroactive recognition.</p> <p>5.8.1.8 Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>5.8.2 At least one Independent Director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the Board of Directors under Paragraph 1, each Independent Director shall attend in person; if an Independent Director is unable to attend in person, he or she shall appoint another Independent Director to attend as his or her proxy. When an Independent Director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board Meeting. If the Independent Director cannot attend the Board meeting in person to voice his/her dissenting or qualified opinion, unless there are justifiable reasons for failure to do so, he/she shall provide a written opinion in advance, and the opinion shall be noted in the minutes of the Board meeting.</p> <p>5.8.3 Apart from matters referred to in Article 5.8, which are required to be submitted for discussion by the board of directors, the board of directors, pursuant to laws or</p>	<p>more than NT\$ 5 million may be submitted to the following Board meeting for retroactive recognition.</p> <p>9. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board of directors meeting, or any such significant matter as may be prescribed by the competent authority.</p> <p>The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$ 100 million or more, or at an amount equal to or greater than 1% of net operating revenue or 5% of paid-in capital as stated in the CPA-attested financial report for the most recent year. (For foreign companies whose stock has no par value or a par value other than NT\$10, the "5% of paid-in capital" in paragraph 2 above shall be calculated instead as 2.5% of shareholder equity.) )</p> <p>The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current</p>	
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<p>regulations or the Company's Articles of Association, may authorize the Chairman to exercise the powers of the board of directors, and the authorized contents are as follows:</p> <p>5.8.3.1 Approval of important contracts.</p> <p>5.8.3.2 Approval of real estate mortgages and other loans.</p> <p>5.8.3.3 Approval of the Company's general property and real property acquisition and disposal.</p> <p>5.8.3.4 Appointment of directors and supervisors for the companies that are invested by the Company.</p> <p>5.8.3.5 Approval of the base date for capital increase or capital reduction and the base date for distribution of cash dividends.</p>	<p>Board meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation. At least one Independent Director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the Board of Directors under Paragraph 1, each Independent Director shall attend in person; if an Independent Director is unable to attend in person, he or she shall appoint another Independent Director to attend as his or her proxy. When an Independent Director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board Meeting. If the Independent Director cannot attend the Board meeting in person to voice his/her dissenting or qualified opinion, unless there are justifiable reasons for failure to do so, he/she shall provide a written opinion in advance, and the opinion shall be noted in the minutes of the Board meeting.</p>	
<p>5.9 Discussion of proposals:</p> <p>5.9.1 A Board meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of Directors present at the meeting.</p> <p>5.9.2 The meeting chair may not declare the meeting closed without the approval of a majority of</p>	<p>Article 9: When the time of a meeting has arrived and one-half all Directors are not present (calculated as the number of Directors then in office), the meeting chair may announce postponement of the meeting time, provided that only two postponements may be made. If the quorum is still not met after two such delays, the chair shall</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Minor changes to the wording.</li> <li>3. Moved paragraph 1 to 5.6.2.</li> <li>4. Paragraphed the original provisions for clarity.</li> </ol>

<p>Directors present at the meeting.</p> <p>5.9.3 If at any time during the proceeding of a Board meeting, the Directors sitting at the meeting are not more than half of the Directors present at the meeting, then upon motion by the Directors sitting at the meeting, the chair shall declare a suspension of meeting, in which case 5.6.2 shall apply mutatis mutandis.</p>	<p>re-call the meeting following the procedures provided in paragraph 1 of Article 2.</p> <p>A Board meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of Directors present at the meeting.</p> <p>The meeting chair may not declare the meeting closed without the approval of a majority of Directors present at the meeting.</p> <p>If at any time during the proceeding of a Board meeting, the Directors sitting at the meeting are not more than half of the Directors present at the meeting, then upon motion by the Directors sitting at the meeting, the chair shall declare a suspension of meeting, in which case paragraph 1 shall apply mutatis mutandis.</p>	
<p>5.10 Voting, monitoring and counting method:</p> <p>5.10.1 When the chair at a Board meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chair may announce the discussion closed and bring the matter to vote.</p> <p>5.10.2 When a proposal comes to a vote at a Board meeting, the chair may appoint counting personnel to count the votes, and all attending directors as monitoring personnel.</p> <p>5.10.3 When a proposal comes to a vote at a Board meeting, if no attending Director voices an</p>	<p>Article 10: One voting right per director: Except where otherwise provided by the Securities and Exchange Act, the Company Act and the Articles of Association, the passage of a proposal at a Board meeting shall require the approval of a majority of the Directors in attendance at a Board meeting attended by a majority of all Directors.</p> <p>When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Minor changes to the wording.</li> <li>3. Moved Article 12 to this Article.</li> <li>4. Paragraphed the original provisions for clarity.</li> </ol>

<p>objection following an inquiry by the chair, the proposal will be deemed approved.</p> <p>5.10.4 All Directors present at the meeting in the preceding two paragraphs do not include Directors prohibited from exercising voting rights pursuant to 5.11.</p> <p>5.10.5 If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote. One voting method for proposals at a Board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:</p> <p>5.10.5.1 A show of hands</p> <p>5.10.5.2 A roll call vote</p> <p>5.10.5.3 A vote by ballot</p> <p>5.10.5.4 A vote by a method selected at the Company's discretion</p> <p>5.10.6 One voting right per director: Except where otherwise provided by the Securities and Exchange Act, the Company Act and the Articles of Association, the passage of a proposal at a Board meeting shall require the approval of a majority of the Directors in attendance at a Board meeting attended by a majority of all Directors.</p> <p>5.10.7 When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.</p>	<p>will be put to a vote. If anyone among them is passed, the other proposals shall then be deemed rejected and no further voting on them shall be required.</p> <p>Voting results shall be made known on-site immediately and recorded in writing.</p>	
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<p>5.10.8 Voting results shall be made known on-site immediately and recorded in writing.</p>		
<p>5.11 Recusal system for Directors:  5.11.1 If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that Director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another Director.  5.11.2 Where the spouse or a blood relative within the second degree of kinship of a Director, or a company which has a controlling or subordinate relation with a Director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.  5.11.3 The provisions of the Company Act apply to resolutions of Board meetings when a Director is prohibited by 5.11.1 from exercising voting rights.</p>	<p>Article 11: If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that Director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another Director.  The provisions of Article 180, paragraph 2 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 4 of that Act, apply to resolutions of Board meetings when a Director is prohibited by the preceding paragraph from exercising voting rights.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Minor changes to the wording.</li> <li>3. In line with the announcement of amendment of Article 206 paragraph 3 of the Company Act on August 1, 2018, 5.11.2 is added, stipulating that where the spouse or a blood relative within the second degree of kinship of a Director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such Director shall be deemed to be an interested party with respect to that agenda item.</li> <li>4. Paragraphed the original provisions for clarity.</li> </ol>
<p>5.12 Meeting minutes and sign-in matters:  5.12.1 Minutes shall be prepared for the discussions at Board meetings. The meeting minutes shall record the following:  5.15.1. Term (or year), time, and place of meeting.</p>	<p>Article 13: Minutes shall be prepared for the discussions at Board meetings. The meeting minutes shall record the following:  1. The term (or year), time, and place of meeting.  2. Name of the meeting chair.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Incorporated paragraph 5 to 5.12.4.</li> <li>3. Minor changes to the wording.</li> <li>4. Paragraphed the original provisions for clarity.</li> </ol>

<p>5.12.1.2 Name of the meeting chair.</p> <p>5.15.3. Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.</p> <p>5.15.4. Names and titles of those attending the meeting as nonvoting participants.</p> <p>5.12.1.5 Name of minutes taker.</p> <p>5.12.1.6 Matters reported on.</p> <p>5.12.1.7 Discussion items: The method of resolution and the result for each proposal; a summary of the comments made by Directors, Supervisors, experts, or other persons; the name of any Director that is an interested party as referred to in 5.11, an explanation of the important aspects of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an Independent Director under 5.8.2.</p> <p>5.12.1.8 Extempore motions: The name of the proposer; the method of resolution and the result for each motion; a summary of the comments made by Directors, Supervisors, experts, or other persons; the name of any director that is an interested party as referred to in 5.11, an explanation of the important aspects of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the</p>	<p>3. Attendance of Directors at the meeting, specifying the names and number of members present, excused, and absent.</p> <p>4. Names and titles of those attending the meeting as nonvoting participants.</p> <p>5. Name of minutes taker.</p> <p>6. Matters reported on.</p> <p>7. Discussion items: The method of resolution and the result for each proposal; a summary of the comments made by Directors, Supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of Article 11, an explanation of the important aspects of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an Independent Director under paragraph 4 of Article 7 .</p> <p>8. Extempore motions: The name of the proposer; the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any Director that is an interested party as referred to in paragraph 1 of Article 11, an explanation of the important aspects of the relationship of interest, the reasons why the Director was</p>	
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<p>meeting that were included in records or stated in writing.</p> <p>5.15.9. Other matters to be recorded.</p> <p>5.12.2 Any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the meeting minutes and within 2 days of the meeting be published on an information reporting website designated by the competent authority:</p> <p>5.12.2.1 Any matter about which an Independent Director expresses an objection or reservation that has been included in records or stated in writing.</p> <p>5.12.2.2 If the Company has an Audit Committee, any matter that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all Directors without having been passed by the Audit Committee.</p> <p>5.12.3 The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the Company.</p> <p>5.12.4 The minutes of a Board meeting shall bear the signature or seal of both the meeting chair and the minute taker; a copy of the minutes shall be distributed to each Director and Supervisor within 20 days after the meeting and well preserved as important company records during the existence of the Company. The production and distribution of the meeting minutes may be done in electronic form.</p> <p>5.12.5 The Company shall record on audio or video tape the entire proceedings of a Board meeting, and</p>	<p>required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.</p> <p>9. Other matters to be recorded. Any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the meeting minutes and within 2 days of the meeting be published on an information reporting website designated by the competent authority:</p> <p>1. Any matter about which an Independent Directors expresses an objection or reservation that has been included in records or stated in writing.</p> <p>2. If the Company has an Audit Committee, any matter that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all Directors without having been passed by the Audit Committee.</p> <p>The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the Company.</p> <p>The minutes of a Board meeting shall bear the signature or seal of both the meeting chair and the minutes taker; a copy of the minutes shall be distributed to each Director and Supervisor within 20 days after the meeting and well preserved as important company records during the existence of the Company.</p> <p>The production and distribution</p>	
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<p>preserve the recordings for at least 5 years, in electronic form or otherwise.</p> <p>5.12.6 If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a Board meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.</p> <p>5.12.7 Where a Board meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the Company.</p>	<p>of the meeting minutes referred to in paragraph 1 may be done in electronic form.</p> <p>The Company shall record on audio or video tape the entire proceedings of a Board meeting, and preserve the recordings for at least 5 years, in electronic form or otherwise.</p> <p>If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a Board meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.</p> <p>Where a Board meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the Company.</p>	
<p>6. Matters not specified in these rules of procedure shall be governed by the Company Act, the Company's Articles of Association, and other relevant laws and regulations.</p>	<p>Article 14: Matters not specified in these rules of procedure shall be governed by the Company Act, the Company's Articles of Association, and other relevant laws and regulations.</p>	<p>Change of Article number.</p>
<p>7. These Procedures shall be adopted by the approval of the Board of Directors and shall be reported to the shareholders' meeting. The Board of Directors may be authorized to adopt, by resolution, any future amendments to these Rules.</p>	<p>These Procedures shall come into force with the approval of the Board of Directors and shall be reported to the shareholders' meeting. The Board of Directors may be authorized to adopt, by resolution, any future amendments to these Rules.</p>	<p>Minor changes to the wording.</p>
<p>8. Related documents: Formosa Optical Technology Co., Ltd.</p>		<p>New Article.</p>

Articles of Association		
9. Form used: None.		New Article.
<p>10. Implementation and amendment history:</p> <p>10.1 The Regulations were established on April 2, 2007, and effective from the date of announcement. The same applies in the event of amendments.</p> <p>10.2 The 1st amendment was made on December 24, 2012.</p> <p>10.3 The 2nd amendment was made on August 10, 2017.</p> <p>10.4 The 3rd amendment was made on March 27, 2020.</p>		New Article.
11. Workflow: None.		New Article.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Formosa Optical Technology Corporation

### Opinion

We have audited the accompanying consolidated financial statements of Formosa Optical Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, 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, 2019. 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.

For the year ended December 31, 2019, the key audit matters to the Group's consolidated financial statements were as follows:

#### Allowance for Loss of Inventory

The management's assessment of the net realizable value of inventory involves significant judgments, in particular, the estimation of the allowance for loss of inventory. Therefore, we considered the estimation of allowance for loss of inventory to be a key audit matter.

The audit procedures that we performed in respect of testing the net realizable value of inventories are as follows:

1. We understood the Company's business and industry and management's controls on the normal and stagnant inventories and determined the effectiveness of the implementation of its internal control.
2. We tested the ending balance of the carrying amount of inventory through sampling and recalculating the latest purchases and sales records, and we verified the calculation of inventory based on the lower of cost and tested the accuracy of the ending balance of inventory's net reliable value.
3. We obtained the inventory aging report and participated in the year-end inventory inspection of the Company, and we evaluated the reasonableness of the estimated allowance for inventory losses on obsolete and damaged products based on the year-end inventory inspection.

Refer to Notes 4, 5 and 11 for accounting policies, critical accounting judgements, estimation, and assumption uncertainty in relation to impairment loss of inventory.

#### Allowance for Sales Returns and Discounts from Investments Using the Equity Method

Among the investments using the equity method, part of the revenue is based on contractual agreements which provide sales returns and allowances to clients. The management recognized a deduction of share of profit of associates accounted for using the equity method. Since the accuracy of the share of profit of associates accounted for using the equity method was significant to the consolidated financial statements as a whole, we identified revenue from investments using the equity method as one of the key audit matters.

The main audit procedures that we performed in respect of the allowances for sales returns and discounts were the following: We communicated with the audit team to obtain an understanding of the rationality of their tests on the investees' revenue recognition procedure to fully understand the testing of the relevant control for sales and collection cycle. We also inspected the test of controls for relevant sales contracts and documents, important clients' changes in transactions, and conducted analytical procedures for changes in revenue for each product. In addition, we performed sampling tests on sales transactions before and after year end to verify that revenue was recognized in the proper period and that revenue and sales returns and allowances were recorded according to relevant IAS regulations.

#### Impairment of Inventory from Investments Using the Equity Method

Among the investments accounted for using the equity method, part of the production and sales were from corneal contact lens (contact lens), lens care products, and eye health products. The Group developed products in response to market demand because its products are unique. Demand for relevant products may fluctuate when market demand and price change. Inventories are measured based on the lower of cost or net realizable value. Management also evaluated the inventories based on the relevant information from internal and external sources. Because the

impact on the investments accounted for using the equity method was significant to the financial statements, we identified the investees' evaluation of impairment of inventory as one of the key audit matters.

The main audit procedures that we performed in respect of impairment of inventory from investments using the equity method were the following: We communicated with the audit team to understand the rationality of the investees' allowance for impairment of inventory, which included the reasonableness of the allowance for loss of inventory or the recognition policy for inventory losses, and verified that such inventories were recorded according to relevant IAS regulations. We also inspected inventory aging report, analyzed the changes of inventory aging report and sales status, verified the net realizable value to evaluate the reasonableness of the allowance for loss of inventory which was disclosed by management.

#### Impairment Loss of Trade Receivables from Investments Using Equity Method

Among the investments accounted for using the equity method, part of the production and sales were from corneal contact lens (contact lens), lens care products, and eye health products. Due to the special nature of the industry, management needed to evaluate the impairment of trade receivables from major clients based on the relevant internal and external information sources. Because the impact on the investments accounted for using the equity method to the financial statements was significant, we identified trade receivables of investees as one of the key audit matters.

The main audit procedures that we performed in respect of trade receivables were the following: We communicated with the audit team to understand the rationality of the impairment of trade receivables of investees, which included the reasonableness of recognition of allowance for impairment loss of trade receivables, verified that such trade receivables were recorded according to relevant IAS regulations. We also inspected trade receivables aging report, analyzed the changes of trade receivables aging report, sample-tested the sent external confirmations, and tested the recoverability of trade receivables after the period end to evaluate the reasonableness of management's allowance for impairment loss of trade receivables which were disclosed by management.

#### **Other Matter**

We have also audited the parent company only financial statements of Formosa Optical Technology Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC and 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 supervisors, are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with 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, 2019 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 Tsai-Cheng Tsai and Yung-Hsiang Chao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

#### 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.*

## FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 291,539	6	\$ 224,162	5
Financial assets at fair value through profit or loss - current (Note 7)	53,018	1	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	67,606	1	120,014	3
Financial assets at amortized cost - current (Note 9)	-	-	107,719	2
Notes receivable, net	-	-	16	-
Trade receivables, net (Note 10)	19,422	-	34,945	1
Other receivables (Note 27)	29,918	1	27,442	1
Inventories, net (Notes 5 and 11)	609,240	11	553,985	12
Prepayments	27,017	1	28,967	1
<b>Total current assets</b>	<b>1,097,760</b>	<b>21</b>	<b>1,097,250</b>	<b>25</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	98,438	2	79,286	2
Investments accounted for using the equity method (Note 13)	2,103,013	39	2,048,361	46
Property, plant and equipment, net (Notes 14 and 22)	1,055,254	20	1,024,931	23
Right-of-use assets (Notes 3 and 15)	789,150	15	-	-
Investment properties, net (Notes 16 and 28)	81,296	2	82,320	2
Intangible assets, net	15,377	-	10,646	-
Deferred tax assets (Note 23)	11,932	-	11,242	-
Refundable deposits (Note 29)	76,198	1	76,685	2
Net defined benefit assets - non-current (Note 19)	8,703	-	4,361	-
<b>Total non-current assets</b>	<b>4,239,361</b>	<b>79</b>	<b>3,337,832</b>	<b>75</b>
<b>TOTAL</b>	<b>\$ 5,337,121</b>	<b>100</b>	<b>\$ 4,435,082</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 102,400	2	\$ 14,500	-
Notes payable (Note 27)	435,213	8	441,796	10
Trade payables (Note 27)	50,973	1	49,194	1
Other payables (Notes 18 and 27)	350,086	7	330,691	7
Current tax liabilities (Note 23)	12,520	-	42,351	1
Lease liabilities - current (Note 15)	272,617	5	-	-
Current portion of long-term borrowings (Note 17)	26,629	-	32,262	1
Other current liabilities	31,949	1	44,558	1
<b>Total current liabilities</b>	<b>1,282,387</b>	<b>24</b>	<b>955,352</b>	<b>21</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	447,190	8	545,319	12
Provisions - non-current	10,803	-	10,077	-
Deferred tax liabilities (Note 23)	293,875	5	288,657	7
Lease liabilities - non-current (Note 15)	523,745	10	-	-
Other non-current liabilities (Note 18)	243,536	5	251,242	6
<b>Total non-current liabilities</b>	<b>1,519,149</b>	<b>28</b>	<b>1,095,295</b>	<b>25</b>
<b>Total liabilities</b>	<b>2,801,536</b>	<b>52</b>	<b>2,050,647</b>	<b>46</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Note 20)</b>				
Ordinary shares	600,599	11	600,599	14
Capital surplus	483,457	9	483,443	11
Retained earnings				
Legal reserve	382,032	7	356,680	8
Special reserve	207,685	4	113,739	3
Unappropriated earnings	1,095,423	21	1,026,561	23
<b>Total retained earnings</b>	<b>1,685,140</b>	<b>32</b>	<b>1,496,980</b>	<b>34</b>
Other equity	(242,569)	(4)	(207,685)	(5)
<b>Total equity attributable to owners of the parent company</b>	<b>2,526,627</b>	<b>48</b>	<b>2,373,337</b>	<b>54</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>8,958</b>	<b>-</b>	<b>11,098</b>	<b>-</b>
<b>Total equity</b>	<b>2,535,585</b>	<b>48</b>	<b>2,384,435</b>	<b>54</b>
<b>TOTAL</b>	<b>\$ 5,337,121</b>	<b>100</b>	<b>\$ 4,435,082</b>	<b>100</b>

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



# FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 3,216,310	100	\$ 3,066,268	100
COST OF GOODS SOLD (Notes 11 and 27)	<u>(1,341,781)</u>	<u>(42)</u>	<u>(1,294,623)</u>	<u>(42)</u>
GROSS PROFIT	<u>1,874,529</u>	<u>58</u>	<u>1,771,645</u>	<u>58</u>
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	(1,609,695)	(50)	(1,511,377)	(50)
General and administrative expenses	<u>(98,789)</u>	<u>(3)</u>	<u>(90,927)</u>	<u>(3)</u>
Total operating expenses	<u>(1,708,484)</u>	<u>(53)</u>	<u>(1,602,304)</u>	<u>(53)</u>
PROFIT FROM OPERATION	<u>166,045</u>	<u>5</u>	<u>169,341</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 27)	63,119	2	50,436	2
Other gains and losses (Note 22)	5,164	-	(3,755)	-
Finance costs (Note 12)	(19,757)	(1)	(8,156)	-
Share of profit of associates	<u>227,622</u>	<u>7</u>	<u>162,381</u>	<u>5</u>
Total non-operating income and expenses	<u>276,148</u>	<u>8</u>	<u>200,906</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	442,193	13	370,247	12
INCOME TAX EXPENSE (Note 23)	<u>(65,281)</u>	<u>(2)</u>	<u>(120,088)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>376,912</u>	<u>11</u>	<u>250,159</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,698	-	993	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	55,531	2	36,144	1
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(40)	-	4	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	<u>(340)</u>	<u>-</u>	<u>(58)</u>	<u>-</u>
	<u>56,849</u>	<u>2</u>	<u>37,083</u>	<u>1</u>

(Continued)

# FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (151,812)	(5)	\$ 9,080	-
Share of the other comprehensive income (loss) of associates for using the equity method	70,691	2	(12,212)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>16,264</u>	<u>1</u>	<u>3,789</u>	<u>-</u>
	<u>(64,857)</u>	<u>(2)</u>	<u>657</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(8,008)</u>	<u>-</u>	<u>37,740</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 368,904</u>	<u>11</u>	<u>\$ 287,899</u>	<u>9</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the parent company	\$ 379,052	12	\$ 253,517	8
Non-controlling interests	<u>(2,140)</u>	<u>-</u>	<u>(3,358)</u>	<u>-</u>
	<u>\$ 376,912</u>	<u>12</u>	<u>\$ 250,159</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Owners of the parent company	\$ 371,044	11	\$ 291,257	9
Non-controlling interests	<u>(2,140)</u>	<u>-</u>	<u>(3,358)</u>	<u>-</u>
	<u>\$ 368,904</u>	<u>11</u>	<u>\$ 287,899</u>	<u>9</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 6.31</u>		<u>\$ 4.22</u>	
Diluted	<u>\$ 6.29</u>		<u>\$ 4.21</u>	

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

(Concluded)

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent Company											
	Issue of Share Capital		Retained Earnings			Unappropriated Earnings		Other Equity			Total	
	Shares (in Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2018	60,060	\$ 600,599	\$ 483,410	\$ 326,267	\$ 50,841	\$ 562,609	\$ (85,881)	\$ (27,858)	\$ -	\$ 2,309,987	\$ 14,456	\$ 2,324,443
Effect of retrospective application and retrospective restatement	-	-	-	-	-	163,012	-	27,858	(190,582)	288	-	288
BALANCE AT JANUARY 1, 2018 AS RESTATED	60,060	600,599	483,410	326,267	50,841	1,125,621	(85,881)	-	(190,582)	2,310,275	14,456	2,324,731
Appropriation of the 2017 earnings	-	-	-	30,413	-	(30,413)	-	-	-	-	-	-
Legal reserve	-	-	-	62,898	-	(62,898)	-	-	-	-	-	-
Special reserve	-	-	-	-	62,898	-	-	-	-	(228,228)	-	(228,228)
Cash dividends	-	-	-	-	-	(228,228)	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates using the equity method	-	-	33	-	-	-	-	-	-	33	-	33
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	-	253,517	-	-	-	253,517	(3,358)	250,159
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	938	363	-	-	363	-	37,740
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	254,455	363	-	-	363	-	287,899
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(31,976)	-	-	-	31,976	-	-
BALANCE AT DECEMBER 31, 2018	60,060	600,599	483,443	356,680	113,739	1,026,561	(85,518)	-	(122,167)	2,373,337	11,098	2,384,435
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(7,282)	-	-	-	(7,282)	-	(7,282)
BALANCE AT JANUARY 1, 2019, AS RESTATED	60,060	600,599	483,443	356,680	113,739	1,019,279	(85,518)	-	(122,167)	2,366,055	11,098	2,377,153
Appropriation of the 2018 earnings	-	-	-	25,352	-	(25,352)	-	-	-	-	-	-
Legal reserve	-	-	-	93,946	-	(93,946)	-	-	-	-	-	-
Special reserve	-	-	-	-	93,946	-	-	-	-	(228,228)	-	(228,228)
Cash dividends	-	-	-	-	-	(228,228)	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates using the equity method	-	-	14	-	-	17,742	-	-	-	17,756	-	17,756
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	379,052	-	-	-	379,052	(2,140)	376,912
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	1,318	(65,055)	-	-	55,729	-	(8,008)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	380,370	(65,055)	-	-	371,044	(2,140)	368,904
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	25,558	-	-	-	(25,558)	-	-
BALANCE AT DECEMBER 31, 2019	60,060	\$ 600,599	\$ 483,457	\$ 382,032	\$ 207,685	\$ 1,095,423	\$ (150,573)	\$ -	\$ (91,956)	\$ 2,526,627	\$ 8,938	\$ 2,535,565

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

# FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 442,193	\$ 370,247
Adjustments for:		
Depreciation expenses	424,869	93,315
Amortization expenses	5,720	3,876
Expected credit loss recognized on trade receivables	-	485
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(190)	(56)
Finance costs	19,757	8,156
Interest income	(13,203)	(11,075)
(Gain)/loss on disposal of property, plant and equipment	(187)	1,700
Net loss on disposal of inventories	14,115	16,045
Share of profit of associates	(227,622)	(162,381)
Gain on disposal of investments accounted for using the equity method	(1,029)	-
Gain on lease modification	(2,226)	-
Changes in operating assets and liabilities		
Notes receivable	16	(15)
Trade receivables	15,523	(12,429)
Other receivables	(2,476)	(1,754)
Inventories	(69,370)	(33,440)
Net defined benefit assets - non-current	(2,645)	(2,611)
Prepayments	1,950	(5,193)
Notes payable	(6,583)	88,126
Trade payables	1,779	2,434
Other payables	19,406	39,175
Provisions	(510)	502
Other current liabilities	(12,609)	4,647
Cash generated from operations	606,678	399,754
Interest received	13,203	11,655
Dividends received	98,306	124,428
Interest paid	(19,337)	(8,179)
Income tax paid	(74,659)	(62,110)
Net cash generated from operating activities	<u>624,191</u>	<u>465,548</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(9,331)	(107,719)
Proceeds from sale of financial assets at amortized cost	118,190	119,048
Purchase of financial assets at fair value through other comprehensive income	(34,280)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	139,016	3,024
Purchase of financial assets at fair value through profit or loss	(368,000)	(79,675)

(Continued)

# FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from sale of financial assets at fair value through profit or loss	\$ 315,172	\$ 79,798
Proceeds from sale of investments accounted for using the equity	3,485	-
Payments for property, plant and equipment	(139,542)	(83,590)
Proceeds from disposal of property, plant and equipment	615	367
Payments for investment properties	(36)	-
Decrease (increase) in refundable deposits	487	(6,910)
Payments for intangible assets	<u>(10,451)</u>	<u>(7,717)</u>
Net cash used in investing activities	<u>15,325</u>	<u>(83,374)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	87,900	(59,500)
Repayments of long-term borrowings	(103,762)	(31,899)
Repayment of the principal portion of lease liabilities	(312,057)	-
Proceeds from guarantee deposits received	(7,706)	510
Cash dividends	<u>(228,228)</u>	<u>(228,228)</u>
Net cash used in financing activities	<u>(563,853)</u>	<u>(319,117)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(8,286)</u>	<u>3,507</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>67,377</b>	<b>66,564</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>224,162</u>	<u>157,598</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 291,539</u>	<u>\$ 224,162</u>

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Formosa Optical Technology Corporation

### Opinion

We have audited the accompanying financial statements of Formosa Optical Technology Corporation (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the year ended December 31, 2019, the key audit matters identified in the Company's financial statements were as follows:

#### Allowance for Loss of Inventory

The management's assessment of the net realizable value of inventory involves significant judgments, in particular, the estimation of the allowance for loss of inventory. Therefore, we considered the estimation of allowance for loss of inventory to be a key audit matter.

The audit procedures that we performed in respect of testing the net realizable value of inventories are as follows:

1. We understood the Company's business and industry and management's controls on the normal and stagnant inventories and determined the effectiveness of the implementation of its internal control.
2. We tested the ending balance of the carrying amount of inventory through sampling and recalculating the latest purchases and sales records, and we verified the calculation of inventory based on the lower of cost and tested the accuracy of the ending balance of inventory's net reliable value.
3. We obtained the inventory aging report and participated in the year-end inventory inspection of the Company, and we evaluated the reasonableness of the estimated allowance for inventory losses on obsolete and damaged products based on the year-end inventory inspection.

Refer to Notes 4, 5 and 9 for accounting policies, critical accounting judgements, estimation, and assumption uncertainty in relation to impairment loss of inventory.

#### Allowance for Sales Returns and Discounts from Investments Using the Equity Method

Among the investments using the equity method, part of the revenue is based on contractual agreements which provide sales returns and allowances to clients. The management recognized a deduction of share of profit of associates accounted for using the equity method. Since the accuracy of the share of profit of associates accounted for using the equity method was significant to the consolidated financial statements as a whole, we identified revenue from investments using the equity method as one of the key audit matters.

The main audit procedures that we performed in respect of the allowances for sales returns and discounts were the following: We communicated with the audit team to obtain an understanding of the rationality of their tests on the investees' revenue recognition procedure to fully understand the testing of the relevant control for sales and collection cycle. We also inspected the test of controls for relevant sales contracts and documents, important clients' changes in transactions, and conducted analytical procedures for changes in revenue for each product. In addition, we performed sampling tests on sales transactions before and after the year end to verify that revenue was recognized in the proper period and that revenue and sales returns and allowances were recorded according to relevant IAS regulations.

#### Impairment of Inventory from Investments Using the Equity Method

Among the investments accounted for using the equity method, part of the production and sales were from corneal contact lens (contact lens), lens care products, and eyes health products. The Group developed products in response to market demand because its products are unique. Demand for relevant products may fluctuate when market demand and price change. Inventories are measured based on the lower of cost or net realizable value. Management also evaluated the inventories based on the relevant information from internal and external sources. Because the impact on the investments accounted for using equity method was significant to the financial statements, we identified the investees' evaluation of impairment of inventory as one of the key audit matters.

The main audit procedures performed in respect of impairment of inventory from investments using the equity method were the following: We communicated with the audit team to understand the rationality of the investees' allowance for impairment of inventory, which included the reasonableness of the allowance for loss of inventory or the recognition policy for inventory losses, and verified that such inventories were recorded according to relevant IAS regulations. We also inspected inventory aging report, analyzed the changes of inventory aging report and sales status, verified the net realizable value to evaluate the reasonableness of the allowance for loss of inventory which was disclosed by management.

#### Impairment Loss of Trade Receivables from Investments Using Equity Method

Among the investments accounted for using the equity method, part of the production and sales were from corneal contact lens (contact lens), lens care products, and eye health products. Due to the special nature of the industry, management needed to evaluate the impairment of trade receivables from major clients based on the relevant internal and external information sources. Because the impact on the investments accounted for using the equity method to the financial statements was significant, we identified trade receivables of investees as one of the key audit matters.

The main audit procedures that we performed in respect of trade receivables were the following: We communicated with the audit team to understand the rationality of the impairment of trade receivables of investees, which included the reasonableness of recognition of allowance for impairment loss of trade receivables, verified that such trade receivables were recorded according to relevant IAS regulations. We also inspected trade receivables aging report, analyzed the changes of trade receivables aging report, sample-tested the sent external confirmations, and tested the recoverability of trade receivables after the period end to evaluate the reasonableness of management's allowance for impairment loss of trade receivables which were disclosed by management.

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

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

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company 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 financial statements for the year ended December 31, 2019 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 Tsai-Cheng Tsai and Yung-Hsiang Chao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

Notice to Readers

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

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

# FORMOSA OPTICAL TECHNOLOGY CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Note 6)	\$ 61,326	1	\$ 117,767	3
Financial assets at fair value through other comprehensive income - current (Note 7)	-	-	45,220	1
Notes receivable, net	-	-	16	-
Trade receivables, net (Note 8)	7,177	-	18,199	-
Other receivables (Note 24)	25,317	1	23,445	1
Inventories, net (Notes 5 and 9)	398,854	8	364,133	9
Prepayments	21,513	1	22,457	-
<b>Total current assets</b>	<b>514,187</b>	<b>11</b>	<b>591,237</b>	<b>14</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 7)	98,438	2	79,286	2
Investments accounted for using the equity method (Notes 5 and 10)	2,512,335	52	2,360,026	58
Property, plant and equipment, net (Notes 11, 24 and 25)	955,609	20	921,374	23
Right-of-use assets (Notes 3 and 12)	568,755	12	-	-
Investment properties, net (Notes 13 and 25)	81,296	2	82,320	2
Intangible assets, net	14,031	-	9,201	-
Deferred tax assets (Note 20)	9,186	-	8,744	-
Refundable deposits (Note 26)	52,870	1	52,536	1
Net defined benefit assets - non-current (Note 16)	8,703	-	4,361	-
<b>Total non-current assets</b>	<b>4,301,223</b>	<b>89</b>	<b>3,517,848</b>	<b>86</b>
<b>TOTAL</b>	<b>\$ 4,815,410</b>	<b>100</b>	<b>\$ 4,109,085</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 14)	\$ 80,000	2	\$ -	-
Notes payable (Note 24)	304,513	6	300,022	7
Trade payables	41,433	1	36,703	1
Other payables (Notes 15 and 24)	275,254	6	251,221	6
Current tax liabilities (Note 20)	9,200	-	38,328	1
Lease liabilities - current (Notes 3 and 12)	191,178	4	-	-
Current portion of long-term borrowings (Note 14)	26,629	1	32,262	1
Other current liabilities	23,550	-	26,157	1
<b>Total current liabilities</b>	<b>951,757</b>	<b>20</b>	<b>684,693</b>	<b>17</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 14)	447,190	10	545,319	13
Provisions - non-current	7,115	-	5,783	-
Deferred tax liabilities (Note 20)	293,875	6	288,657	7
Lease liabilities - non-current (Notes 3 and 12)	382,659	8	-	-
Guarantee deposits received (Note 15)	206,187	4	211,296	5
<b>Total non-current liabilities</b>	<b>1,337,026</b>	<b>28</b>	<b>1,051,055</b>	<b>25</b>
<b>Total liabilities</b>	<b>2,288,783</b>	<b>48</b>	<b>1,735,748</b>	<b>42</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Note 17)</b>				
Ordinary shares	600,599	12	600,599	15
Capital surplus	483,457	10	483,443	12
Retained earnings				
Legal reserve	382,032	8	356,680	8
Special reserve	207,685	4	113,739	3
Unappropriated earnings	1,095,423	23	1,026,561	25
<b>Total retained earnings</b>	<b>1,685,140</b>	<b>35</b>	<b>1,496,980</b>	<b>36</b>
Other equity	(242,569)	(5)	(207,685)	(5)
<b>Total equity</b>	<b>2,526,627</b>	<b>52</b>	<b>2,373,337</b>	<b>58</b>
<b>TOTAL</b>	<b>\$ 4,815,410</b>	<b>100</b>	<b>\$ 4,109,085</b>	<b>100</b>

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

# FORMOSA OPTICAL TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 18)	\$ 2,322,314	100	\$ 2,199,888	100
COST OF GOODS SOLD (Notes 9 and 24)	<u>(948,721)</u>	<u>(41)</u>	<u>(899,606)</u>	<u>(41)</u>
GROSS PROFIT	<u>1,373,593</u>	<u>59</u>	<u>1,300,282</u>	<u>59</u>
OPERATING EXPENSES (Notes 19 and 24)				
Selling and marketing expenses	(1,126,381)	(49)	(1,058,947)	(48)
General and administrative expenses	<u>(98,789)</u>	<u>(4)</u>	<u>(90,927)</u>	<u>(4)</u>
Total operating expenses	<u>(1,225,170)</u>	<u>(53)</u>	<u>(1,149,874)</u>	<u>(52)</u>
PROFIT FROM OPERATION INCOME	<u>148,423</u>	<u>6</u>	<u>150,408</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 24)	55,840	3	45,231	2
Other gains and losses (Notes 19 and 24)	3,300	-	268	-
Finance costs (Note 19)	(16,303)	(1)	(7,723)	(1)
Share of profit of associates	<u>246,432</u>	<u>11</u>	<u>177,744</u>	<u>8</u>
Total non-operating income and expenses	<u>289,269</u>	<u>13</u>	<u>215,520</u>	<u>9</u>
PROFIT BEFORE INCOME TAX	437,692	19	365,928	16
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(58,640)</u>	<u>(3)</u>	<u>(112,411)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>379,052</u>	<u>16</u>	<u>253,517</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,698	-	993	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	55,531	3	36,144	2
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(40)	-	4	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	<u>(340)</u>	<u>-</u>	<u>(58)</u>	<u>-</u>
	<u>56,849</u>	<u>3</u>	<u>37,083</u>	<u>2</u>

(Continued)

# FORMOSA OPTICAL TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (151,812)	(7)	\$ 9,080	-
Share of other comprehensive income (loss) of associates for using the equity method	70,691	3	(12,212)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>16,264</u>	<u>1</u>	<u>3,789</u>	<u>-</u>
	<u>(64,857)</u>	<u>(3)</u>	<u>657</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(8,008)</u>	<u>-</u>	<u>37,740</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 371,044</u>	<u>16</u>	<u>\$ 291,257</u>	<u>13</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 6.31</u>		<u>\$ 4.22</u>	
Diluted	<u>\$ 6.29</u>		<u>\$ 4.21</u>	

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

(Concluded)

**FORMOSA OPTICAL TECHNOLOGY CORPORATION**

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Issue of Share Capital		Retained Earnings			Other Equity			Total	
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income
BALANCE AT JANUARY 1, 2018	60,060	\$ 600,599	\$ 483,410	\$ 326,267	\$ 50,841	\$ 962,609	\$ (85,881)	\$ (27,858)	\$ -	\$ 2,309,987
Effect of retrospective application and retrospective restatement	-	-	-	-	-	163,012	-	27,858	(190,582)	288
BALANCE AT JANUARY 1, 2018, AS RESTATED	60,060	600,599	483,410	326,267	50,841	1,125,621	(85,881)	-	(190,582)	2,310,275
Appropriation of the 2017 earnings	-	-	-	-	-	(30,413)	-	-	-	-
Legal reserve	-	-	-	30,413	-	(62,898)	-	-	-	-
Special reserve	-	-	-	-	62,898	(228,228)	-	-	-	(228,228)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	33
Changes in capital surplus from investments in associates using the equity method	-	-	33	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	253,517	-	-	-	253,517
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	938	363	-	36,439	37,740
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	254,455	363	-	36,439	291,257
Disposal of investments in equity instruments designated fair value through other comprehensive income	-	-	-	-	-	(31,976)	-	-	31,976	-
BALANCE AT DECEMBER 31, 2018	60,060	600,599	483,443	356,680	113,739	1,026,561	(85,518)	-	(122,167)	2,373,337
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(7,282)	-	-	-	(7,282)
BALANCE AT JANUARY 1, 2019, AS RESTATED	60,060	600,599	483,443	356,680	113,739	1,019,279	(85,518)	-	(122,167)	2,366,055
Appropriation of the 2018 earnings	-	-	-	-	-	(25,352)	-	-	-	-
Legal reserve	-	-	-	25,352	-	(93,946)	-	-	-	-
Special reserve	-	-	-	-	93,946	(228,228)	-	-	-	(228,228)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	17,742	-	-	-	17,756
Changes in capital surplus from investments in associates using the equity method	-	-	14	-	-	379,052	-	-	-	379,052
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,318	(65,053)	-	-	(8,008)
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	380,370	(65,053)	-	-	371,044
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	25,558	-	-	-	-
Disposal of investments in equity instruments designated fair value through other comprehensive income	-	-	-	-	-	1,095,423	(150,573)	-	-	(91,994)
BALANCE AT DECEMBER 31, 2019	60,060	\$ 600,599	\$ 483,457	\$ 389,032	\$ 207,685	\$ 1,095,423	\$ (150,573)	\$ -	\$ (91,994)	\$ 2,576,627

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

# FORMOSA OPTICAL TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 437,692	\$ 365,928
Adjustments for:		
Depreciation expenses	298,801	63,560
Amortization expenses	4,872	3,576
Finance costs	16,303	7,723
Interest income	(7,630)	(7,066)
Share of profits of subsidiaries and associates	(246,432)	(177,744)
Net loss on disposal of inventories	7,741	10,535
Net gain on disposal of property, plant and equipment	(217)	(264)
Gain on disposal of investments accounted for using equity the method	(1,029)	-
Net gain on fair value change of financial assets as at FVTPL	(51)	-
Gain on lease modification	(2,006)	-
Changes in operating assets and liabilities		
Notes receivable	16	(15)
Trade receivables	11,022	(6,872)
Other receivables	(1,872)	(1,126)
Inventories	(42,462)	(20,908)
Prepayments	944	(5,411)
Net defined benefit liabilities - non-current	(2,645)	(2,611)
Notes payable	4,491	71,515
Trade payables	4,730	(144)
Other payables	24,031	29,690
Provisions	-	472
Other current liabilities	(2,607)	4,031
Cash generated from operations	503,692	334,869
Interest received	7,630	7,066
Dividends received	42,870	164,156
Interest paid	(16,095)	(7,738)
Income tax paid	(67,068)	(51,914)
Net cash generated from operating activities	<u>471,029</u>	<u>446,439</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from financial assets at fair value through other comprehensive income	99,394	3,024
Purchase of financial assets at fair value through other comprehensive income	(34,280)	-
Purchase of financial assets at fair value through profit or loss	(125,000)	-
Proceeds from sale of financial assets at fair value through profit or loss	125,051	-
Proceed from sale of investments accounted for using the equity	3,485	-
Payments for property, plant and equipment	(107,495)	(50,813)
Proceeds from disposal of property, plant and equipment	607	367

(Continued)

# FORMOSA OPTICAL TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Payments for investment properties	\$ (36)	\$ -
Decrease in refundable deposits	(334)	(1,624)
Payments for intangible assets	<u>(9,702)</u>	<u>(6,132)</u>
Net cash used in investing activities	<u>(48,310)</u>	<u>(55,178)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	80,000	(60,000)
Repayments of long-term borrowings	(103,762)	(31,899)
Proceeds from guarantee deposits received	(5,109)	2,030
Repayment of the principal of lease liabilities	(222,061)	-
Capital increased by cash	-	(20,000)
Cash dividends	<u>(228,228)</u>	<u>(228,228)</u>
Net cash used in financing activities	<u>(479,160)</u>	<u>(338,097)</u>
NET (DECREASE) INCREASE IN CASH	(56,441)	53,164
CASH AT THE BEGINNING OF THE YEAR	<u>117,767</u>	<u>64,603</u>
CASH AT THE END OF THE YEAR	<u>\$ 61,326</u>	<u>\$ 117,767</u>

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

(Concluded)



Formosa Optical Technology Co., Ltd.  
2019 Profit Distribution Table

Unit: NT\$ thousand

Item		
Beginning undistributed earnings		\$ 679,036,388
Net profit after tax	\$ 379,051,137	
Effects of retrospective application and retrospective restatement	(7,281,556)	
Adjusted retained earnings for investments accounted for using the equity method	17,740,829	
Remeasurement of defined benefit plans recognized in retained earnings	1,318,136	
Disposition of equipment instrument investment measured based on fair value through other comprehensive income, directly transfer accumulated profit and loss to retained earnings.	25,557,737	
Current year's undistributed earnings after adding items other than current profit after tax to current net profit after tax		416,386,283
Provision for legal reserve (10%)		(41,638,628)
Provision for special reserve in accordance with the law		(34,884,507)
Distributable earnings for the period		1,018,899,536
Distribution Item		
Cash dividend (NT\$ per share)	(\$ 240,239,592)	( 240,239,592)
Undistributed earnings at the end of the period		\$ 778,659,944
Remarks:		
1. 2019 profit shall first be distributed for this profit distribution.		

Chairman: Tsai, Kuo-Chou    Manager: Tsai, Yi-Shan    Accounting Manager: Chang, Li-Hui

Formosa Optical Technology Co., Ltd.  
Rules of Procedures for Shareholders' Meetings

Comparison Table

Amended Provision	Current Provision	Description
<p>1. Purpose: To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>	<p>Article 1: To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>	<p>1. Change of Article number. 2. Paragraphed the original provisions for clarity. 3. Minor changes to the wording.</p>
<p>2. Scope: The main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements, for shareholders' meeting, except as otherwise provided by laws and regulations, or the Articles of Association, shall be handled in accordance with these Rules.</p>	<p>Article 2: The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Association, shall be as provided in these Rules.</p>	<p>1. Change of Article number. 2. Minor changes to the wording.</p>
<p>3. Responsible units: 3.1 Finance and Accounting Office: In charge of formulation and editing the Regulations. 3.2 Agenda working group: In charge of executing the tasks of the board meeting.</p>		<p>1. New Article.</p>
<p>5. Description: 5.1 Convening shareholders meetings and shareholders meeting notices: 5.1.1 Unless otherwise provided by law or regulation, Company's shareholders' meetings shall be convened by the Board of Directors. 5.1.2 The Company shall prepare electronic versions of the shareholders'</p>	<p>Article 3: Unless otherwise provided by law or regulation, Company's shareholders meetings shall be convened by the Board of Directors. The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including</p>	<p>1. Change of Article number. 2. Minor changes to the wording.</p>

<p>meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of Directors or Supervisors, and upload them to the Market Observation Post System (MOPS) 30 days before a regular shareholders' meeting or 15 days before a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before a regular shareholders' meeting or 15 days before a special shareholders' meeting. 15 days before the date of the shareholders meeting, the Company shall also prepare the meeting agenda and supplemental meeting materials and make them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p> <p>5.1.3 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 for attention.</p> <p>5.1.4 The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p> <p>5.1.5 Matters pertaining to election or discharge of Directors and Supervisors, alteration of the Articles of Association, reduction of capital, application for the</p>	<p>proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before a regular shareholders' meeting or 15 days before a special shareholders' meeting. 15 days before the date of the shareholders meeting, the Company shall also prepare the meeting agenda and supplemental meeting materials and make them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p> <p>The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p> <p>Matters pertaining to election or discharge of Directors and Supervisors, alteration of the Articles of Association, dissolution, merger, spin-off, or items pertaining to Article 185 paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the</p>	<p>3. Moved Article 6 paragraph 1 to 5.1.3.</p> <p>4. Amended 5.1.5 in line with the amendments to paragraph 5, Article</p>
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<p>approval of ceasing its status as a public company, approval of competing with the Company by Directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in the Company Act hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a shareholders' meeting, and shall not be brought up as extempore motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</p> <p>5.1.6 Re-election of Directors and Supervisors and their date of assuming office have been stated in the reasons for convening a shareholders' meeting. After the re-election in the current shareholders' meeting, the date of assuming office shall not be changed by extempore motions or other methods in the same meeting.</p> <p>5.1.7 Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. However, a shareholder proposal urging the Company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the Board of Directors. In addition, when any of the</p>	<p>Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described, and shall not be brought up as extempore motions.</p> <p>Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a written proposal to the Company for discussion at a regular shareholders' meeting. However, only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. In addition, when any of the circumstances provided in paragraph 4, Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda. Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals</p>	<p>172 of the Company Act announced on August 1, 2018.</p> <p>5. Added 5.1.6 in line with Letter No.10702417500 issued by Ministry of Economic Affairs on August 6, 2018.</p> <p>6. Amended 5.1.7 in line with the the amendments to paragraph 1 and addition of paragraph 5 of Article 172-1 of the Company Act announced on August 1, 2018.</p>
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<p>circumstances provided in paragraph 4, Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.</p> <p>5.1.8 Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, in written or electronic form, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>5.1.9 Shareholder proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p> <p>5.1.10 Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p> <p>5.1.11 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.</p> <p>5.1.12 A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company 5 days before the</p>	<p>of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p> <p>Article 4: For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company 5 days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the previous proxy appointment.</p> <p>After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</p>	<p>7. Amended 5.1.8. in line with the amendments to paragraph 7, Article 3 of Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders' Meetings on January 2, 2020.</p> <p>8. Paragraphed the original provisions for clarity.</p>
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<p>date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the previous proxy appointment. After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</p>		
<p>5.2 Principles determining the time and place of shareholders' meetings:  5.2.1 The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.  5.2.2 The time during which shareholder attendance registrations will be accepted, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.</p>	<p>Article 5: The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.  Article 6: 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 for attention.  The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> <li>3. Moved paragraph 1 of Article 6 to 5.1.2.</li> <li>4. Minor changes to the wording.</li> <li>5. Moved paragraphs 3, 4, 5 and 6 of Article 6 to 5.3.1, 5.3.2, 5.3.3 and 5.3.4 respectively.</li> </ol>

	<p>personnel assigned to handle the registrations.</p> <p>Shareholders and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</p> <p>The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.</p> <p>The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.</p> <p>When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p>	
<p>5.3 Preparation of documents such as the attendance book:</p> <p>5.3.1 Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for</p>		<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> <li>3. Moved paragraphs 3, 4, 5 and 6 of Article 6 to 5.3.1, 5.3.2, 5.3.3</li> </ol>

<p>other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.</p> <p>5.3.2 The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.</p> <p>5.3.3 The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.</p> <p>5.3.4 When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.</p>		<p>and 5.3.4 respectively.</p>
<p>5.4 The chair and non-voting participants of a shareholders meeting:</p> <p>5.4.1 If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall appoint one of the Directors to act as chair, or, where the Chairman does not make such a designation, the Directors shall select from among themselves one person to serve as chair.</p> <p>5.4.2 When a Director serves as chair, as referred to in the preceding paragraph, the Director shall be one who has held that position for 6 months</p>	<p>Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall appoint one of the Directors to act as chair, or, where the Chairman does not make such a designation, the Directors shall select from among themselves one person to serve as chair.</p> <p>When a Director serves as chair, as referred to in the preceding paragraph, the Director shall be one who has held that position for 6</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> <li>3. Minor amendment in wording</li> </ol>



<p>or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person Director that serves as chair.</p> <p>5.4.3 It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman of the Board in person and attended by a majority of the Directors, at least one Supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.</p> <p>5.4.4 If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves</p> <p>5.10 The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.</p>	<p>months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person Director that serves as chair.</p> <p>It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman of the Board in person and attended by a majority of the Directors, at least one Supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.</p> <p>If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves</p> <p>The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.</p>	
<p>5.5 Preparation of documents such as attendance book and attendance by a Director proxy</p> <p>5.5.1 Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.</p> <p>5.5.2 The chair shall call the meeting to order at the appointed meeting time. However, when the attending</p>	<p>Article 8: The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.</p> <p>The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> <li>3. Moved Article 8 paragraphs 1 and 2 to 5.14.1 and 5.14.2 respectively.</li> <li>4. Minor changes to the wording.</li> </ol>

shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one-third of the total number of issued shares, the chair shall declare the meeting adjourned.

5.5.3 If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

5.5.4 When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to the Company Act.

Article 9: Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one-third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175 paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders

	meeting pursuant to Article 174 of the Company Act.	
<p>5.6 Discussion of proposals:</p> <p>5.6.1 If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The relevant proposals (extempore motions and amendments to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.</p> <p>5.6.2 The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.</p> <p>5.6.3 The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p>5.6.4 The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion</p>	<p>Article 10: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.</p> <p>The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the Board of Directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.</p>	<p>1. Change of Article number.</p> <p>2. Paragraphed the original provisions for clarity.</p> <p>3. Amended 5.6.1 in line with the announcement of amendment of Article 10 paragraph 1 of Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings on January 2, 2020.</p> <p>4. Amended 5.6.4 in line with the announcement of amendment of Article 10 paragraph 4 of Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings on January 2, 2020.</p>

closed and call for a vote.		
<p>5.7 Shareholder speech:</p> <p>5.7.1 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.</p> <p>5.7.2 A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.</p> <p>5.7.3 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</p> <p>5.7.4 When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.</p> <p>5.7.5 When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</p> <p>5.7.6 After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</p>	<p>Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.</p> <p>A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.</p> <p>Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</p> <p>When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.</p> <p>When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</p> <p>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> </ol>
<p>5.8 Calculation of voting shares and recusal system</p> <p>5.8.1 Voting at a shareholders' meeting</p>	<p>Article 12: Voting at a shareholders' meeting shall be calculated based on the number of shares.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the</li> </ol>

<p>shall be calculated based on the number of shares.</p> <p>5.8.2 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under the Company Act.</p> <p>5.8.3 With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.</p> <p>5.8.4 When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</p> <p>5.8.5 The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</p> <p>5.8.6 With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.</p> <p>5.8.7 When the Company holds a shareholders' meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting</p>	<p>With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.</p> <p>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</p> <p>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</p> <p>With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.</p> <p>Article 13: A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179 paragraph 2 of the Company Act.</p> <p>When the Company holds a shareholder meeting, it may adopt exercise of voting rights by</p>	<p>original provisions for clarity.</p> <p>3. Moved paragraph 1 of Article 13 to 5.8.2.</p> <p>4. Amended 5.8.7 in line with the amendments to paragraph 2, Article 13 of Sample</p>
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<p>rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the notice of shareholders' meeting. A shareholder who exercises voting rights by correspondence or electronic is deemed to have attended the meeting in person. However, he/she is deemed to have waived his/her rights with respect to the extempore motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extempore motions and amendments to original proposals.</p> <p>5.8.8 A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company 2 days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.</p> <p>5.8.9. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made, by the same means by which the voting rights were exercised, 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by</p>	<p>electronic means or by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder who exercises voting rights by correspondence or electronic means is deemed to have attended the meeting in person. However, he/she is deemed to have waived his/her rights with respect to the extempore motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extempore motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company 2 days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.</p> <p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made, by the same means by which the voting rights were exercised, 2 business days before the date of the shareholders' meeting. If the notice</p>	<p>Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings on January 2, 2020.</p> <p>5. Minor amendment in wording</p> <p>5. Deleted in line with Letter No.0940030437 issued by TWSE.</p>
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correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

5.8.10 Except as otherwise provided in the Company Act and in the Company's Articles of Association, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

5.8.11 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When anyone among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

5.8.12 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

5.8.13 Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of

of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Association, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair may first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

A motion shall be deemed to be passed after the chair consults all attending shareholders who have no dissent, and its effect shall be the same as that of the voting.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further

<p>votes, shall be announced on-site at the meeting, and a record made of the vote.</p>	<p>voting shall be required.  Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.  Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting.  Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</p>	
<p>5.9 Election:  5.9.1 The election of Directors or Supervisors 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 Supervisors and the numbers of votes with which they were elected.  5.9.2 The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>	<p>Article 14: When selecting a Director or Supervisor in the shareholders' meeting, the election thereof shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced on the spot immediately, including the names of the elected Directors or Supervisors, and the numbers of votes thereof.  The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> <li>3. Minor changes to the wording.</li> </ol>
<p>5.10 Meeting minutes of shareholders' meetings  5.10.1 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be</p>	<p>Article 15: Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> </ol>



<p>signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.</p> <p>5.10.2 The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</p> <p>5.10.3 The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results (include statistical weight); and where there is election of directors or supervisors, disclose the number of votes which they were elected. The minutes shall be retained for the duration of the existence of the Company.</p>	<p>distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.</p> <p>The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.</p>	<p>3. Amended 5.10.3 in line with the amendments to paragraph 3, Article 15 of Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings on January 2, 2020.</p>
<p>5.11 Public disclosure:</p> <p>5.11.1 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.</p> <p>5.11.2 If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under regulations of Taipei Exchange, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.</p>	<p>Article 16: On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.</p> <p>If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or regulations of Taipei Exchange, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.</p>	<p>1. Change of Article number.</p> <p>2. Paragraphed the original provisions for clarity.</p>
<p>5.12 Maintaining order at the meeting place:</p>	<p>Article 17: Staff handling administrative affairs of a</p>	<p>1. Change of Article number.</p>

<p>5.12.1 Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.</p> <p>5.12.2 The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</p> <p>5.12.3 At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.</p> <p>5.12.4 When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.</p>	<p>shareholders' meeting shall wear identification cards or armbands. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</p> <p>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.</p> <p>When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.</p>	<p>2. Paragraphed the original provisions for clarity.</p>
<p>5.13 Recess and resumption of meeting:</p> <p>5.13.1 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.</p> <p>5.13.2 If the meeting venue is no longer available for continued use and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.</p> <p>5.13.3 A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with the Company Act.</p>	<p>Article 18: When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.</p> <p>If the meeting venue is no longer available for continued use and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.</p> <p>A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the</p>	<p>1. Change of Article number.</p> <p>2. Paragraphed the original provisions for clarity.</p> <p>3. Minor changes to the wording.</p>

	Company Act.	
<p>5.14 Documentation of a shareholders meeting by audio or video:</p> <p>5.14.1 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.</p> <p>5.14.2 The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to the Company Act, the ballots shall be retained until the conclusion of the litigation.</p>		<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>2. Paragraphed the original provisions for clarity.</li> <li>3. Moved Article 8 paragraphs 1 and 2 to 5.14.1 and 5.14.2 respectively.</li> </ol>
<p>6. These Rules and any amendments hereto shall be implemented after adoption by shareholders meetings.</p>	<p>Article 19: These Rules and any amendments hereto shall be implemented after adoption by shareholders meetings.</p>	<ol style="list-style-type: none"> <li>1. Change of Article number.</li> <li>1.</li> </ol>
<p>7. Related documents: Formosa Optical Technology Co., Ltd. Articles of Association</p>		<p>New Article.</p>
<p>8. Forms used: None.</p>		<ol style="list-style-type: none"> <li>1. New Article.</li> </ol>
<p>9. Implementation and amendment history:</p> <p>9.1 These Regulations were established on June 29, 1991, and effective from the date of announcement.</p> <p>9.2 The 1st amendment was made on June 24, 1998.</p> <p>9.3 The 2nd amendment was made on June 28, 2002.</p> <p>9.4 The 3rd amendment was made on March 14, 2012.</p> <p>9.5 The 4th amendment was made on March 25, 2015.</p> <p>9.6 The 5th amendment was made on June 24, 2020.</p>		<ol style="list-style-type: none"> <li>1. New Article.</li> </ol>
<p>10. Workflow: None.</p>		<ol style="list-style-type: none"> <li>1. New Article.</li> </ol>

## Formosa Optical Technology Co., Ltd.

## Comparison Table for Amendments to the Articles of Association

After Amendment	Before Amendment	Description
<p>Article 1: The Company shall be organized in accordance with the Company Act as a company limited by shares, and named as 寶島光學科技股份有限公司.</p> <p>The English name of the Company is "FORMOSA OPTICAL TECHNOLOGY CO., LTD."</p>	<p>Article 1: The Company is organized in accordance with the regulations of the Company Act as a company limited by shares, and named as FORMOSA OPTICAL TECHNOLOGY CO., LTD.</p>	<p>1. Added the Company's English name</p>
<p>Article 6: The Company's shares are issued as registered shares, and they shall be affixed with signature or personal seal of the director representing the Company, assigned with serial numbers, and in accordance with the law, duly certified or authenticated by the competent authority or a securities issuance and registration agency authorized by such authority before issuance thereof. May print consolidated share certificates or be exempted from printing.</p> <p>Shares issued in the preceding paragraph shall be registered with and placed under the custody of a centralized securities custody enterprise</p>	<p>Article 6: The Company's shares are issued as registered shares, and they shall be affixed with signature or personal seal of three or more directors, assigned with serial numbers, and in accordance with the law, duly certified or authenticated by the competent authority or a securities issuance and registration agency authorized by such authority before issuance thereof. May print consolidated share certificates or be exempted from printing.</p> <p>Shares issued in the preceding paragraph shall be registered with and placed under the custody of a centralized securities depository enterprise.</p>	<p>1. Amendment to description</p>
<p>Article 7: Shareholders shall declare their true name or name and place of residence to the Company, and fill in the specimen chop card to be retained by the Company for reference. If the specimen chop is lost, a report of the loss shall be made to the Company in writing with a guarantor. The Company's stock affairs shall be handled in accordance with the Company Act, Regulations Governing the Administration of Shareholder</p>	<p>Article 7: Shareholders shall declare their true name or name and place of residence to the Company, and fill in the specimen chop card to be retained by the Company for reference. If the specimen chop is lost, a report of the loss shall be made to the Company in writing with a guarantor. The specimen chop can only be replaced after the shareholder has placed an announcement in a newspaper of general circulation</p>	<p>1. Amendment to description</p>

After Amendment	Before Amendment	Description
Services of Public Companies, and other relevant laws and regulations.	in the city where the Company is located, of the invalidity of the chop.	
Article 18: The Company shall have seven to eleven Directors and three Supervisors who shall be elected by the shareholders' meeting from among the persons with disposing capacity, with a term of 3 years and may be eligible for re-election. The total registered shares owned by all Directors and Supervisors in the preceding paragraph shall be in accordance with Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.	Article 18: The Company shall have seven Directors and three Supervisors who shall be elected by the shareholders' meeting from among the persons with disposing capacity, with a term of 3 years and may be eligible for re-election. The total registered shares owned by all Directors and Supervisors in the preceding paragraph shall be in accordance with Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.	1. Amendment to number of Directors
Article 18-2: The Company's Board of Directors may establish other functional committees, and the regulations for the exercise of power shall be set by the Board of Directors. The Company's Board of Directors shall establish an Audit Committee, composed of the entire number of Independent Directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. The Audit Committee's duties, organizational rules, exercising of authority and other matters for compliance shall be handled in accordance with the relevant laws and regulations or Articles of Association.	Newly added	1. Added relevant regulations for the establishment of Audit Committee
Article 18-3: In line with Article 14-4 of the Securities and Exchange Act, the establishment of Audit Committee and its regulations set	Newly added	1. Added transitional provisions for establishment of Audit Committee

After Amendment	Before Amendment	Description
<p>forth in the Articles of Association shall be applicable when directors and supervisors are re-elected after the expiration of the term of office of existing Directors and Supervisors. From the date of establishment of the Audit Committee, relevant regulations with regards to Supervisors in the Articles of Association shall no longer be applicable.</p>		
<p>Article 35: These Articles of Association were formulated on October 19, 1989.  The 1st amendment was made on June 9, 1990.  :  :  The 26th amendment was made on June 22, 2015.  The 27th amendment was made on June 22, 2016.  The 28th amendment was made on June 24, 2020.</p>	<p>Article 35: These Articles of Association were formulated on October 19, 1989.  The 1st amendment was made on June 9, 1990.  :  :  The 26th amendment was made on June 22, 2015.  The 27th amendment was made on June 22, 2016.</p>	<p>1. Amendment dates are added</p>

**Formosa Optical Technology Co., Ltd.**  
**Rules of Procedures for Shareholders' Meetings**

Article 1. To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Article 2. The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Association, shall be as provided in these Rules.

Article 3. Unless otherwise provided by law or regulation, Company's shareholders meetings shall be convened by the board of directors.

The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) 30 days before the date of a regular shareholders meeting or 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS 21 days before a regular shareholders' meeting or 15 days before a special shareholders' meeting. 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Matters pertaining to election or discharge of Directors and Supervisors, alteration of the Articles of Association, dissolution, merger, spin-off, or items pertaining to Article 185 paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized in the causes or subjects to be described, and shall not be brought up as extempore motions.

Shareholders holding 1% or more of the total number of outstanding shares of the Company may submit a written proposal to the Company for discussion at a regular shareholders' meeting. However, only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. In addition, when any of the circumstances provided in paragraph 4, Article 172-1 of the Company Act

apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 4. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 6. 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 for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings



based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the Chairman of the board. When the Chairman of the board is on leave or for any reason unable to exercise the powers of the chair, the Chairman shall appoint one of the directors to act as chair, or, where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.

When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman of the Board in person and attended by a majority of the Directors, at least one Supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 8. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one-third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175 paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 10. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article 11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the

floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 12. Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179 paragraph 2 of the Company Act.

When the Company holds a shareholder meeting, it may adopt exercise of voting rights by electronic means or by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder who exercises voting rights by correspondence or electronic means is deemed to have attended the meeting in person. However, he/she is deemed to have waived his/her rights with respect to the extempore motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extempore motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company 2 days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made,

by the same means by which the voting rights were exercised, 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Association, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair may first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

A motion shall be deemed to be passed after the chair consults all attending shareholders who have no dissent, and its effect shall be the same as that of the voting.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

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

Article 14. The election of Directors or Supervisors 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 Supervisors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 15. Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

Article 16. On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under GreTai Securities Market regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17. Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19. These Rules and any amendments hereto shall be implemented after adoption by shareholders meetings.

**Formosa Optical Technology Co., Ltd. Articles of Association**

## Chapter I. General Provisions

- Article 1. The Company shall be organized in accordance with the Company Act as a company limited by shares, and named as FORMOSA OPTICAL TECHNOLOGY CO., LTD.
- Article 2. The scope of business of the Company shall be as follows:
1. CB01020 Office Machines Manufacturing.
  2. CC01060 Wired Communications Equipment and Apparatus Manufacturing Industry.
  3. CC01070 Telecommunication Equipment and Apparatus Manufacturing.
  4. CC01080 Electronic Parts and Components Manufacturing.
  5. CE01010 Photographic and Optical Equipment Manufacturing.
  6. F108031 Wholesale of Drugs, Medical Goods.
  7. F110020 Wholesale of Spectacles.
  8. F113070 Wholesale of Telecom Instruments.
  9. F208031 Retail sale of Medical Equipment.
  10. F210020 Retail Sale of Spectacles.
  11. F213060 Retail Sale of Telecom Instruments.
  12. F401010 International Trade.
  13. JZ99060 Spectacles Shops.
  14. IZ01010 Copying Services.
  15. IZ02010 Typewriting Services.
  16. IZ10010 Typesetting Services.
  17. F118010 Wholesale of Computer Software.
  18. F119010 Wholesale of Electronic Materials.
  19. I301010 Software Design Services.
  20. I301020 Data Processing Services.
  21. I301030 Digital Information Supply Services.
  22. I401010 General Advertising Services.
  23. I401020 Leaflet Distribution.
  24. JA02040 Clocks and Watches Repair Shops.
  25. F102040 Wholesale of Nonalcoholic Beverages.
  26. F107030 Wholesale of Cleaning Preparations.
  27. F108040 Wholesale of Cosmetics.
  28. F203010 Retail sale of Food and Grocery.
  29. F207030 Retail Sale of Cleaning Preparations.
  30. F208040 Retail Sale of Cosmetics.
  31. F113050 Wholesale of Computing and Business Machinery Equipment.
  32. F213030 Retail Sale of Computing and Business Machinery Equipment.
  33. F399040 Retail Business Without Shop.
  34. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3. The Company shall have its head office in New Taipei City, and pursuant to the resolutions adopted by the board of directors, it may, if necessary, set up branches within and outside the country. And may act as a guarantor. The Company's investment amount shall not be subject to the restriction of not more than 40% of the Company's paid-up capital as provided in Article 13 of the Company Act.

Article 4. Any public announcement by the Company shall be made in accordance with Article 28 of the Company Act.

## Chapter II. Capital Stock

Article 5. The authorized capital of the Company is NT\$850,000,000, divided into 85,000,000 shares of NT\$ 10 each, and are issued in installment.

Article 6. The Company's shares are issued as registered shares, and they shall be affixed with signature or personal seal of three or more directors, assigned with serial numbers, and in accordance with the law, duly certified or authenticated by the competent authority or a securities issuance and registration agency authorized by such authority before issuance thereof. May print consolidated share certificates or be exempted from printing.

Shares issued in the preceding paragraph shall be registered with and placed under the custody of a centralized securities depository enterprise.

Article 7. Shareholders shall declare their true name or name and place of residence to the Company, and fill in the specimen chop card to be retained by the Company for reference. If the specimen chop is lost, a report of the loss shall be made to the Company in writing with a guarantor. The specimen chop can only be replaced after the shareholder has placed an announcement in a newspaper of general circulation in the city where the Company is located, of the invalidity of the chop.

Article 8. For transfer of shares, the transferor and transferee shall complete the share transfer application form and apply to the Company together with the share certificates, and can only be set up as defence against the Company after entering it into the shareholder register.

Article 9. Any loss or damage to the share certificate shall be handled in accordance with the Company Act and general laws and regulations.

Article 10. For replacement of share certificate, the Company may charge an administration fee and stamp duty is payable.

Article 11. The Company shall not handle any requests for transfers of shares within 60 days prior to the shareholders meeting, 30 days prior to the special shareholders meeting, or 5 days prior to the record date for the distribution of dividends, bonuses or other interests.

## Chapter III. Shareholders' Meeting

Article 12. Shareholders' meeting comprises regular shareholders' meetings and special shareholders' meetings. A regular shareholders' meeting is convened once every year, within 6 months after the close of each fiscal year, and a notice shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A special shareholders' meeting shall be held when necessary, and a notice shall be given to each shareholder no later than 15 days prior to the scheduled meeting date.

The notice in the preceding paragraph shall state the meeting date, venue and reasons for convening the meeting.

Article 13. A shareholder who is unable to attend the shareholder's meeting may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

Regulations for use of proxies for shareholder's attendance shall be in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies promulgated by the competent authority, except for the provisions of Article 177 of the Company Act.

Article 14. Shareholders meetings shall be chaired by the Chairman of the Board. When the Chairman is unable to attend the meeting, the Chairman shall appoint one of the Directors to act as chair, or, where the Chairman does not make such a designation, the Directors shall select from among themselves one person to serve as chair. Where a shareholders' meeting is convened by any other person with power to convene but other than the Board of Directors, he or she shall act as the chair of that meeting provided, however, that if there are two or more persons having the convening right, the chair of the meeting shall be elected from among themselves. The shareholders' meeting shall be handled according to the Rules of Procedures for Shareholders' Meetings.

Article 15. A shareholder shall be entitled to one vote for each share held, except for shares which have no voting rights as specified in Article 179 of the Company Act.

Article 16. Except as otherwise provided in the Company Act, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. When the Company holds a shareholder meeting, it may adopt exercise of voting rights by electronic means or by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice.

Article 17. The resolutions at the shareholder meeting shall be recorded in the meeting minutes, which shall bear the signature or seal of the chair, and published within 20 days after the meeting. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

The attendance book of the shareholders and proxy form shall be kept for at least one year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

#### Chapter IV. Directors and Supervisors

Article 18. The Company shall have seven Directors and three Supervisors who shall be elected by the shareholders' meeting from among the persons with disposing capacity, with a term of 3 years and may be eligible for re-election. The total registered shares owned by all Directors and Supervisors in the preceding paragraph shall be in accordance with Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.

Article 18-1: In accordance with paragraph 2, Article 14 of the Securities and Exchange Act, the Company shall appoint at least two Independent Directors, and the number shall not be less than one-fifth of the total number of Directors. Appointment of Directors (include Independent Directors) and Supervisors shall be based on nomination, and appointed from the director candidate list in the shareholders' meeting. The Board of Directors shall be authorized to set the remuneration of Directors and Supervisors according to industry standard. Professional qualifications, shareholding, prohibition on positions held at other companies, nomination and selection process and other compliance matters of the Company's directors shall be handled in accordance with the relevant regulations of the competent securities authority.



- Article 19. In case election of Directors and Supervisors cannot be completed before the expiration of the term of office, the term of office for the existing Directors and Supervisors shall be extended until the new Directors and Supervisors elect assume office.
- Article 20. The Board of Directors shall elect a Chairman of the Board and a Vice Chairman from among the Directors by a majority vote at a meeting attended by over two-thirds of the Directors. The Chairman shall externally represent the Company.
- Article 21. In the case that the number of vacancies on the Board of Directors reaches one-third of the total number of Directors, or that all Supervisors are discharged, then the board of directors shall convene, within 60 days, a special shareholders' meeting to elect succeeding Directors or Supervisors to fill such vacancies; the term of office of the newly elected member shall be the same as the remaining term of the predecessor.
- Article 22. A Board meeting shall be called and chaired by the Chairman. When the Chairman of the Board is on leave or for any reason unable to exercise the powers of the Chairman, the Chairman shall appoint one of the Directors to act as chair, or, where the Chairman does not make such a designation, the Directors shall select from among themselves one person to serve as chair.
- In the case of emergency, a Board meeting may be convened at any time. The notice of the Board meeting shall be given to each Director and Supervisor by writing, email or fax.
- Article 23. Except where otherwise provided by the Company Act, the passage of a proposal at a Board meeting shall require the approval of a majority of the Directors in attendance at a Board meeting attended by a majority of all Directors. If attendance in person is not possible, they may appoint another Director to attend as their proxy, and give that Director a written proxy stating the scope of authorization with respect to the reasons for meeting. However a proxy may accept a proxy from one person only.
- Article 24. The resolutions at the Board meeting shall be recorded in the meeting minutes, which shall bear the signature or seal of the chair, and distributed to each director within 20 days after the meeting. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company. The attendance book of the directors and proxy form shall be kept for at least one year.
- Article 25. In addition to performing duties according to laws and regulations, supervisors may attend the meeting of the board of directors to express their opinions with no right to vote.
- Article 26. Directors and Supervisors of the Company shall be entitled to remuneration for their duties regardless of profit or loss. The Board of Directors is authorized to determine the remuneration within the standards for maximum salaries established in the Company's Remuneration Policy based on the level of their participation in the Company's operations and the value of their contribution. The Company's profit distribution shall be handled in accordance with Article 31. The Board of Directors shall be authorized to determine the amount of liability insurance to be purchased for all Directors and Supervisors.

## Chapter V. Managers and Employees

- Article 27. The Company may have a President and several Vice Presidents and assistant managers, and their appointment and discharge shall be approved by a majority of the Board of Directors. However, the appointment and discharge of Vice Presidents and assistant managers shall be nominated by the President.
- Article 28. The Company may employ consultants or key employees with the approval of the Board of Directors.
- Article 29. Appointment and discharge of the Company's other employees shall be by the President, and submitted to the Board of Directors for future reference.

## Chapter VI. Final Accounts

- Article 30. Upon the close of each fiscal year, the Board of Directors shall prepare various reports and financial statements, submit them to the supervisors for inspection 30 days prior to the shareholders' meeting, and then to the shareholders' meeting for ratification: I. Business Report II. Financial Statements. III. Proposal for Profit Distribution or Loss Appropriation.
- Article 31. In case the Company makes profit during a financial year, no less than 1% of the said profit shall be set aside for employees' compensation. The Board of Directors shall determine whether to issue the compensation in stocks or cash. Recipients of the said compensation shall include the Company's employees that satisfy specific criteria. The Company permits the Board of Directors to set aside no more than 3% of the sum of the aforementioned profit as remuneration of Directors and Supervisors. Proposals for the distribution of employees' compensation as well as remuneration of Directors and Supervisors shall be submitted to the shareholders' meeting and presented accordingly. However, the Company's accumulated losses shall have been covered before setting aside an amount as employees' compensation and remuneration of Directors and Supervisors according to the ratio in the preceding paragraph.
- Article 31-1: For surplus after the close of the fiscal year, the Company shall, in accordance with the law, set aside 10% as legal reserve after its taxes have been paid and losses covered. However, when the legal reserve amounts to the Company's paid-in capital, this shall not apply, and the rest may be appropriated or reversed to special reserve according to the laws and regulations. The Board of Directors shall prepare a profit distribution proposal for any remainder, together with the undistributed earnings, and submit to the shareholders' meeting for resolution of distribution of dividends and bonuses.
- The Company's dividend policy is in line with current and future development plans, and takes into consideration investment environment, capital requirements, domestic and overseas competition, and shareholders' interest. Not less than 20% of distributable earning may be distributed as dividend and bonus per year. However, there shall be no distribution if the distributable earning is less than 70% of paid-up capital. Dividends and bonuses may be distributed in cash or stock, where cash dividend shall not be less than 10% of the total dividends.

## Chapter VII. Supplementary Provisions

- Article 32. The Company's organizational rules and administrative regulations shall be prescribed by the Board of Directors.

- Article 33. Matters not covered in the Articles of Association shall be handled in accordance with the provisions of the Company Act and other relevant laws and regulations.
- Article 34. The Articles of Association and any amendments hereto shall be implemented after adoption by shareholders' meetings and approval from the administration.
- Article 35. The Articles of Association was established on October 19, 1989.
- The 1st amendment was made on June 9, 1990.
  - The 6th amendment was made on March 13, 1991.
  - The 3rd amendment was made on June 8, 1991.
  - The 4th amendment was made on April 23, 1993.
  - The 5th amendment was made in November 1, 1993.
  - The 6th amendment was made on June 21, 1994.
  - The 7th amendment was made on November 28, 1994.
  - The 8th amendment was made on May 16, 1996.
  - The 9th amendment was made on June 24, 1997.
  - The 10th amendment was made on June 24, 1998.
  - The 11th amendment was made in November 10, 1998.
  - The 12th amendment was made on June 24, 1999.
  - The 13th amendment was made on September 1, 1999.
  - The 14th amendment was made on June 23, 2000.
  - The 15th amendment was made on March 27, 2001.
  - The 16th amendment was on November 16, 2001.
  - The 17th amendment was made on November 16, 2001.
  - The 18th amendment was made on June 28, 2002.
  - The 19th amendment was made on June 28, 2004.
  - The 20th amendment was made on June 24, 2005.
  - The 21st amendment was made on June 27, 2006.
  - The 22nd amendment was made on June 25, 2010.
  - The 23rd amendment was made on June 24, 2011.
  - The 24th amendment was made on June 27, 2012.
  - The 25th amendment was made on June 26, 2013.
  - The 26th amendment was made on June 22, 2015.
  - The 27th amendment was made on Jun22, 2016.

**Formosa Optical Technology Co., Ltd.****Regulations Governing Procedure for Board of Directors Meetings**

- Article 1. The Regulations are established in accordance with Article 2 of Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and the meetings of the Company's Board of Directors shall be handled in accordance with these Regulations.
- Article 2. The reasons for calling a Board meeting shall be notified to each Director and Supervisor at least 7 days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.
- The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.
- A Board meeting shall be held at the location and during the business hours of the Company, or at a place and time convenient to all Directors and suitable for holding such a meeting.
- Article 3. The Company's Board meetings shall be convened at least once every quarter. It shall be called and chaired by the Chairman. However, the first Board meeting of each term shall be convened and chaired by the Director whose ballots represent the most voting rights at the shareholders' meeting. When there are two or more persons with the right to convene, they shall choose one from among themselves.
- When the Chairman is on leave or for some reasons unable to exercise the power, the Vice Chairman shall serve as a proxy. If there is no Vice Chairman or the Vice Chairman is on leave or for some reasons unable to exercise the power, the Chairman shall appoint a Managing Director to serve as a proxy. If there is no Managing Directors, the Chairman shall appoint one Director to serve as a proxy. If the Chairman does not appoint a proxy, the Directors shall elect one from among themselves.
- Article 4. The agenda working group appointed by the Board of the Company is Finance and Accounting Office.
- The agenda working group shall prepare agenda items for Board meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting. If Directors consider the meeting materials to be insufficient, they may request the unit in charge to provide supplementary information. If Directors consider the materials concerning the proposals to be insufficient, the deliberation may be postponed upon a resolution of the Board.
- All matters set out in Article 7 paragraph 1 shall be specified in the notice of the reasons for calling a Board meeting; none of them may be raised by an extempore motion except in the case of an emergency or legitimate reason.
- Article 5. When a Board meeting is held, an attendance book shall be made ready for signature by Directors attending, and relevant materials shall be prepared for the Directors to refer to at all times.
- All Directors shall attend Board meetings in person; if attendance in person is not possible, they may, pursuant to the Company's Articles of Association, appoint another Director to attend as their proxy.

Attendance via tele- or video-conference is deemed as attendance in person.

A Director appointing another Director to attend a Board meeting in his or her place shall in each case give that Director a written proxy stating the scope of authorization with respect to the reasons for meeting.

A proxy under paragraph 2 may accept a proxy from one person only.

Article 6. When holding a Board meeting, the Company may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants. When necessary, the Company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements. However, they shall leave the meeting when deliberation or voting takes place.

Agenda items for regular Board meetings shall include at least the following:

- I. Announcements
  - (I) Minutes of the last meeting and actions arising.
  - (II) Reporting on important financial and business matters.
  - (III) Reporting on internal audit activities.
  - (IV) Other important matters to be reported.
- II. Discussions:
  - (I) Items discussed and continued from the last meeting.
  - (II) Items to be discussed at this meeting.
- III. Extempore Motions

Article 7. The Company shall submit the following items for discussion at a Board meeting:

- I. The Company's business plan.
- II. Annual and semi-annual financial reports. However, semi-annual financial reports, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).
- III. Adoption or amendment of the internal control system as stipulated in Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.
- IV. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- V. Offering, issuance, or private placement of any equity-type securities.
- VI. The appointment or discharge of a financial, accounting, or internal audit officer.
- VII. A donation to a related party or a major donation to a non-related party. However, a public-interest donation of disaster relief for a major natural disaster no more than NT\$ 5 million may be submitted to the following Board meeting for retroactive recognition.
- VIII. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or Board meeting, or any such significant matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1% of net operating revenue or 5% of paid-in capital as stated in the CPA-attested financial report for the most recent year. (For foreign companies whose stock has no par value or a par value other than NT\$10, the "5% of paid-in capital" in paragraph 2 above shall be calculated instead as 2.5% of shareholder equity.)

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current Board meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.

At least one Independent Director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by the Board of Directors under Paragraph 1, each Independent Director shall attend in person; if an Independent Director is unable to attend in person, he or she shall appoint another Independent Director to attend as his or her proxy. When an Independent Director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board Meeting. If the Independent Director cannot attend the Board meeting in person to voice his/her dissenting or qualified opinion, unless there are justifiable reasons for failure to do so, he/she shall provide a written opinion in advance, and the opinion shall be noted in the minutes of the Board meeting.

Article 8. Apart from matters referred to in paragraph 1 of the preceding Article, which are required to be submitted for discussion by the Board of Directors, the Board of Directors, pursuant to laws or regulations or the Company's Articles of Association, may authorize the Chairman to exercise the powers of the Board, and the authorized contents are as follows:

- I. Approval of important contracts.
- II. Approval of real estate mortgages and other loans.
- III. Approval of the Company's general property and real property acquisition and disposal.
- IV. Appointment of directors and supervisors for the companies that are invested by the Company.
- V. Approval of the base date for capital increase or capital reduction and the base date for distribution of cash dividends.

Article 9. When the time of a meeting has arrived and one-half all board directors are not present (calculated as the number of directors then in office), the meeting chair may announce postponement of the meeting time, provided that only two postponements may be made. If the quorum is still not met after two such delays, the chair shall re-call the meeting following the procedures provided in paragraph 1 of Article 2.

A board of directors meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the

approval of a majority of Directors present at the meeting.

The meeting chair may not declare the meeting closed without the approval of a majority of Directors present at the meeting.

If at any time during the proceeding of a Board meeting, the Directors sitting at the meeting are not more than half of the Directors present at the meeting, then upon motion by the Directors sitting at the meeting, the chair shall declare a suspension of meeting, in which case paragraph 1 shall apply mutatis mutandis.

Article 10. One voting right per director: Except where otherwise provided by the Securities and Exchange Act, the Company Act and the Articles of Association, the passage of a proposal at a Board meeting shall require the approval of a majority of the Directors in attendance at a Board meeting attended by a majority of all Directors.

When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If anyone among them is passed, the other proposals shall then be deemed rejected and no further voting on them shall be required.

Voting results shall be made known on-site immediately and recorded in writing.

Article 11. If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item, the Director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that Director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another Director.

The provisions of Article 180, paragraph 2 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 4 of that Act, apply to resolutions of Board meetings when a Director is prohibited by the preceding paragraph from exercising voting rights.

Article 12. When a proposal comes to a vote at a Board meeting, the chair may appoint counting personnel to count the votes, and all attending directors as monitoring personnel.

When the chair at a Board meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chair may announce the discussion closed and bring the matter to vote.

When a proposal comes to a vote at a Board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved.

If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote. One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

I. A show of hands

II. A roll call vote

III. A vote by ballot

IV. A vote by a method selected at the Company's discretion

All Directors present at the meeting in the paragraphs 2 and 3 does not include Directors

prohibited from exercising voting rights pursuant to paragraph 1 of Article 11 .

Article 13. Minutes shall be prepared for the discussions at Board meetings. The meeting minutes shall record the following:

- I. The term (or year), time, and place of meeting.
- II. Name of the meeting chair.
- III. Attendance of Directors at the meeting, specifying the names and number of members present, excused, and absent.
- IV. Names and titles of those attending the meeting as nonvoting participants.
- V. Name of minutes taker.
- VI. Matters reported on.
- VII. Discussion items: The method of resolution and the result for each proposal; a summary of the comments made by Directors, Supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of Article 11, an explanation of the important aspects of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an Independent Director under paragraph 4 of Article 7 .
- VIII. Extempore motions: The name of the proposer; the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any Director that is an interested party as referred to in paragraph 1 of Article 11, an explanation of the important aspects of the relationship of interest, the reasons why the Director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
- IX. Other matters to be recorded.

Any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the meeting minutes and within 2 days of the meeting be published on an information reporting website designated by the competent authority:

- I. Any matter about which an Independent Directors expresses an objection or reservation that has been included in records or stated in writing.
- II. If the Company has an Audit Committee, any matter that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all Directors without having been passed by the Audit Committee.

The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the Company.

The minutes of a Board meeting shall bear the signature or seal of both the meeting chair and the minutes taker; a copy of the minutes shall be distributed to each Director and Supervisor within 20 days after the meeting and well preserved as important company records during the existence of the Company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be



done in electronic form.

The Company shall record on audio or video tape the entire proceedings of a Board meeting, and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a Board meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where a Board meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the Company.

Article 14. Matters not specified in these rules of procedure shall be governed by the Company Act, the Company's Articles of Association, and other relevant laws and regulations.

Article 15. These Procedures shall come into force with the approval of the Board of Directors and shall be reported to the shareholders' meeting. The Board of Directors may be authorized to adopt, by resolution, any future amendments to these Rules.

## Shareholding of Directors and Supervisors

- In accordance with Article 26 of the Securities and Exchange Act and the regulations governing the minimum percentage to be held by the Directors and Supervisors of a public company, and the examination of such holding.  
(The Company is in compliance with the regulations for Independent Directors):
  - The total number of shares held by the entire body of non-independent Directors shall not be less than the Company's issued 4,804,791 shares.
  - The total number of shares held by the entire body of Supervisors shall not be less than the Company's 480,479 issued shares.
- The number of shares held by the Company's Directors and Supervisors as recorded in the shareholders' register as of the book closure date for the current shareholders' meeting.

Date of Shareholders' Meeting: June 24, 2020

Title	Name	Number of shares currently	
		Number of Shares	%
Chairman	Jie Fu Investment Co., Ltd Representative: Tsai, Kuo-chou	10,785,057	17.95%
Vice Chairman	Tsai, Kuo-Ping	389,439	0.64%
Director	Chen, Chih-Hsien	124,000	0.20%
Director	Jie Fu Investment Co., Ltd Representative: Tsai, Yi-Shan	10,785,057	17.95%
Independent Director	Tsai, Yu-Ching	0	0.00%
Independent Director	Wen, Chung-Chi	0	0.00%
Independent Director	Wu, Meng-Jou	0	0.00%
Number of shares held by all non-independent directors		11,298,496	18.81%

Supervisor	Formosa Electronics Co., Ltd Representative: Chueh, Tzu-CHIANG	874,115	1.45%
Supervisor	Chih-Wei Investment Co., Ltd Representative: Chang, Chih-Wei	1,300,972	2.16%
Supervisor	Yao, Hsiu-Pi	0	0.00%
Number of shares held by all Supervisors		2,175,087	3.62%

Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

Item		Year	2019 (Estimated)
Beginning paid-in capital			600,598,980
Distribution of shares and dividends in current fiscal year	Cash dividends per share		4.00
	Number of shares allotted for capital transferred from surplus		0
	Number of shares allotted for capital transferred from capital reserve		0
Changes in operating performance	Operating profit		Not applicable (Note 1)
	Ratio of increase (decrease) in operating profit compared to the same period last year		
	Net profit after tax		
	Ratio of increase (decrease) in net income after tax compared to the same period last year		
	Earnings per share		
	Ratio of increase (decrease) in earnings per share compared to the same period last year		
	Annual average return on investment (annual average P/E ratio)		
Pro-forma earnings per share and P/E ratio	If surplus is transferred to the capital increase, the cash dividend will be fully adjusted.	Pro-forma earnings per share	Not applicable (Note 1)
		Pro-forma average annual return on investment	
	If capital transferred from capital reserve is not conducted	Pro-forma earnings per share	
		Pro-forma average annual return on investment	
	If capital reserve has not been prepared and capital transferred from surplus is changed into distribution of cash dividends	Pro-forma earnings per share	
		Pro-forma average annual return on investment	

Note 1: Pending resolution of 2020 shareholders' meeting.

Note 2: According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company is not required to disclose 2019 financial forecast information, and hence not applicable.

Chairman: Tsai, Kuo-Chou Manager: Tsai, Yi-Shan Accounting Manager: Chang, Li-Hui

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