

# **Altek Corporation**

## **Handbook for 2020 Annual General Shareholders' Meeting (Translation)**

**Date : June 12, 2020 at 9 a.m.**

**Place: Room 203, No.2, Zhanye 1st Rd., Hsinchu City, Taiwan**

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This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.

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## **Altek Corporation**

### **The 2020 Annual General Shareholders' Meeting Procedures**

- I. Call Meeting to Order
- II. Chairman's Address
- III. Report Items
- IV. Recognition Items
- V. Discussion and Election Items
- VI. Extraordinary Motions
- VII. Adjournment

## **Altek Corporation**

### **The 2020 Annual General Shareholders' Meeting Agenda**

**Time:** June 12, 2020 (Friday) at 9:00 am

**Place:** Room 203, No. 2, ZhanYe 1<sup>st</sup> Road, Hsinchu City, Taiwan (R.O.C.)

#### **Agenda**

- I. Call Meeting to Order (Announcing the shareholding of the attendees)
- II. Chairman's Address
- III. Report Items
  - (I) 2019 business report.
  - (II) Audit Committee's review report.
  - (III) Distribution of 2019 profit sharing bonus to employees and directors.
  - (IV) 2019 cash dividend report.
  - (V) To report the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement
  - (VI) Implementation of share buyback program.
- IV. Recognition Items
  - (I) 2019 business report and financial statements.
  - (II) Distribution of 2019 earnings.
- V. Discussion and Election Items
  - (I) To amend the Articles of Incorporation.
  - (II) To approve the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement.
  - (III) To elect the board members for the 9th term.
  - (IV) To release the prohibition on directors from participation in competitive Business.
  - (V) To amend the Rules of Procedure for Shareholder Meetings.
- VI. Extraordinary Motions
- VII. Adjournment

## Report Items

Proposal 1: 2019 business report

Explanations:

Please refer to Attachment 1 (Page 14~15) for the 2019 business report.

Proposal 2: Audit Committee's review report

Explanations:

Please refer to Attachment 2 (Page 16) for the Audit Committee's review report.

Proposal 3: Distribution of 2019 profit sharing bonus to employees and directors.

Explanations:

I. According to Article 25 of the Company's Articles of Incorporation, the Company shall appropriate 10%~20% of the annual earnings, if any, as employees' profit sharing bonus and appropriate no more than 2% of the annual earnings as director's bonus.

II. It's proposed to appropriate 15% of the annual earnings, equivalent to NT\$16,220,178, as employees' profit sharing bonus and 2% of the annual earnings, equivalent to NT\$2,162,690, as director's bonus. The aforementioned amounts are the same as the amounts estimated in 2019 and will all be paid in cash.

Proposal 4: 2019 cash dividend report.

Explanations:

I. According to Article 26 of the Company's Articles of Incorporation, the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

II. Cash dividends to common shareholders: Totaling NT\$139,793,663. Each common share holder will be entitled to receive a cash dividend of NT\$0.5 per share. The cash dividend less than NT\$1 for the odd shares will be booked as other income of the Company.

III. The Board of Directors resolved to authorize the Chairman to schedule the ex-dividend date, dividend distribution date. If the outstanding shares are affected by the changes in the capital stock of the Company and thus affects the distribution ratio to shareholders, the Chairman is authorized to handle the relevant matters discretely.

Proposal 5: To report the status of issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement.

Explanations:

I. The Annual General Shareholders' Meeting held on June 13, 2019 approved to issue new common shares in private placement and/or issue domestic or overseas convertible bonds in private placement (hereinafter "the Fund Raising") not exceeding 60,000,000 shares subject to Article 43-6 of Securities and Exchange Act, and to carry out the Fund Raising in single or combo instruments, one or two run(s) within one year.

II. The Fund Raising has yet been executed and it will be due on June 12, 2020. The Board of directors has resolved to cease the Fund Raising in the remaining period.

Proposal 6: Implementation of share buyback program.

Explanations:

I. Implementation of share buyback program as below:

Batch Order	The 9 <sup>th</sup> Batch (The 1st of 2020)	The 10 <sup>th</sup> Batch
Date of board resolution	2020/01/31	2020/03/20
Purpose of buy-back	To transfer to employees	To transfer to employees
Timeframe of buy-back	2020/02/03-2020/04/02	2020/03/23-2020/05/22
Estimated Quantity of buy-back	8,000,000 shares	8,000,000 shares
Price range	NT\$20 to NT\$28 per share	NT\$18 to NT\$25 per share
Quantity of shares bought back	8,000,000 shares	It has not been completed as of the publication date for this manual. The actual status will be reporting at shareholders' meeting.
Value of shares bought-back	NT\$145,952,950	
Average repurchase price per share	NT\$18.24	
Shares sold/transferred	0 shares	
Accumulated number of company shares held	8,000,000 shares	
Percentage of total company shares held (%)	2.86%	
Reasons for failure to complete the buy-back program before the expiration date	N.A.	

II. Attach the 1<sup>st</sup> Rules on Transfer Repurchased Shares to Employees for 2020 and the 10<sup>th</sup> Rules on Transfer Repurchased Shares to Employees. Please refer to Attachment 3 and 4 (Page 17~20).

## **Recognition Items**

Proposal 1: 2019 business report and financial statements (Proposed by the Board of Directors)

Explanations:

I. The Company's 2019 financial statements were audited by CPA Kwok-Wah Tsang and CPA Li, Tien-Yi of PricewaterhouseCoopers Taiwan which were presented and resolved along with the business report in the 15<sup>th</sup> board meeting of the 8<sup>th</sup> term of Board of Directors as well as reviewed by the Audit Committee.

II. Please refer to Attachment 1 (Page 14) for the business report and Attachment 5 (Page 21~33) for the independent auditor's report and financial statements.

Resolutions:

Proposal 2: Distribution of 2019 earnings (Proposed by the Board of Directors)

Explanations:

I. The Company plans to distribute the 2019 earnings in accordance with the Company Act and the Company's Articles of Incorporation as follows:

Unit: NTD

Item	Amount
Unappropriated earnings – beginning	2,311,812,038
Add: The 2019 net income	84,307,773
Add: The actuarial benefits of the current defined benefit plan	(1,143,762)
Less: 10% legal reserve	(8,316,401)
Less: Special reserve	(156,646,026)
Current earnings available for distribution	2,230,013,622
Distribution:	
Cash dividend (NT\$0.5 per share)	(139,793,663)
Stock dividend	0
Unappropriated earnings - ending	2,090,219,959
<p>Note 1: The cash dividend per share for the aforementioned shareholder is computed in accordance with the 279,587,325 shares entitled to the dividend distribution as of March 11, 2020. The cash dividend less than NT\$1 for the odd shares will be booked as other income of the Company.</p> <p>Note 2: The distribution of earnings is based on the earnings generated in 2019 and the insufficient amount, if any, is to be replenished with the earnings of previous years according to the last-in-first-out principle.</p>	

Resolutions:

## **Discussion and Election Items**

Proposal 1: To amend the Articles of Incorporation. (Proposed by the Board of Directors)

Explanations:

To comply with the Company Act and to accommodate the Company's actual operational needs, it is proposed to amend the Articles of Incorporation. Please refer to Attachment 6 (page 34~35) for the comparison table of amendments.

Resolutions:

Proposal 2: To approve the issuance of new common shares in private placement and/or issuance of domestic or overseas convertible bonds in private placement.  
(Proposed by the Board of Directors)

Explanations:

I.To invest the high-end technologies, enrich working capital, repay borrowings, reinforce financial structures, invite strategic investors and support the Company's development funding needs, taking fund-raising flexibility into consideration and in accordance with Article 43-6 of the Securities and Exchange Act, it is proposed that the shareholders meeting to authorize the Board of Directors, within the limit of 60,000,000 common shares, to raise funds through private placement based on the Company's needs and market conditions. Afore-mentioned private placement includes single or combo instruments such as issuance of new common shares for cash in private placement ("Private Placement Common Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB"), and shall be executed by one or two run(s). For issuance of Private Placement CB, the number of common shares to be converted shall be calculated in accordance with the conversion price at the time of issuance and shall be no more than 60,000,000 shares. Considering the capital market's effectiveness, feasibility and costs to raise capital, the benefits to maintain long-term relationship with strategic partners and the no-trading period of 3 years by such security issuance of private placement, the Company proposed to raise funds through private placement, rather than public offering. Please refer to Attachment 7(Page 36~39) for the amount of shares, the basis and rationality to determine the issue price, the method of determining specific investors, objective, necessity and anticipated benefit, the necessity for issuance of Private Placement Common Shares and the use of proceeds and the anticipated benefit.

II.It's proposed that the shareholders meeting to authorize the Board to adjust and process the Private Placements conditions, convertible bond issuance and conversion scheme, use of proceeds, schedule, anticipated benefit and other relevant matters based on the Company's needs, market conditions, relevant laws and regulations, instruction by competent authority.

III.The Chairman or designated personnel shall be authorized to process all matters related to the Private Placement and sign relevant contracts on behalf of the Company.

IV.For matters not mentioned herein, the Board of Directors shall be authorized to process fully by relevant laws and regulations.

Resolutions:

Proposal 3: To elect the board members for the 9th term. (Proposed by the Board of Directors)

Explanations:

I. The 8<sup>th</sup> term of the Board of Directors of the Company will expire on June 15, 2020. Since the shareholders' meeting will be held on June 12, 2020 ahead of the schedule, the 9<sup>th</sup> term of Board of Directors (including Independent Directors) will be elected accordingly in accordance with Articles 195 of the Company Law. The 8<sup>th</sup> session of the Directors will be discharged on the date when the 9<sup>th</sup> session of the Directors begins their duties (which is 12<sup>th</sup> June, 2020).

II. The Company intends to set up the Audit Committee in accordance with the Securities and Exchange Act, which shall be organized by all three Independent Directors.

III. The Company has seven~nine Directors elected for a term of three years that shall be elected among the competent individuals in the shareholders' meeting and they can be elected for a second term according to Article 15 of the Articles of Incorporation of the Company. There should be not less than three Independent Directors elected among the aforementioned Board Directors, which shall not be less than one fifth of the seats of the Directors. It was resolved in the 15th meeting of the Company's 8th term of Board of Directors that the seven Directors (including three Independent Directors) elected for the 9th term of Board of Directors begin their duties for a term of three years from June 12, 2020 to June 11, 2023.

IV. The Directors of the Company are elected according to the nomination system for candidates and the list of candidates for Directors has been examined and approved in the 16th meeting of the 8th term of Board of Directors. The information related to their education, experience, and shareholding is as follows:

Title	Name	Education	Experience	Shareholding as of April 14, 2020
Director	Alex Hsia	M.A. of Electronics Engineering, UCS	Vice President of Microtek Co.	897,934 shares
Director	Sophia Chen	Bachelor of Rutgers University of New Jersey	President of Gold Jasper Management Co., Ltd.	0 share
Director	Simon Law*	University of California, Berkeley, USA	Design Manager of Xerox Corporation	13,956,100 shares
Director	Belle Liang*	MBA of Finance, National Taiwan University	Special Assistant to Chairman of THSR Corporation	13,956,100 shares

Title	Name	Education	Experience	Shareholding as of April 14, 2020
Independent Director	MORI SHOREI	Researcher of Faculty of Engineering The University of Tokyo	Director of Fuji Film Corp. Japan	0 share
Independent Director	Kuo Hsiung Wu	Ph.D. of Computer Science, UCLA, USA	Vice president of TSMC Japan	0 share
Independent Director	Daphne Wang	M.A. of Business Administration, University of Pittsburgh, USA	Assistant Manager of CDIB Capital Group	805 shares

\* The representative of Yitsang International Limited Company.

V. This election will be implemented in accordance with the Procedures for Election of Directors. Please refer to appendix 3 (page 56~59).

Voting results:

Proposal 4: To release the prohibition on directors from participation in competitive Business. (Proposed by the Board of Directors)

Explanations:

I. According to Article 209 of the Company Law, the Directors conducting the same or similar business with the Company's business for themselves or others shall explain the important contents of their acts in the shareholders' meeting for approval.

II. For the Directors and their representatives of the Company newly elected in the 2020 annual general shareholders' meeting, under the precondition of not jeopardizing the Company's best interests, it's proposed to release the non-competition restrictions in accordance with Article 209 of the Company Law. The scope of aforementioned non-competition restrictions to be released is to be explained when discussed in the annual general shareholders' meeting.

Title	Name	Company name and position of Participation in Competitive Business	Main scope of business
Director	Alex Hsia	Chairman of Altek Semiconductor Corp.	R&D and sales of integrated circuits with special applications
		Executive Director of Altek Semiconductor (Shanghai) Co., Ltd.	Imaging technology and electronic hardware and software development and sales
		Chairman of Altek Semiconductor (Cayman) Co., Ltd.	Business operation and investment
Director	Sophia Chen	Independent Director of Veden Dental Group	Medical (dental) materials manufacturing
Director	Belle Liang*	Independent Director of eGalax_eMPIA Technology Inc	IC design, electronic materials wholesale and retail

\* The representative of Yitsang International Limited Company.

Resolutions:

Proposal 5: To amend the Rules of Procedure for Shareholder Meetings.

(Proposed by the Board of Directors)

Explanations:

To comply with the Company Act and to accommodate the Company's actual operational needs, it is proposed to amend the Rules of Procedure for Shareholder Meetings. Please refer to Attachment 8 (page 40~46) for the comparison table of amendments.

Resolutions:

## **Extraordinary Motions**

## **Adjournment**

## **Altek Corporation**

### **2019 Business Report**

In the last year, the global political and economic situation has changed rapidly, such as the trade war, the rise of national protectionism, geopolitical tensions, and the extreme weather disasters. In addition, the developed countries are facing growth bottlenecks, rapid technological innovation, dramatic changes in consumer behaviors and corporate business models, all of which are facing severe challenges. In recent years, Altek has continued to transform and develop in the field of digital imaging and optimize its product structure. Due to the transition period of old and new products and the delay launch of new products by customers, consolidated revenue of 2019 was NT \$ 6.2 billion, decreased significantly than last year. Consolidated gross profit margin increased to 16%, net income was NT\$ 84 million, and earnings per share was NT\$0.31.

Altek has been deeply involved in the field of digital imaging for more than 20 years. We have the total solution of software and hardware system integration, chip designed and algorithm capabilities. In recent years, it has been actively developing Edge Vision AI (Vision AI Company). Altek continues to cooperate with Qualcomm, Microsoft, Amazon and other international giants to provide edge AI solutions for various industries, which provide commercial and home AI security camera systems, imagine signal processor , 3D sensor solutions and other vision related products. Altek's capabilities for those new trend-up product lines generate the long-term growth drivers. Moreover, in the medical product lines such as blood glucose meters, insulin injection systems and disposable endoscopes will be steadily growth in the next few years.

Looking forward to 2020, the whole world has been shrouded in the shadow of the coronavirus, which has a profound impact on the global industry and economy. With continuously investing in smart imaging core technology and system integration capabilities, strengthen the company's competitiveness, Altek will continue to work hard to overcome various challenges, and to strengthen the company's growth and competitiveness. Altek is expecting to achieve higher shareholders' value. Thanks again to all shareholders for the long-term support and encouragement to the Company.

Chairman & CEO

Alex Hsia

## **Audit Committee's Review Report**

To: The 2020 Annual General Shareholders' Meeting

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers was retained to audit Altek's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Altek Corporation. According to relevant requirements of the Securities Exchange Act and the Company Act, we hereby submit this report.

### **Altek Corporation**

Chairman of the Audit Committee

Ching Jen Hu

March 20, 2020

## **The 1st Rules on Transfer Repurchased Shares to Employees for 2020**

Revised on March 20, 2020

### Article 1

For the purpose to encourage our employees and to build cohesion among the employees, the Company hereby, pursuant to Article 28-2, Paragraph 1, Subparagraph 1 of the "Securities and Exchange Act" and the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" issued by Financial Supervisory Commission R.O.C., establishes the 2020 1st Plan of Share Repurchase and Transferring to the Employees"(the "Plan"). Except otherwise provided in relevant laws or regulations, all share repurchase and transfer to the employees of the Company shall

be implemented in compliance with the Plan.

### Article 2

Type of transfer of shares, content of rights and restrictions on rights

The shares to be transferred to the employees are ordinary shares. Except as otherwise provided in relevant laws or regulations or in this plan, the rights and obligations embedded thereon are the same with other ordinary shares of the Company.

### Article 3

Transfer period

The repurchased shares can be transferred to employees in one time or several times, such subscription day(s) shall be set within 5 years from the date of share-repurchase.

### Article 4

Transferee's eligibility

Any full-time employee of the Company and its subsidiaries who has served on the subscription record date and approved by the Chairman is eligible for subscription in accordance with Article 5 of the plan.

### Article 5

The procedure of transfer

The number of shares to be subscribed by the employees shall be determined by the Chairman in consideration of the service years, position, grade, performance, overall contribution, special merits or other conditions for the management needs to determine the rights of the shares being received by the employees.

However, for employees who are managerial officers or Board members, the award of such shares shall obtain approval of the Compensation Committee in advance.

### Article 6

The procedure of the Plan

(1) In accordance with the resolution of the Board to make the announcement and the filings and repurchase the shares of the Company within the execution period.

(2) The Board authorizes the Chairman in accordance with the Plan to announce and approve the number of shares transferred in each phase, the employees' subscription record date, the standard of the number of shares to be subscribed, the payment period of the subscription, the content of rights, the conditions of restrictions, and etc.

(3) If the employee fails to subscribe and make the payment at the expiration of the payment period, it shall be deemed as a waiver, and the balance of the under-subscription shall be authorized to the Chairman to have other employees to subscribe.

(4) Count the actual number of shares being paid for subscription and process the registration of the transfer of shares.

#### Article 7

The agreed transfer price per share

For the repurchase shares being transferred to the employees, the transfer price is the average repurchase price of the repurchased shares.

However, before the transfer, if the Company's outstanding common shares increase or decrease, it may be adjusted according to the increase or decrease ratio of the issued shares.

Transfer price adjustment formula: Adjusted transfer price = Average repurchase price of shares repurchased x (Total number of outstanding common shares at the time of filing the repurchase of shares / Total number of outstanding common shares before the transfer of the repurchase shares to the employees)

#### Article 8

Rights and obligations of shares after transfer

After the repurchased shares have been transferred and registered under employees' names, unless otherwise specified, the rights and obligations associated with the shares are the same as the other common shares.

#### Article 9

Other related rights and obligations of the Company and employee

The taxes and fees incurred in association with the Plan shall be handled in accordance with the regulations currently in effect and the relevant procedures of the Company.

The Company may reserve the right to adjust the Plan in accordance with the regulation amended. The employees who subscribe the repurchased shares shall undertake the obligation of confidentiality.

#### Article 10

This Plan shall take effect and be amended after being affirmatively resolved by the Board.

#### Article 11

The enactment and any amendment of the Plan shall be reported to the shareholders meeting.

## **The 10th Rules on Transfer Repurchased Shares to Employees**

Set on March 20, 2020

### Article 1

For the purpose to encourage our employees and to build cohesion among the employees, the Company hereby, pursuant to Article 28-2, Paragraph 1, Subparagraph 1 of the "Securities and Exchange Act" and the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" issued by Financial Supervisory Commission R.O.C., establishes the 10th "Plan of Share Repurchase and Transferring to the Employees"(the "Plan"). Except otherwise provided in relevant laws or regulations, all share repurchase and transfer to the employees of the Company shall be implemented in compliance with the Plan.

### Article 2

Type of transfer of shares, content of rights and restrictions on rights

The shares to be transferred to the employees are ordinary shares. Except as otherwise provided in relevant laws or regulations or in this Plan, the rights and obligations embedded thereon are the same with other ordinary shares of the Company.

### Article 3

Transfer period

The repurchased shares can be transferred to employees in one time or several times, such subscription day(s) shall be set within 5 years from the date of share-repurchase.

### Article 4

Transferee's eligibility

Any full-time employee of the Company and its subsidiaries who has served on the subscription record date and approved by the Chairman is eligible for subscription in accordance with Article 5 of the plan.

### Article 5

The procedure of transfer

The number of shares to be subscribed by the employees shall be determined by the Chairman in consideration of the service years, position, grade, performance, overall contribution, special merits or other conditions for the management needs to determine the rights of the shares being received by the employees.

However, for employees who are managerial officers or Board members, the award of such shares shall obtain approval of the Compensation Committee in advance.

### Article 6

The procedure of the Plan

(1) In accordance with the resolution of the Board to make the announcement and the filings and repurchase the shares of the Company within the execution period.

(2) The Board authorizes the Chairman in accordance with the Plan to announce and approve the number of shares transferred in each phase, the employees' subscription record date, the standard of the number of shares to be subscribed, the payment period of the subscription, the content of rights, the conditions of restrictions, and etc.

(3) If the employee fails to subscribe and make the payment at the expiration of the payment period, it shall be deemed as a waiver, and the balance of the under-subscription shall be authorized to the Chairman to have other employees to subscribe.

(4) Count the actual number of shares being paid for subscription and process the registration of the transfer of shares.

#### Article 7

The agreed transfer price per share

For the repurchase shares being transferred to the employees, the transfer price is the average repurchase price of the repurchased shares.

However, before the transfer, if the Company's outstanding common shares increase or decrease, it may be adjusted according to the increase or decrease ratio of the issued shares.

Transfer price adjustment formula: Adjusted transfer price = Average repurchase price of shares repurchased x (Total number of outstanding common shares at the time of filing the repurchase of shares / Total number of outstanding common shares before the transfer of the repurchase shares to the employees)

#### Article 8

Rights and obligations of shares after transfer

After the repurchased shares have been transferred and registered under employees' names, unless otherwise specified, the rights and obligations associated with the shares are the same as the other common shares.

#### Article 9

Other related rights and obligations of the Company and employee

The taxes and fees incurred in association with the Plan shall be handled in accordance with the regulations currently in effect and the relevant procedures of the Company.

The Company may reserve the right to adjust the Plan in accordance with the regulation amended. The employees who subscribe the repurchased shares shall undertake the obligation of confidentiality.

#### Article 10

This Plan shall take effect and be amended after being affirmatively resolved by the Board.

#### Article 11

The enactment and any amendment of the Plan shall be reported to the shareholders meeting.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19000242  
(In Thousands of New Taiwan Dollars)

To the Board of Directors and Shareholders of ALTEK CORPORATION

**Opinion**

We have audited the accompanying consolidated balance sheets of ALTEK CORPORATION AND SUBSIDIARIES (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

**Basis for opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

### **Allowance for inventory valuation losses**

#### Description

Please refer to Note 4(14) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(6) for description of allowance for inventory valuation losses.

The Group is primarily engaged in manufacturing and sales of digital image application products. As the Group is in a rapidly changing industry and the short life cycle of electronic products and the highly competitive nature of the market, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group measures inventories sold at the lower of cost and net realisable value. For inventory that is over a certain age and individually identified obsolete or damaged inventory, the Group recognises losses at net realisable value. Aforementioned allowance for inventory valuation losses mainly arises from individually identified obsolete or damaged inventory. Since the value of inventories is significant, involves various types of inventory, and the individual identification of inventory usually involves management judgement which is an area that also needs to be assessed using our judgement during the audit process. Thus, we identified valuation of allowance for inventory losses as one of the key audit matters.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Obtained an understanding and assessed the provision policy on inventory valuation losses.
- B. Obtained the statement of individually identified obsolete inventory prepared by management and checked the accuracy of stock age analysis report and relevant information.

C. Checked the accuracy of net realisable value of inventory, assessed the consistency between valuation of market value decline and its provision policy, and assessed the reasonableness of allowance for valuation losses determined by the Group.

### **Timing of sales revenue recognition**

#### Description

Please refer to Note 4(30) for accounting policies of revenue recognition. The Company and its subsidiaries' revenue mainly arises from export sales and the cash amounts are material. As the sales terms vary from customers who are located in Mainland China, Europe and America, the terms in customer orders and contracts needs to be properly assessed. Since this involves judgement in the determination of timing of control transfer, we consider the timing of revenue recognition as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Assessed the appropriation of policies on sales revenue recognition.
- B. Assessed and tested the design of internal controls that are relevant to sales revenue recognition and the effectiveness of execution.
- C. Performed cutoff test on sales revenue in specific period around balance sheet date.
- D. Performed confirmation and substantive test on the balance of accounts receivable at the end of period to confirm accounts receivable and that relevant sales revenue have been recorded in the proper period.

### **Other matter – Parent company only financial reports**

We have audited and expressed an unqualified opinion on the parent company only financial statements of Altek Corporation as at and for the years ended December 31, 2019 and 2018.

## **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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 are responsible for overseeing the Group’s financial reporting process.

## **Auditor’s 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 auditor’s 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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.

- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

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Tsang, Kwok-Wah

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Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 6,666,055	47	\$ 6,495,017	40
1136	Current financial assets at amortised cost, net	6(4)	371,900	3	261,228	2
1150	Notes receivable, net	6(5)	-	-	1,387,222	8
1170	Accounts receivable, net	6(5)	918,019	7	2,414,775	15
1200	Other receivables		42,095	-	31,712	-
1220	Current income tax assets		5,481	-	683	-
130X	Inventories, net	6(6)	1,038,629	8	999,212	6
1410	Prepayments		194,345	1	89,451	1
1470	Other current assets		5,869	-	6,141	-
11XX	<b>Current Assets</b>		<u>9,242,393</u>	<u>66</u>	<u>11,685,441</u>	<u>72</u>
<b>Non-current assets</b>						
1510	Non-current financial assets at fair value through profit or loss	6(2)	40,156	-	23,683	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	50,644	-	114,508	1
1535	Non-current financial assets at amortised cost	6(4)	365,285	3	-	-
1550	Investments accounted for using equity method	6(7)	-	-	26,768	-
1600	Property, plant and equipment, net	6(8)	3,135,694	22	3,376,345	21
1755	Right-of-use assets	6(9)	131,950	1	-	-
1760	Investment property, net	6(10)	763,733	6	770,551	4
1780	Intangible assets, net	6(11)	153,541	1	100,142	1
1840	Deferred income tax assets	6(28)	161,572	1	102,696	1
1900	Other non-current assets		40,466	-	70,336	-
15XX	<b>Non-current assets</b>		<u>4,843,041</u>	<u>34</u>	<u>4,585,029</u>	<u>28</u>
1XXX	<b>Total assets</b>		<u>\$ 14,085,434</u>	<u>100</u>	<u>\$ 16,270,470</u>	<u>100</u>

(Continued)

**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(12)	\$ 2,200,000	16	\$ 1,760,000	11
2110	Short-term notes and bills payable	6(13)	229,962	2	-	-
2130	Current contract liabilities		34,096	-	-	-
2150	Notes payable		4,316	-	1,049,446	6
2170	Accounts payable		1,010,670	7	1,878,509	12
2200	Other payables		424,512	3	415,658	3
2230	Current income tax liabilities		39,762	-	58,625	-
2250	Provisions for liabilities - current	6(17)	5,823	-	35,378	-
2280	Current lease liabilities		7,274	-	-	-
2300	Other current liabilities		200,878	2	223,054	1
21XX	<b>Current Liabilities</b>		<u>4,157,293</u>	<u>30</u>	<u>5,420,670</u>	<u>33</u>
	<b>Non-current liabilities</b>					
2540	Long-term borrowings	6(14)	-	-	600,000	4
2550	Provisions for liabilities - noncurrent	6(17)	136,568	1	113,115	1
2570	Deferred income tax liabilities	6(28)	449,924	3	447,061	3
2580	Non-current lease liabilities		95,531	1	-	-
2600	Other non-current liabilities		29,392	-	28,043	-
25XX	<b>Non-current liabilities</b>		<u>711,415</u>	<u>5</u>	<u>1,188,219</u>	<u>8</u>
2XXX	<b>Total Liabilities</b>		<u>4,868,708</u>	<u>35</u>	<u>6,608,889</u>	<u>41</u>
	<b>Equity attributable to owners of parent</b>					
	<b>Share capital</b>	6(18)				
3110	Common stock		2,753,613	19	2,740,113	17
	<b>Capital surplus</b>	6(19)				
3200	Capital surplus		2,280,487	16	2,262,397	14
	<b>Retained earnings</b>	6(20)				
3310	Legal reserve		1,394,151	10	1,381,094	8
3320	Special reserve		435,679	3	425,580	3
3350	Unappropriated retained earnings		2,394,976	17	2,471,973	15
	<b>Other equity interest</b>	6(21)				
3400	Other equity interest		( 615,359)	( 4)	( 294,938)	( 2)
31XX	<b>Equity attributable to owners of the parent</b>		<u>8,643,547</u>	<u>61</u>	<u>8,986,219</u>	<u>55</u>
36XX	<b>Non-controlling interest</b>		<u>573,179</u>	<u>4</u>	<u>675,362</u>	<u>4</u>
3XXX	<b>Total equity</b>		<u>9,216,726</u>	<u>65</u>	<u>9,661,581</u>	<u>59</u>
	<b>Significant subsequent event</b>	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 14,085,434</u>	<u>100</u>	<u>\$ 16,270,470</u>	<u>100</u>

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

ALTEK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Sales revenue</b>	6(22)	\$ 6,189,352	100	\$ 11,193,569	100
5000	<b>Operating costs</b>	6(6)(26)(27)	( 5,174,937)	( 84)	( 9,875,021)	( 88)
5900	<b>Net operating margin</b>		<u>1,014,415</u>	<u>16</u>	<u>1,318,548</u>	<u>12</u>
	<b>Operating expenses</b>	6(26)(27)				
6100	Selling expenses		( 57,328)	( 1)	( 69,425)	( 1)
6200	General and administrative expenses		( 335,763)	( 5)	( 336,529)	( 3)
6300	Research and development expenses		( 787,765)	( 13)	( 814,075)	( 7)
6450	Expected credit gains (losses)	12(2)	<u>9,771</u>	-	( 7,262)	-
6000	<b>Total operating expenses</b>		( <u>1,171,085</u> )	( <u>19</u> )	( <u>1,227,291</u> )	( <u>11</u> )
6900	<b>Operating (loss) profit</b>		( <u>156,670</u> )	( <u>3</u> )	<u>91,257</u>	<u>1</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(23)	189,844	3	184,733	2
7020	Other gains and losses	6(24)	23,951	-	50,527	-
7050	Finance costs	6(25)	( 25,703)	-	( 25,497)	-
7000	<b>Total non-operating income and expenses</b>		<u>188,092</u>	<u>3</u>	<u>209,763</u>	<u>2</u>
7900	<b>Profit before income tax</b>		31,422	-	301,020	3
7950	Income tax expense	6(28)	( 35,275)	-	( 127,870)	( 1)
8200	<b>(Loss) profit for the year</b>		( \$ <u>3,853</u> )	-	\$ <u>173,150</u>	<u>2</u>

(Continued)

ALTEK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income</b>						
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>						
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(15)	(\$ 1,430)	-	\$ 682	-
8316	Unrealised gains from financial assets measured at fair value through other comprehensive income	6(3)	( 61,872)	( 1)	( 12,016)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	558	-	( 1,029)	-
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		( 62,744)	( 1)	( 12,363)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361	Currency translation differences of foreign operations		( 310,899)	( 5)	33,267	-
8399	Income tax relating to the components of other comprehensive income	6(28)	59,375	1	6,219	-
8360	<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>		( 251,524)	( 4)	39,486	-
8300	<b>Total other comprehensive (loss) income for the year</b>		(\$ 314,268)	( 5)	\$ 27,123	-
8500	<b>Total comprehensive (loss) income for the year</b>		(\$ 318,121)	( 5)	\$ 200,273	2
<b>Profit (loss), attributable to:</b>						
8610	Owners of the parent		\$ 84,308	1	\$ 130,562	2
8620	Non-controlling interest		( 88,161)	( 1)	42,588	-
	<b>Profit (loss) for the year</b>		(\$ 3,853)	-	\$ 173,150	2
<b>Comprehensive (loss) income attributable to:</b>						
8710	Owners of the parent		(\$ 215,938)	( 3)	\$ 144,490	1
8720	Non-controlling interest		( 102,183)	( 2)	55,783	1
	<b>Total comprehensive income (loss) for the year</b>		(\$ 318,121)	( 5)	\$ 200,273	2
9750	<b>Basic earnings per share</b>	6(29)	\$	0.31	\$	0.48
9850	<b>Diluted earnings per share</b>	6(29)	\$	0.31	\$	0.48

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

**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Retained Earnings					Other equity interest						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences of foreign operations	Other equity-others	Treasury stocks	Total			
<b>2018</b>												
		\$ 2,738,188	\$ 2,256,692	\$ 1,379,754	\$ 142,456	\$ 2,737,026	(\$ 283,124 )	(\$ 19,215 )	(\$ 96,138 )	\$ 8,855,639	\$ 629,586	\$ 9,485,225
Effects of retrospective application	6(21)	-	-	-	-	23,600	-	( 23,600 )	-	-	-	-
Equity at beginning of period after adjustments		<u>2,738,188</u>	<u>2,256,692</u>	<u>1,379,754</u>	<u>142,456</u>	<u>2,760,626</u>	<u>( 283,124 )</u>	<u>( 42,815 )</u>	<u>( 96,138 )</u>	<u>8,855,639</u>	<u>629,586</u>	<u>9,485,225</u>
Profit for the year		-	-	-	-	130,562	-	-	-	130,562	42,588	173,150
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	427	26,291	( 12,790 )	-	13,928	13,195	27,123
Total comprehensive income (loss)		-	-	-	-	<u>130,989</u>	<u>26,291</u>	<u>( 12,790 )</u>	-	<u>144,490</u>	<u>55,783</u>	<u>200,273</u>
Appropriation of 2017 earnings	6(20)	-	-	1,340	-	( 1,340 )	-	-	-	-	-	-
Legal reserve		-	-	-	-	-	-	-	-	-	-	-
Special reserve		-	-	-	283,124	( 283,124 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 135,178 )	-	-	-	( 135,178 )	-	( 135,178 )
Share-based payment transactions	6(16)(18)(19)(21)	3,200	6,624	-	-	-	-	14,060	-	23,884	-	23,884
Retirement of employee restricted shares	6(16)(18)(19)(21)	( 1,275 )	( 2,165 )	-	-	-	-	3,440	-	-	-	-
Treasury stock sold to employees		-	1,246	-	-	-	-	-	96,138	97,384	-	97,384
Non-controlling interest		-	-	-	-	-	-	-	-	-	( 10,007 )	( 10,007 )
Balance at December 31, 2018		<u>\$ 2,740,113</u>	<u>\$ 2,262,397</u>	<u>\$ 1,381,094</u>	<u>\$ 425,580</u>	<u>\$ 2,471,973</u>	<u>(\$ 256,833 )</u>	<u>(\$ 38,105 )</u>	<u>\$ -</u>	<u>\$ 8,986,219</u>	<u>\$ 675,362</u>	<u>\$ 9,661,581</u>
<b>2019</b>												
Balance at January 1, 2019		\$ 2,740,113	\$ 2,262,397	\$ 1,381,094	\$ 425,580	\$ 2,471,973	(\$ 256,833 )	(\$ 38,105 )	\$ -	\$ 8,986,219	\$ 675,362	\$ 9,661,581
Profit (loss) for the year		-	-	-	-	84,308	-	-	-	84,308	( 88,161 )	( 3,853 )
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	( 1,144 )	( 237,502 )	( 61,600 )	-	( 300,246 )	( 14,022 )	( 314,268 )
Total comprehensive income (loss)		-	-	-	-	<u>83,164</u>	<u>( 237,502 )</u>	<u>( 61,600 )</u>	-	<u>( 215,938 )</u>	<u>( 102,183 )</u>	<u>( 318,121 )</u>
Appropriation of 2018 earnings	6(20)	-	-	13,057	-	( 13,057 )	-	-	-	-	-	-
Legal reserve		-	-	-	-	-	-	-	-	-	-	-
Special reserve		-	-	-	10,099	( 10,099 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 137,005 )	-	-	-	( 137,005 )	-	( 137,005 )
Share-based payment transactions	6(16)(21)	-	-	-	-	-	-	10,271	-	10,271	-	10,271
Restricted stock	6(16)(18)(19)(21)	14,500	19,430	-	-	-	-	( 33,930 )	-	-	-	-
Retirement of employee restricted shares	6(16)(18)(19)(21)	( 1,000 )	( 1,340 )	-	-	-	-	2,340	-	-	-	-
Balance at December 31, 2019		<u>\$ 2,753,613</u>	<u>\$ 2,280,487</u>	<u>\$ 1,394,151</u>	<u>\$ 435,679</u>	<u>\$ 2,394,976</u>	<u>(\$ 494,335 )</u>	<u>(\$ 121,024 )</u>	<u>\$ -</u>	<u>\$ 8,643,547</u>	<u>\$ 573,179</u>	<u>\$ 9,216,726</u>

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

ALTEK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31  
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax	\$	31,422	\$ 301,020
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(10)(26)	196,903	218,896
Amortisation	6(11)(26)	29,352	28,802
Expected credit (gains) losses	12(2) (	9,771 )	7,262
Net gain on financial assets at fair value through profit or loss	6(2)(24) (	16,710 ) (	13,944 )
Interest expense	6(25)	25,703	25,497
Interest income	6(23) (	143,999 ) (	123,745 )
Dividend income	6(23) (	763 ) (	915 )
Share-based payment compensation cost	6(16)(27)	10,271	16,841
Reversal of impairment loss on investments accounted for under the equity method	6(24) (	649 ) (	26,272 )
(Gain) loss on disposal of property, plant and equipment	6(24) (	1,922 )	1,358
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		237	581,745
Notes receivable		1,389,593 (	1,383,249 )
Accounts receivable		1,506,379 (	101,648 )
Other receivables		21,074 (	12,602 )
Inventories	(	78,118 )	150,526
Prepayments	(	107,492 )	86,624
Other current assets		91	9,853
Changes in operating liabilities			
Current contract liabilities		34,228	-
Notes payable	(	1,046,737 )	1,039,044
Accounts payable	(	829,267 ) (	186,687 )
Other payables		15,079	9,556
Provisions for liabilities	(	6,108 )	24,908
Other current liabilities	(	21,651 )	41,550
Other non-current liabilities		64	81
Cash inflow generated from operations		997,209	694,501
Interest received		111,086	123,176
Dividends received		763	915
Interest paid	(	24,258 ) (	23,434 )
Income tax paid	(	54,691 ) (	91,383 )
Net cash flows from operating activities		<u>1,030,109</u>	<u>703,775</u>

(Continued)

ALTEK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		( \$ 506,472 )	( \$ 257,524 )
Proceeds from capital reduction of investments accounted for under the equity method		27,529	-
Proceeds from capital reduction of financial assets at fair value through profit or loss		-	3,915
Acquisition of property, plant and equipment	6(31)	( 17,948 )	( 29,373 )
Proceeds from disposal of property, plant and equipment		4,076	41,831
Increase in intangible assets	6(31)	( 85,612 )	( 7,927 )
Acquisition of investment property		-	( 8,000 )
Increase in deposits received		( 2,347 )	( 4,656 )
Net cash flows used in investing activities		( 580,774 )	( 261,734 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings		440,000	( 261,000 )
Proceeds from issuance of short-term notes and bills payable		709,203	798,756
Repayment of short-term notes and bills payable		( 480,000 )	( 1,000,000 )
Increase in long-term borrowings		-	600,000
Repayment of long-term borrowings		( 600,000 )	-
Increase (decrease) in deposits-in		424	( 3,209 )
Repayment of lease liabilities principal		( 7,966 )	-
Cash dividends for capital surplus	6(20)	( 137,005 )	( 135,178 )
Employee stock options exercised		-	9,824
Treasury shares sold to employees		-	94,603
Net cash flows (used in) from financing activities		( 75,344 )	103,796
Effect of exchange rate		( 202,953 )	74,198
Net increase in cash and cash equivalents		171,038	620,035
Cash and cash equivalents at beginning of year	6(1)	6,495,017	5,874,982
Cash and cash equivalents at end of year	6(1)	\$ 6,666,055	\$ 6,495,017

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

### Comparison Table for Articles of Incorporation

Article after Revision	Article before Revision	Reason for Revision
<p>Article 2: The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1. CC01080 Electronics parts and components manufacturing business.</li> <li>2. <u>CF01011 Medical Materials and Equipment Manufacturing.</u></li> <li>3. <u>F108031 Wholesale of Drugs, Medical Goods.</u></li> <li>4. <u>F208031 Retail sale of Medical Equipments.</u></li> <li>5. F401010 International trade business.</li> <li>6. F401021 Restricted telecommunication radio frequency equipment and material import business. Researching, developing, designing, producing, manufacturing, and selling the following products: Digital Imaging-Related Product. <u>Digital medical imaging related products. Insulin injection pump system. Glucose machine with smart medical function. Endoscopic system.</u> Conducting import and export trade relating to the Company's business.</li> </ol>	<p>Article 2: The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> <li>1. CC01080 Electronics parts and components manufacturing business.</li> <li>2. F401010 International trade business °</li> <li>3. F401021 Restricted telecommunication radio frequency equipment and material import business ° Researching, developing, designing, producing, manufacturing, and selling the following products: Digital Imaging-Related Product. Conducting import and export trade relating to the Company's business.</li> </ol>	<p>To accommodate the actual operational needs.</p>
<p>Article 32: With the consent of the promoters in the promoter's meeting, the Articles of Incorporations were duly stipulated on December 20, 1996. The Articles were duly amended on December 26, 1996 as the 1st amendment~ the 19th amendment...(omitted)</p>	<p>Article 32: With the consent of the promoters in the promoter's meeting, the Articles of Incorporations were duly stipulated on December 20, 1996. The Articles were duly amended on December 26, 1996 as the 1st amendment~ the 19th amendment....(omitted)</p>	<p>To add the date of revision.</p>

Article after Revision	Article before Revision	Reason for Revision
<p>The Articles were duly amended on June 13, 2019 as the 20th amendment.</p> <p><u>The Articles were duly amended on June 12, 2020 as the 21th amendment.</u></p>	<p>The Articles were duly amended on June 13, 2019 as the 20th amendment.</p>	

## **Fund Raising Methods and Handling Principles of Private Placement**

### **I.Amount of shares**

It is proposed that the shareholders meeting to authorize the Board of Directors ("Board"), within the limit of 60,000,000 common shares, to raise funds through private placement based on the Company's needs and market conditions. Afore-mentioned private placement includes single or combo instruments such as issuance of new common shares for cash in private placement ("Private Placement Common Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB"), and shall be executed by one or two run(s). For issuance of Private Placement CB, the number of common shares to be converted shall be calculated in accordance with the conversion price at the time of issuance and shall be no more than 60,000,000 shares.

### **II.Issuance of Private Placement Common Shares**

#### **1.Basis and rationality to determine the issue price:**

- (1) The reference price is set as the higher of the following two calculation methods:
  - (a) the simple average closing price from either 1, 3 or 5 trading days prior to the pricing date;
  - (b) the simple average closing price of 30 trading days prior to the pricing date, minus dividends adjustments, plus price discount due to capital reduction.
- (2) The issue price shall be no less than 80% of the reference price. It is proposed to authorize the Board to determine the issue price based on the results of negotiation with specific investors and market conditions.
- (3) The issue price of Private Placement Common Shares will be determined referring to the Company's share prices and Directions for Public Companies Conducting Private Placements of Securities which has set a no-trading period of 3 years on private placement securities. Therefore, determination of the issue price should be considered reasonable.

#### **2.The method of determining specific investors, objective, necessity and anticipated benefit:**

The specific investors shall meet the qualifications regulated in Article 43-6 of the Securities and Exchange Act and are limited to strategic investors. Priority will be given to the individual or institutional investors who could benefit the Company's long term development and competitiveness. The Board is fully authorized to determine the specific investors. By leveraging the strategic investor's capability and experience in technology, knowledge, business, finance or marketing channel, the Company could benefit from technology upgrades, product development, cost reduction, market expansion and ultimately to strengthen the Company's competitiveness and to enhance its operational efficiency and long term development.

3.The necessity for issuance of Private Placement Common Shares :

Considering the capital market's effectiveness, feasibility and costs to raise capital, the benefits to maintain long-term relationship with strategic partners and the no-trading period of 3 years by such security issuance of private placement, the Company proposed to raise funds through private placement, rather than public offering.

The private placement will be executed by one or two run(s) according to the results of negotiation with specific investors and market conditions.

4.Use of proceeds and the anticipated benefit:

(1).Private placement with one run (adding issued Private Placement CB shall be no more than 60,000,000 shares in aggregate):

The proceeds will be used to invest in digital imaging related equipment and technology, expanding market, enriching working capital, repaying borrowings and reinforcing financial structures which will in turn strengthen the company's competitiveness, operating efficiency and boost shareholders' equity.

(2).Private placement with two runs

The first run: 10,000,000 ~ 50,000,000 shares (adding issued Private Placement CB shall be no more than 60,000,000 shares in aggregate)

The proceeds will be used to invest in digital imaging related equipment and technology, expanding market, enriching working capital, repaying borrowings and reinforcing financial structures which will in turn strengthen the company's competitiveness, operating efficiency and boost shareholders' equity.

The second run:10,000,000 ~ 50,000,000 shares (adding issued Private Placement Common Shares and issued Private Placement CB shall be no more than 60,000,000 shares in aggregate)

The proceeds will be used to invest in digital imaging related equipment and technology, expanding market, enriching working capital, repaying borrowings and reinforcing financial structures which will in turn strengthen the company's competitiveness, operating efficiency and boost shareholders' equity.

5.The rights and obligations of Private Placement Common Shares are the same as the issued common shares except for the restriction on transfers specified in Article 43-8 of the Securities and Exchange Act.

III.Issuance of Private Placement CB

1.Duration : No more than seven years.

2.Rate : It is proposed to authorize the Board to decide the rate based on market conditions.

3.Par Value : NTD 100,000 or its multiple times ; USD 10, 000 or its multiple times.

4.Basis and rationality to determine the issue price:

(1)The issue price of Private Placement CB shall not be lower than 80% of the theoretical price which is determined by a pricing model considering all options in the issuance terms.

- (2) It is proposed to authorize the Board to determine the issue price based on the results of negotiation with specific investors and market conditions.
- (3) The issue price of the Private Placement CB will be determined referring to the Company's share prices and Directions for Public Companies Conducting Private Placements of Securities which has set a no-trading period of 3 years on private placement securities. Therefore, determination of the issue price should be considered reasonable.

5. The method of determining specific investors, objective, necessity and anticipated benefit:

The specific investors shall meet the qualifications regulated in Article 43-6 of the Securities and Exchange Act and are limited to strategic investors. Priority will be given to the individual or institutional investors who could benefit the Company's long term development and competitiveness. The Board is fully authorized to determine the specific investors. By leveraging the strategic investor's capability and experience in technology, knowledge, business, finance or marketing channel, the Company could benefit from technology upgrades, product development, cost reduction, market expansion and ultimately to strengthen the Company's competitiveness and to enhance its operational efficiency and long term development.

6. The necessity for issuance of Private Placement CB :

Considering the capital market's effectiveness, feasibility and costs to raise capital, the benefits to maintain long-term relationship with strategic partners and the no-trading period of 3 years by such security issuance of private placement, the Company proposed to raise funds through private placement, rather than public offering.

The private placement will be executed by one or two run(s) according to the results of negotiation with specific investors and market conditions.

7. Use of proceeds and the anticipated benefits:

- (1). Private placement with one run : (adding issued Private Placement Common Shares shall be no more than 60,000,000 shares in aggregate)

The proceeds will be used to invest in digital imaging related equipment and technology, expanding market, enriching working capital, repaying borrowings and reinforcing financial structures which will in turn strengthen the company's competitiveness, operating efficiency and boost shareholders' equity.

- (2). Private placement with two runs

The first run: 10,000,000 ~ 50,000,000 shares (adding issued Private Placement Common Shares shall be no more than 60,000,000 shares in aggregate)

The proceeds will be used to invest in digital imaging related equipment and technology, expanding market, enriching working capital, repaying borrowings and reinforcing financial structures which will in turn strengthen the company's competitiveness, operating efficiency and boost shareholders' equity.

The second run:10,000,000 ~ 50,000,000 shares (adding issued Private Placement Common Shares and issued Private Placement CB shall be no more than 60,000,000 shares in aggregate)

The proceeds will be used to invest in digital imaging related equipment and technology, expanding market, enriching working capital, repaying borrowings and reinforcing financial structures which will in turn strengthen the company's competitiveness, operating efficiency and boost shareholders' equity.

8.The restriction on transfer of Private Placement CB complies with Article 43-8 of the Securities and Exchange Act.

### Comparison Table for the Rules of Procedure for Shareholder Meetings

Article after Revision	Article before Revision	Reason for Revision
<p>1-1:  <u>Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors. Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. The convening of the shareholders' meeting has stated the full re-election of directors and the date of appointment. After the re-election of the shareholders' meeting, the same meeting shall not change its appointment date by temporary motion or other means.</u></p>	<p>1-1:            New</p>	<p>To accommodate the regulations.</p>
<p>2. <del>Attending Shareholders and</del> <u>Attending Shareholders and</u> their proxies (<u>collectively, "shareholders"</u>) shall <del>wear an</del> attend shareholders meetings based on attendance cards, <del>and submit a sign-in cards to show their present, or other</del> certificates of attendance. <del>The</del></p>	<p>2. Attending shareholders (or their proxies) shall wear an attendance card and submit a sign-in card to show their present. The number of the shares represented by attending shareholders (or their proxies) shall be calculated according to</p>	<p>To accommodate the regulations.</p>

Article after Revision	Article before Revision	Reason for Revision
<p><del>number of the shares represented by attending shareholders (or their proxies) shall be calculated according to the submitted sign-in card.</del> <u>Solicitors soliciting proxy forms shall also bring identification documents for verification.</u></p> <p>The Corporation may appoint retained attorneys or certified public accountants or relevant personnel to attend a shareholders' meeting.</p>	<p>the submitted sign-in card. The Corporation may appoint retained attorneys or certified public accountants or relevant personnel to attend a shareholders' meeting.</p>	
<p>6. <u>Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her <u>shareholder account number (or attendance card number), and account name.</u> The order in which shareholders speak will be set by the chair.</u></p> <p><u>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.</u></p>	<p>6. Before speaking, an attending shareholder must specify on a speaker's slip his or her attendance card number and account name. The order in which they speak will be decided by the chair.</p>	<p>To accommodate the regulations.</p>
<p>7. A shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. <del>However, the speech can extend three more minutes with the chair's permission. If a corporate shareholder designated two or more representative in the shareholders' meeting, only one person may speak up for the same proposal. After the speech of an attending shareholder, the</del></p>	<p>7. A shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. However, the speech can extend three more minutes with the chair's permission. If a corporate shareholder designated two or more representative in the shareholders' meeting, only one person may speak up for the same proposal. After the speech of an attending shareholder, the chairperson may respond in</p>	<p>To accommodate the regulations.</p>

Article after Revision	Article before Revision	Reason for Revision
<p><del>chairperson may respond in person or assign relevant personnel to respond.</del>  <u>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.</u></p>	<p>person or assign relevant personnel to respond.</p>	
<p>9. A shareholder shall <del>have be</del> <u>entitled to one voting power in respect of each share in his/her/its possession 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.</u>  <u>When this Corporation holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means (in accordance with the proviso of Article 177-1 of the Company Act regarding companies that shall adopt electronic voting: When this Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence).</u> <u>When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have</u></p>	<p>9.A shareholder shall have one voting power in respect of each share in his/her/its possession.</p>	<p>To accommodate the regulations.</p>

Article after Revision	Article before Revision	Reason for Revision
<p><u>waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that this Corporation avoid the submission of extraordinary motions and amendments to original proposals.</u></p> <p><u>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</u></p> <p><u>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 written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before 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</u></p>		

Article after Revision	Article before Revision	Reason for Revision
<p><u>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.</u></p>		
<p>11. Except for special resolutions as specified in the Company Act that shall comply with the provisions therein, passage of a vote on a proposal shall <u>proceed in the order set by the agenda and</u> require the consent of a majority of the voting rights of shareholders in attendance. <del>When a non-ballot voting method is adopted and upon inquiry by the chair there is no objection from shareholders in attendance, it is deemed passed, and its effectiveness shall be the same as a vote by ballot.</del></p>	<p>11.Except for special resolutions as specified in the Company Act that shall comply with the provisions therein, passage of a vote on a proposal shall require the consent of a majority of the voting rights of shareholders in attendance. When a non-ballot voting method is adopted and upon inquiry by the chair there is no objection from shareholders in attendance, it is deemed passed, and its effectiveness shall be the same as a vote by ballot.</p>	<p>To accommodate the regulations.</p>
<p>12. (above omitted) Shareholder(s) may propose to the Corporation a proposal for discussion pursuant to Article 172-1 of the Company Act. <u>A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of</u></p>	<p>12. (above omitted) Shareholder(s) may propose to the Corporation a proposal for discussion pursuant to Article 172-1 of the Company Act. (below omitted)</p>	<p>To accommodate the regulations.</p>

Article after Revision	Article before Revision	Reason for Revision
<p><u>directors may exclude it from the agenda.</u> (below omitted)</p>		
<p>13. While a meeting is in progress, the chair may consider the time schedule and announce a break. <u>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 extraordinary 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.</u></p>	<p>13. While a meeting is in progress, the chair may consider the time schedule and announce a break.</p>	<p>To accommodate the regulations.</p>
<p>13-1. <u>Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.</u> <u>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."</u> <u>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public</u></p>	<p>13-1. NEW</p>	<p>To accommodate the regulations.</p>

Article after Revision	Article before Revision	Reason for Revision
<p><u>address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.</u></p> <p><u>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.</u></p>		
<p>15. These Rules and any amendments hereto, shall be implemented after being passed by a shareholders' meeting. The Procedures were duly amended on May 17, 2002 as the 1st amendment. The Procedures were duly amended on June 14, 2006 as the 2nd amendment. <u>The Procedures were duly amended on June 12, 2020 as the 3rd amendment.</u></p>	<p>15. These Rules and any amendments hereto, shall be implemented after being passed by a shareholders' meeting. The Procedures were duly amended on May 17, 2002 as the 1st amendment. The Procedures were duly amended on June 14, 2006 as the 2nd amendment.</p>	<p>To add the date of revision.</p>

## Articles of Incorporation

### Chapter I General Provisions

Article 1: The Company is duly organized under the Company Act of the Republic of China as a company limited by Shares and is named Altek Corporation in English (*hereinafter* “the Company”).

Article 2: The scope of business of the Company shall be as follows:

1. CC01080 Electronics parts and components manufacturing business.
2. F401010 International trade business °
3. F401021 Restricted telecommunication radio frequency equipment and material import business °  
Researching, developing, designing, producing, manufacturing, and selling the following products: Digital Imaging-Related Product.  
Conducting import and export trade relating to the Company’s business.

Article 3: The head office of the Company is located in Science-Based Industrial Park, Hsinchu, Taiwan and shall be free to set up branch offices wherever and whenever the Company deems it necessary upon the resolution of board of directors as well as the approval of competent authorities.

### Chapter II Shares

Article 4: The total capital amount of the Company is authorized at five billion New Taiwan dollars (NT\$5,000,000,000), which consists of five hundred million (500,000,000) common shares with a par value of ten New Taiwan dollars (NT\$10) per share. The shares can be issued in installments. The board of directors may resolve to issue the shares which have never been issued when needed.  
The total capital amount mentioned in the preceding paragraph shall reserve three hundred million New Taiwan dollars (NT\$300,000,000) separated into thirty million (30,000,000) shares with a par value of ten New Taiwan dollars (NT\$10) per share. The reserved shares shall be used for issuing share subscription warrant in installments upon the resolution of the board of directors.

Article 4-1: Employees of parents or subsidiaries of the Company meeting certain specific requirements are entitled to receive shares bought back by the Company.  
Employees of parents or subsidiaries of the Company meeting certain specific requirements are entitled to receive share subscription warrant issued by the Company.  
Employees of parents or subsidiaries of the Company meeting certain specific requirements are entitled to receive new shares issued by the Company  
Employees of parents or subsidiaries of the Company meeting certain specific requirements are entitled to receive restricted stock awards issued by the Company

Article 5: The Company may reinvest in other enterprises as deemed necessary for its business operations, and its total reinvestment in other enterprises shall not be subject to the restriction of not more than forty percent (40%) of the Company's paid-in capital prescribed in Article 13 of the Company Act.

Article 6: The share certificates of the Company shall without exception be in registered form and affixed with the signatures or personal seals of the director representing the company. Also, the share certificates shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance. Shares issued by the Company may not be in certificate form but shall be placed under the custody of a centralized securities custody enterprise.

Article 7: The Company's stock affairs shall be handled in accordance with "the Regulations Governing the Administration of Shareholder Services of Public Companies".

Article 8: All entries in the shareholders register due to share transfers shall be suspended when it is sixty (60) days prior to the regular shareholders' meeting as well as thirty (30) days prior to the special shareholders' meeting or five (5) days prior to the target date fixed for distributing dividends, bonus or any other benefits.

### **Chapter III Shareholders' Meeting**

Article 9: The shareholders' meetings of the Company shall be of the following two kinds:  
Regular shareholders' meeting shall be held once per year within six (6) months from the closure of the fiscal year.  
Special shareholders' meetings may be held in accordance with applicable laws and regulations whenever necessary.

Article 10: The chairman of the board of directors shall preside the shareholders' meetings. In case the chairman of the board of directors is on leave or absent or cannot exercise his/her power and authority for any cause, the designation of his/her duties shall be handled in accordance with Article 208 of the Company Act.

Article 11: A notice for convening a regular shareholders' meeting shall be given thirty (30) days before the meeting. A notice for convening a special shareholders' meeting shall be given fifteen (15) days prior to the meeting. The notice shall specify the date, the place and the subject(s) of the meeting.

Article 12: For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy when he/she is absent for any cause. Shareholders attended by proxy shall be subject to the Company Act and also to "the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" issued by the competent authority.

Article 13: Each shareholder is entitled to one voting power in respect of each share in his/her/its possession.

Article 14: Unless otherwise provided by the Company Act, a resolution of the shareholders' meeting shall be adopted by a majority votes of the shareholders present, who represent a majority of the total issued shares.

#### **Chapter IV Directors, Audit Committee and Managerial Officers**

Article 15: The Company shall have seven (7) to nine (9) directors and to be elected by the shareholders' meeting from among candidates with disposing capacity. The term of office is three (3) years and they may continue in office if re-elected. Among the above-mentioned number of directors, the Company shall have not less than three (3) in number and not less than one-fifth of the total number of directors as independent directors. The directors of the Company shall be elected by the shareholders under the candidate nomination system. The election of independent and non-independent directors shall be held together but the votes shall be calculated separately. The Company shall establish an Audit Committee according to Article 14-4of Securities and Exchange Act. The Audit Committee shall be composed of the entire number of Independent Directors. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with "the Rules and Review Procedure for Director and Supervisor Share Ownership Rate at Public Companies" by the securities supervisory authorities.

Article 16: The board of directors is organized by the directors and shall have the following authorities:

1. To submit operation plan.
2. To propose surplus earnings distribution or loss make-up plans
3. To propose increase or decrease of the capital amount.
4. To enact major articles of incorporation and rules for the organization of the Company.
5. To appoint and dismiss the managerial officers of the Company.
6. To establish and terminate the branch offices,
7. To determine the budget and review the final accounts.
8. Other authorities granted by the resolution of the shareholders' meetings or in accordance with the Company Act.

Article 17: The chairman of the board of directors shall be elected by a majority of directors in attendance at the meeting attended by at least two-third of the directors. The chairman of the board of directors shall represent the Company externally.

Article 18: Unless otherwise provided by the Company Act, meetings of the board of directors shall be called and chaired by its Chairman. In the case of emergency, the meeting may be convened at any time. The meeting notice of the board of directors shall specify the reasons for convening the meeting, and shall be sent in writing by email or by facsimile. Unless otherwise provided by the Company Act., the resolutions of the board of directors shall be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of the entire directors of the Company.

Article 19: Chairman of the board of directors is the president of the board of directors. If the chairman of the board of directors is on leave or cannot exercise his/her powers or perform duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Act. The director shall attend the meeting of the board of directors in person. Whereas a director is unable to attend the meeting in person, he/she may issue a power of attorney for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting of the board of directors.

Article 20: The organization, authority, meeting procedures and other related matters of the Company's Audit Committee shall follow the laws and competent authority of securities' regulations.

Article 21: The board of the directors is authorized to determine the remuneration for the directors, taking into account the extent of his/her participation and contribution to the Company and with reference to the normal standard of the industry regardless of profit or loss of the Company. The Company may pay the traffic allowance to the directors with reference to the normal standard of the industry and purchase the liability insurance for the directors.

Article 22: The Company may have managerial officers, whose appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.

#### **Chapter V Accounting**

Article 23: The Company's fiscal year shall commence on January 1st of each year and ends on December 31st of the same year. The final accounts are settled at the end of each fiscal year.

Article 24: At the end of each fiscal year, the board of directors of the Company shall prepare the following documents, which shall be submitted to the Audit Committee for auditing thirty(30) days prior to the regular shareholders' meeting pursuant to Article 228 of the Company Act. The Audit Committee shall submit the auditing report to the shareholders' meeting for approval. However, the Securities and Exchange Act or other laws shall be followed if they have regulated in some other ways.

1. Business report;
2. Financial statement;
3. Surplus earnings distribution or loss make-up proposal

Article 25: The Company shall distribute ten percent (10%) to twenty percent (20%) of profit of the current year as employees' compensation and not higher than two percent (2%) of profit of the current year as the directors compensation. However, the company's accumulated losses shall have been covered. Employees' compensation may be distributed in the form of shares or in cash. The employees of parents of the Company meeting certain specific requirements or the Company's subsidiaries which the Company owns more than fifty percent (50%) of the shares may be entitled to receive the employees' compensation.

Profit of the current year mentioned in section one shall mean pre-tax benefit of the current year before deducting the employees' compensation and the directors compensation. The distribution of the employees' compensation and the directors' compensation shall be resolved by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors.

Article 26: If the Company has earnings after the annual final accounts, after paying profit-seeking enterprise income tax as well as making up losses of the previous years, the Company shall first set aside ten percent (10%) of said earnings as legal reserve. Where such legal reserve amounts to the total authorized capital, this provision shall not apply. Thereafter, the Company shall set aside or reverse a special reserve in accordance with the applicable laws and regulations. Any balance of the earnings together with the previous earnings which has not been distributed shall be distributed in accordance with the board of director's proposal. The Company may, resolved by the shareholders meeting, have the surplus profit distributed in the form of new shares. The distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 26-1: The distributable legal reserve and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 27: The amount of dividend distributed shall be based on the annual earnings and the cumulative surplus in the previous years of the Company as well as taking into consideration of the Company' earnings, capital structure and the future operational demand. The distribution of the dividend shall, depending on the factors of the capital demand and the dilution effect of earnings per share, adopt the policy of distributing stock dividends with cash dividends at the same time. As for the ratio of cash dividend distribution, it shall be not less than twenty percent (20%) of the total dividend distribution of the year.

Article 28: Profit appropriation is distributed to those who are entitled as shareholders in the shareholders' roster five (5) days prior to the record (base) date scheduled to distribute dividends and bonuses.

#### **Chapter VI Supplementary Provisions**

Article 29: The Company may act as a guarantor externally as required for business in accordance with the government's regulation.

Article 30: The Company's organizational regulations and operational rules shall be separately enacted.

Article 31: Any matters insufficiently provided for in the Articles of Incorporation shall be handled in accordance with the Company Act.

Article 32: With the consent of the promoters in the promoter's meeting, the Articles of Incorporations were duly stipulated on December 20, 1996.  
The Articles were duly amended on December 26, 1996 as the 1st amendment.  
The Articles were duly amended on January 21, 1997 as the 2nd amendment.  
The Articles were duly amended on February 10, 1997 as the 3rd amendment.  
The Articles were duly amended on March 14, 1997 as the 4th amendment.  
The Articles were duly amended on June 13, 1997 as the 5th amendment.  
The Articles were duly amended on January 29, 2000 as the 6th amendment.  
The Articles were duly amended on June 1, 2000 as the 7th amendment.  
The Articles were duly amended on May 11, 2001 as the 8th amendment.  
The Articles were duly amended on December 13, 2001 as the 9th amendment.  
The Articles were duly amended on May 27, 2002 as the 10th amendment.  
The Articles were duly amended on June 9, 2003 as the 11th amendment.  
The Articles were duly amended on June 11, 2004 as the 12th amendment.  
The Articles were duly amended on June 14, 2005 as the 13th amendment.  
The Articles were duly amended on June 13, 2007 as the 14th amendment.  
The Articles were duly amended on June 16, 2009 as the 15th amendment.  
The Articles were duly amended on June 15, 2010 as the 16th amendment.  
The Articles were duly amended on June 13, 2012 as the 17th amendment.  
The Articles were duly amended on June 17, 2016 as the 18th amendment.  
The Articles were duly amended on June 16, 2017 as the 19th amendment.  
The Articles were duly amended on June 13, 2019 as the 20th amendment.

## Rules of Procedure for Shareholders' Meeting

1. Unless otherwise provided for under the applicable law, the shareholders' meetings of Altek Corporation (*hereinafter* "the Corporation") shall be conducted according to the Corporation's Regulations of Shareholders' Meeting Proceedings (*hereinafter* "these Regulations").
2. Attending shareholders (or their proxies) shall wear an attendance card and submit a sign-in card to show their present. The number of the shares represented by attending shareholders (or their proxies) shall be calculated according to the submitted sign-in card.  
The Corporation may appoint retained attorneys or certified public accountants or relevant personnel to attend a shareholders' meeting.
3. Unless otherwise specified in the Company Act, the chair shall call the meeting to order at the appointed meeting time when the shareholders in attendance have represented a majority of the total number of issued shares. However, when the shareholders in attendance do not represent a majority of the total number of issued shares, the chair may announce the postponement of the meeting time. If the quorum is not met after two postponements and the shareholders in attendance represent one third or more of the total number of issued shares, a tentative resolution may be approved pursuant to Paragraph 1, Article 175 of the Company Act : Shareholders present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present. When the number of shares represented by the shareholders in attendance reaches the statutory number, the chair may call the meeting to order and resubmit the tentative resolution for ratification from the congress.
4. The agenda of a shareholders' meeting shall be resolved by the Board of Directors. The meeting proceedings shall follow the order set in the agenda. After the meeting is closed, shareholders may not separately elect a chair and resume the meeting at the original or another venue, except in the case of closure announced by the chairperson in violation of these Regulations. Then a new chairperson may be elected with a majority vote of the attending shareholders to continue the meeting.
5. The Corporation shall record the process of the shareholders' meeting in audio or video type and keep the recording for at least one year.
6. Before speaking, an attending shareholder must specify on a speaker's slip his or her attendance card number and account name. The order in which they speak will be decided by the chair.
7. A shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. However, the speech can extend three more

minutes with the chair's permission. If a corporate shareholder designated two or more representative in the shareholders' meeting, only one person may speak up for the same proposal. After the speech of an attending shareholder, the chairperson may respond in person or assign relevant personnel to respond.

8. When a proposal is under discussion, the chair may at an appropriate time declare the closure of the discussion and when necessary, the chair may also suspend the discussion and call for a vote.
9. A shareholder shall have one voting power in respect of each share in his/her/its possession.
10. If a shareholder authorizes a proxy to attend the shareholders' meeting, 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.
11. Except for special resolutions as specified in the Company Act that shall comply with the provisions therein, passage of a vote on a proposal shall require the consent of a majority of the voting rights of shareholders in attendance. When a non-ballot voting method is adopted and upon inquiry by the chair there is no objection from shareholders in attendance, it is deemed passed, and its effectiveness shall be the same as a vote by ballot.
12. When there is an amendment or an alternative to a proposal, the chairperson 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.  
Shareholder(s) may propose to the Corporation a proposal for discussion pursuant to Article 172-1 of the Company Act. When shareholders' proposal is the same type of proposals proposed by the Board of Directors, these proposals shall be presented together and paragraph 1 of article 12 shall apply mutatis mutandis to the condition herein. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation will not be listed in the agenda or in the minutes of the meeting. But the Board of Directors shall note the reason of exclusion in the handbook for the annual meeting of shareholders.  
The chair shall appoint scrutineers and ballot counters for votes on proposals; however, the scrutineers shall be shareholders.
13. While a meeting is in progress, the chair may consider the time schedule and announce a break.

14. Matters on which these Regulations are silent shall be handled in accordance with the Company Act and the Articles of Incorporation of the Corporation.
15. These Regulations and any amendments hereto shall be implemented after being passed by a shareholders' meeting. The first amendment was made on May 27, 2002 and the second amendment was made on June 14, 2006.

## Procedures for Election of Directors

- Article 1 The election of the Directors of the Altek Corporation (*hereinafter* “the Company”) shall be conducted in accordance with The Company’s Procedures for Election of Directors (*hereinafter* “these Procedures”).
- Article 2 The election of the Directors of the Company may be carried out simultaneously at a shareholders’ meeting.
- Article 3 The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:
1. Basic requirements and values: Gender, age, nationality, and culture.
  2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
- Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
- The ability to make judgments about operations.
1. Accounting and financial analysis ability.
  2. Business management ability.
  3. Crisis management ability.
  4. Knowledge of the industry.
  5. An international market perspective.
  6. Leadership ability.
  7. Decision-making ability.
- The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.
- Elections of both directors and supervisors at this Corporation shall be

conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

When the company sets up independent directors in accordance with the articles of incorporation, the qualifications for the independent directors of this Corporation shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

- Article 4      The election of the Directors of the Company shall adopt the open-ballot, cumulative voting method. Each voter is represented with their shareholder account number. Each share confers voting rights equal in number to the Directors and Supervisors to be elected; the votes may be cast for a single candidate or distributed among multiple candidates.
- Article 5      The number of directors will be as specified in this Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 6      The board of directors shall prepare separate ballots with the Company's stamp as well as fill in the voter's shareholder account number and weighted voting rights. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 7      Before voting commences, the Chairman shall appoint a certain number of scrutineers, ballot tellers and ballot counters to carry out related duties.
- Article 8      The ballot box used for voting shall be prepared by the Board of Directors, and shall be publicly opened and inspected by a scrutineer before the casting of ballots.

Article 9 If a candidate is a shareholder, a voter must fill in the candidate's name and shareholder account number in the "Candidate" box of the ballot; for a non-shareholder candidate, the voter shall fill in the candidate's full name and identification card (*hereinafter* "ID card") number. When the candidate is a governmental organization or juristic person, the name of the governmental organization or juristic person shareholder and the name of their representative shall also be filled in the "Candidate" box of the ballot.

Article 10 A ballot is invalid under any of the circumstances listed below, and the number of voting rights conferred therein may not be credited to that candidate:

1. A ballot prepared by the Company by these Procedures was not used.
2. A blank ballot cast in the ballot box that was not filled in by the voter.
3. The handwriting is unclear and indecipherable.
4. Any element of the name of the candidate, shareholder account number of the candidate and distributed voting right that was already filled in has been altered.
5. The candidate is a shareholder and their name, shareholder account number filled in the "Candidate" box on the ballot do not conform with the information on the shareholders roster; or where the candidate is not a shareholder, and their name, ID card number filled in the "Candidate" box on the ballot do not match.
6. The candidate's name is the same as other shareholders, whereas shareholder account number (or ID card number) is missing for the identification.
7. Other words or marks are written in addition to the candidates' name, shareholder account number (or ID card number) and the distributed voting right.
8. The total number of the candidate filled in the "Candidate" box on the ballot exceeds the number of the candidate elected.
9. The total amount of the distributed voting right filled in the "Candidate" box on the ballot exceeds the voting right the voters have.
10. The total number of distributed voting rights exceeds the total number of votes held by the elector.
11. Election votes with incomplete records of Article 9 matters to be

declared.

12. Election votes for suspected ballot boxes.

13. Unrecognized election votes such as damaged and defaced.

14. Other violations of laws, regulations and rules.

Article 11 When the total amount of the distributed voting right is lesser than the total voting right the voters have, the decreased part of the voting right is deemed as a waiver of voting power.

Article 12 After the casting of ballots is completed, the ballots shall be counted in front of the public, and the results shall be announced on the spot by the Chairman.

Article 13 Matters on which these Procedures are silent shall be handled in accordance with the Company Act and the Articles of Incorporation of the Company.

Article 14 These Procedures and any amendments hereto, shall be implemented after being passed by a shareholders' meeting. The first amendment was made on May 27, 2002 ; the second amendment was made on June 17, 2007 ; the third amendment was made on June 13, 2012 ; the fourth amendment was made on June 16, 2017 ; the fifth amendment was made on June 13, 2019.

## Altek Corporation

### Shareholding of Directors

Book closure date: April 14, 2020

Position	Name	Date elected	Shareholding while elected		Current shareholding	
			Shares	Shareholding ratio (%) (Note 1)	Shares	Shareholding ratio (%) (Note 2)
Chairman	Alex Hsia	2017.06.16	757,934	0.28	897,934	0.32
Director	David Lin*	2017.06.16	13,946,100	5.09	13,956,100	4.99
Director	Belle Liang*	2017.06.16	13,946,100	5.09	13,956,100	4.99
Director	Sophia Chen	2017.06.16	0	0.00	0	0.00
Independent Director	Ching Jen Hu	2017.06.16	0	0.00	0	0.00
Independent Director	Ying Chih Hsieh	2017.06.16	0	0.00	0	0.00
Independent Director	MORI SHOREI	2017.06.16	0	0	0	0
Total			14,704,034	5.37	14,854,034	5.31

\* The representative of Yitsang International Limited Company.

**Note 1:** Total issued shares as of June 16, 2017 are 273,908,825 shares.

**Note 2:** Total issued shares as of April 14, 2020 are 279,587,325 shares.

**Note 3:** As of April 14, 2020 the total shareholdings of all Directors are 14,854,034 shares which excess the limitations required by law.

**Note 4:** The Company has set up an Audit Committee, so limitations on supervisors' holdings are not applicable.