



Hermes Microvision, Inc.

**2014 Annual Shareholders' Meeting
Meeting Agenda
(Translation)**

Meeting Date: June 6, 2014

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Hermes Microvision, Inc.
2014 Annual Shareholders' Meeting Procedure

1. Call Meeting to Order
2. Chairman's opening remarks
3. Report Items
4. Acknowledgements
5. Proposed Resolutions
6. Special Motions
7. Meeting Adjourned

Hermes Microvision, Inc.
2014 Annual Shareholders' Meeting Agenda
(Translation)

Time: 9:00 a.m., June 6, 2014 (Friday)

Venue: The Allied Association for Science Park Industries, Room 101 (No.2, Zhanye 1st Rd., East Dist., Hsinchu City 300, Taiwan)

Attendants: All shareholders or their proxy holders

Chairman: Mr. Chin-Yung Hsu, Chairman of the Board of Directors

Agenda:

1. Chairman's Opening Remarks
2. Report Items:
 - (1) To report the business of 2013
 - (2) Audit Committee's review report
3. Acknowledgements
 - (1) Adoption of the 2013 Business Report and Financial Statements
 - (2) Adoption of the proposal for distribution of 2013 Profits
4. Proposed Resolutions
 - (1) To revise the company's "Article of Incorporation"
 - (2) To revise the company's "Procedures Governing Asset Acquisition and Disposal"
 - (3) To elect nine Directors (including four independent directors)
 - (4) To Release the prohibition on Directors from participation in competitive business
5. Special Motions
6. Meeting Adjourned

Report Items

1. To report the business of 2013

Explanatory Notes: Please refer to page 8, Attachment 1.

2. Audit Committee's review report

Explanatory Notes: Please refer to page 9, Attachment 2

Acknowledgements

Acknowledgement 1

Proposed by the Board of Directors

Subject: Adoption of the 2013 Business Report and Financial Statements

Descriptions:

- (1) Hermes Microvision, Inc's 2013 Financial Statements, including the balance sheets, statements of comprehensive income, statements of changes in shareholders' equity, and statements of cash flows, were audited by independent auditors Ya-Huei Cheng and Tien-Yi Li of PricewaterhouseCoopers. The report issued by the independent auditors has been approved by the Board.
- (2) For the 2013 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements, please refer to page 8, Attachment 1, page 10-15, Attachment 3, and page 16-23, Attachment 4.

Resolution:

Acknowledgement 2

Proposed by the Board of Directors

Subject: Adoption of the proposal for distribution of 2013 Profits

Descriptions:

- (1) The 2013 Profit Allocation Proposal is attached hereto as Attachment 5. Please refer to page 24.
- (2) If the outstanding shares are impacted due to the Company's subsequent share buybacks, the transfer or cancellation of treasury stocks, the conversion of convertible corporate bonds, the exercise of employee stock options, the capital raising, or other matters, it is proposed the Board of Directors be authorized by the Annual Meeting of Shareholders to adjust the cash payout ratio.

Resolution:

Proposed Resolutions

Proposal 1

Proposed by the Board of Directors

Subject: To revise the company's "Article of Incorporation." Please proceed to discuss.

Descriptions: In order to conform to the needs of commercial practice, the company hereby proposes to revise the "Article of Incorporation." Please refer to page 25 (attachment 6) for details.

Resolution:

Proposal 2

Proposed by the Board of Directors

Subject: To revise the company's "Procedures Governing Asset Acquisition and Disposal." Please proceed to discuss.

Descriptions: In order to conform to related commercial laws, the company hereby proposes to revise the "Procedures Governing Asset Acquisition and Disposal." Please refer to page 26 (attachment 7) for details.

Resolution:

Proposal 3

Proposed by the Board of Directors

Subject: To elect nine Directors (including four independent directors). Please proceed to discuss.

Descriptions:

1. The three-year term of the directors (including independent directors) of the 4th Board will end this year. Accordingly, the company proposes to duly elect new Board members at this year's Annual General Shareholders' Meeting. The Annual General Shareholders' Meeting shall elect 9 directors (including 4 independent directors.) Their three-year term will start from June 6th, 2014 and conclude on June 5th, 2017.
2. The qualification of the 4 nominated independent directors has been reviewed by the Board meeting on February 25th, 2014. Personal information of the 4 nominees is as follows:

Name	Shareholding	Education	Experience
Liang, Kai-Tai	0	Bachelor of Electrophysics, National Chiao Tung University	President of Masstop Technology Inc. President of Siemens Shanghai Telecom President of Madewell Technology, Global Mobile Communication System Department
Hu, Han-Liang	0	Bachelor of International Business, Tamkang University	Partner of C.J.S. CPAs & Co., Ltd. Superisor of Orient Pharma Co., Ltd. Superisor of Genius, KYE systems Corp. Director of Sciencetech Corporation. Superisor of Godex International Co.,Ltd. Chairman of Shamrock Micro Device Corp.
Tu, Huai-Chi	0	Bachelor of Economy, National Taiwan University	CEO/Director of Promate Electronic Co., Ltd.
Kin, Lien-Fang	0	Doctor of Engineering Science, Columbia University	Director of MediaTek Inc. Counselor of Oak Hill Capital Partners Independent Director of eMemory Technology, Inc. Independent Director of AzureWave Technologies, Inc. Associate Dean of College of Technology Management, National Tsing Hua University Vice President of Global Business and Services, TSMC Vice President of Microelectronics Global Business and Services, IBM Vice President of Motorola Computer Business- Asia Pacific

Voting Results:

Proposal 4

Proposed by the Board of Directors

Subject: To Release the prohibition on Directors from participation in competitive business

Descriptions: Pursuant to Article 209 of the Company Act, it is proposed to release the prohibition on Directors from participation in competitive business

Resolution:

Special Motions

Meeting Adjourned

Attachment 1

Hermes Microvision, Inc. 2013 Business Report

Along with the geometry migration to advanced process technology nodes, the increasing architectural, manufacturing and material complexities will result in more inspection layers and more killer defects in the semiconductor manufacturing process. We expect e-beam inspection or EBI tools to gain market share from the main stream optical inspection system at the leading edge technology nodes, given their superior technical performance in resolution and sensitivity. As a result, our revenue and profit grew steadily in the past few years.

Although the global economy was in a recession in 2013, the robust demand for mobile devices and tablets has driven the semiconductor industry for smaller geometry node migration. The migration eventually result in increasing adoption of EBI by advanced wafer manufacturers.

In year 2013, HMI's sales reached another record high of NT\$ 5.34 billion. The year-over-year revenue growth was 28% comparing to the revenue of NT\$ 4.18 billion in 2012. The profit after income tax was NT\$ 2.35 billion and the EPS was NT\$ 35.09.

HMI has been committed to the research and manufacturing of EBI tools and solutions. Today, we offer a wide range of EBI products based on our proprietary electron gun and column technologies and highly effective defect inspection algorithms to meet the various needs of our customers. Besides being dedicated to the development of our core EBI technology, HMI is also devoted into broadening our EBI application to optimize EBI utilization and create value to our clients.

HMI launched Global Depositary Shares offering on November 2013. The net proceed will be used in research and development of new products and advanced technology projects. This program attracted some high quality global institutional investors to invest in HMI and improved HMI's global visibility.

Going forward, semiconductor manufacturers' requirement to high quality process control and yield management tools should increase along with the technology node migration. HMI's new manufacturing plant should be ready for production by the end of 2014 to meet clients' demand. Meanwhile, HMI is committed to develop next-generation inspection solutions alongside our customers and seek to introduce new system capabilities and features that would help address their technological difficulties and improve their yield rate.

Chairman: Chin-Yung Hsu

President: Jack Jau

CFO: Hsiao-Lien Shen

Attachment 2

Hermes Microvision, Inc. Audit Committee's Review Report

The Financial Statements of Hermes Microvision, Inc. in fiscal year 2013 have been duly audited by PricewaterhouseCoopers and are believed to fairly represent the financial standing, operation results and cash flows of Hermes Microvision, Inc.. The Audit Committee has duly reviewed the Financial Statements along with the Business Report and proposal for profits distribution and hereby verify that they comply with the requirements of Company Law and relevant regulations. This report is duly submitted in accordance with Article 219 of the Company Law, and I, as the Chairman of the Audit Committee hereby submit this report.

To Hermes Microvision, Inc. 2014 Annual General Shareholders' Meeting

Hermes Microvision, Inc.

Chairman of the Audit Committee: Han-Liang Hu

February 25, 2014

Attachment 3

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

Report of Independent Accountants

To Hermes Microvision, Inc.

We have audited the accompanying parent company only balance sheets of Hermes Microvision, Inc. as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Hermes Microvision, Inc. as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

February 25, 2014

The accompanying parent company only 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 parent company only 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.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012				
Assets			Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%		
Current assets											
1100	Cash and cash equivalents	6(1)	\$	5,189,811	44	\$	2,417,871	45	\$	510,700	18
1147	Bond investments without	6(3)									
	active markets - current			2,891,085	24		-	-		-	-
1170	Accounts receivable, net	6(4)		1,365,752	12		819,071	15		410,257	14
1180	Accounts receivable - related	7									
	parties			381,922	3		427,975	8		370,666	13
1200	Other receivables			17,355	-		15,685	-		29,325	1
1210	Other receivables - related	7									
	parties			1,085	-		18,539	-		25,912	1
130X	Inventories	6(5)		859,798	7		888,293	17		877,372	31
1410	Prepayments			9,543	-		19,622	1		13,068	-
11XX	Current Assets			10,716,351	90		4,607,056	86		2,237,300	78
Non-current assets											
1523	Available-for-sale financial	6(2)									
	assets - noncurrent			4,412	-		-	-		-	-
1550	Investments accounted for	6(6)									
	using the equity method			816,036	7		584,338	11		474,633	17
1600	Property, plant and equipment	6(7)		268,730	2		110,596	2		119,063	4
1780	Intangible assets	6(8)		5,028	-		5,467	-		6,580	-
1840	Deferred income tax assets	6(24)		48,626	1		27,020	1		30,595	1
1920	Refundable deposits			120	-		247	-		291	-
15XX	Non-current assets			1,142,952	10		727,668	14		631,162	22
1XXX	Total assets		\$	11,859,303	100	\$	5,334,724	100	\$	2,868,462	100

(Continued)

HERMES MICROVISION, INC.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Liabilities and Equity											
Notes											
Current liabilities											
2100	Short - term borrowings	6(9)	\$	-	-	\$	-	-	\$	657,000	23
2150	Notes payable			-	-		-	-		1,080	-
2170	Accounts payable			98,288	1		62,280	1		33,768	1
2180	Accounts payable - related parties	7		235,579	2		215,319	4		105,072	4
2200	Other payables	6(10)		468,320	4		280,955	5		110,640	4
2220	Other payables - related parties	7		148,563	1		158,709	3		224,846	8
2230	Current income tax liabilities	6(24)		152,848	1		84,817	2		98,699	3
2250	Provisions for liabilities - current	6(13)		972,259	8		577,257	11		218,576	8
2300	Other current liabilities			4,940	-		2,873	-		2,107	-
21XX	Current Liabilities			2,080,797	17		1,382,210	26		1,451,788	51
Non-current liabilities											
2570	Deferred income tax liabilities	6(24)		5,042	-		14	-		3,589	-
2600	Other non - current liabilities	6(11)		79,058	1		85,468	2		59,019	2
25XX	Non - current liabilities			84,100	1		85,482	2		62,608	2
2XXX	Total Liabilities			2,164,897	18		1,467,692	28		1,514,396	53
Equity											
3110	Share capital - common stock	6(14)		710,000	6		660,000	12		600,000	21
3200	Capital surplus	6(15)		5,427,023	46		1,234,348	23		-	-
	Retained earnings	6(16)									
3310	Legal reserve			231,846	2		80,186	1		14,962	-
3320	Special reserve			4,144	-		-	-		-	-
3350	Unappropriated retained earnings			3,306,436	28		1,900,634	36		739,104	26
	Other equity interest	6(17)									
3400	Other equity interest			14,957	-	(8,136)	-		-	-
3XXX	Total equity			9,694,406	82		3,867,032	72		1,354,066	47
	Total liabilities and equity		\$	11,859,303	100	\$	5,334,724	100	\$	2,868,462	100

The accompanying notes are an integral part of parent company only financial statements.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			For the years ended December 31,				
			2013		2012		
	Notes		AMOUNT	%	AMOUNT	%	
4000		Operating revenue	6(18) and 7	\$ 5,487,228	100	\$ 4,174,028	100
5000		Operating costs	6(5) and 7	(1,938,362)	(35)	(1,330,571)	(32)
5900		Net operating margin		3,548,866	65	2,843,457	68
5950		Net operating margin		3,548,866	65	2,843,457	68
		Operating expenses	6(22)(23) and 7				
6100		Selling expenses		(274,437)	(5)	(282,723)	(6)
6200		General and administrative expenses		(158,646)	(3)	(161,774)	(4)
6300		Research and development expenses		(874,497)	(16)	(791,113)	(19)
6000		Total operating expenses		(1,307,580)	(24)	(1,235,610)	(29)
6900		Operating profit		2,241,286	41	1,607,847	39
		Non-operating income and expenses					
7010		Other income	6(19)	24,205	-	34,230	1
7020		Other gains and losses	6(20)	54,192	1	(68,207)	(2)
7050		Finance costs	6(21)	-	-	(5,824)	-
7070		Share of profit of subsidiaries	4(15)	200,902	4	77,803	2
7000		Total non-operating revenue and expenses		279,299	5	38,002	1
7900		Profit before income tax		2,520,585	46	1,645,849	40
7950		Income tax expense	6(24)	(176,985)	(3)	(128,683)	(3)
8200		Profit for the year		<u>\$ 2,343,600</u>	<u>43</u>	<u>\$ 1,517,166</u>	<u>37</u>
		Other comprehensive income	4(22)				
8310		Cumulative translation differences of foreign operations		\$ 26,157	-	(\$ 8,136)	-
8360		Actuarial gain (loss) on defined benefit plan		6,645	-	(26,412)	(1)
8399		Income tax relating to the components of other comprehensive income		297	-	-	-
8300		Other comprehensive income for the year		<u>\$ 33,099</u>	<u>-</u>	<u>(\$ 34,548)</u>	<u>(1)</u>
8500		Total comprehensive income for the year		<u>\$ 2,376,699</u>	<u>43</u>	<u>\$ 1,482,618</u>	<u>36</u>
		Basic earnings per share	6(25)				
9750		Basic earnings per share		<u>\$ 35.09</u>		<u>\$ 23.34</u>	
		Diluted earnings per share	6(25)				
9850		Diluted earnings per share		<u>\$ 35.04</u>		<u>\$ 23.30</u>	

The accompanying notes are an integral part of parent company only financial statements.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Share capital - common stock	Capital surplus	Retained earnings			Cumulative translation differences of foreign operations	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		
<u>For the year ended December 31, 2012</u>							
Balance at January 1, 2012	\$ 600,000	\$ -	\$ 14,962	\$ -	\$ 739,104	\$ -	\$ 1,354,066
Issuance of common stock for cash	60,000	1,188,000	-	-	-	-	1,248,000
Appropriation of 2011 earnings							
Legal reserve	-	-	65,224	-	(65,224)	-	-
Cash dividends	-	-	-	-	(264,000)	-	(264,000)
Profit for the year	-	-	-	-	1,517,166	-	1,517,166
Other comprehensive income for the year	-	-	-	-	(26,412)	(8,136)	(34,548)
Adjustments arising from changes in percentages of ownership in subsidiary	-	10,517	-	-	-	-	10,517
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831	-	-	-	-	35,831
Balance at December 31, 2012	<u>\$ 660,000</u>	<u>\$ 1,234,348</u>	<u>\$ 80,186</u>	<u>\$ -</u>	<u>\$ 1,900,634</u>	<u>(\$ 8,136)</u>	<u>\$ 3,867,032</u>
<u>For the year ended December 31, 2013</u>							
Balance at January 1, 2013	\$ 660,000	\$ 1,234,348	\$ 80,186	\$ -	\$ 1,900,634	(\$ 8,136)	\$ 3,867,032
Issuance of common stock for cash	50,000	4,188,036	-	-	-	-	4,238,036
Appropriation of 2012 earnings							
Legal reserve	-	-	151,660	-	(151,660)	-	-
Special reserve	-	-	-	4,144	(4,144)	-	-
Cash dividends	-	-	-	-	(792,000)	-	(792,000)
Profit for the year	-	-	-	-	2,343,600	-	2,343,600
Adjustments arising from changes in percentages of ownership in subsidiary	-	4,639	-	-	-	-	4,639
Other comprehensive income for the year	-	-	-	-	10,006	23,093	33,099
Balance at December 31, 2013	<u>\$ 710,000</u>	<u>\$ 5,427,023</u>	<u>\$ 231,846</u>	<u>\$ 4,144</u>	<u>\$ 3,306,436</u>	<u>\$ 14,957</u>	<u>\$ 9,694,406</u>

The accompanying notes are an integral part of parent company only financial statements.

HERMES MICROVISION, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the year	\$ 2,520,585	\$ 1,645,849
Adjustments to reconcile profit before tax to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
Provision for doubtful accounts	-	19,820
Depreciation	35,328	38,857
Amortization	4,108	4,195
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831
Compensation cost of stock appreciation right	62,790	-
Interest expense	-	5,824
Share of profits of subsidiaries	(200,902)	(77,803)
Interest income	(23,997)	(6,448)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable	(546,681)	(408,814)
Accounts receivable - related parties	46,053	57,309
Other receivables	(1,670)	(6,180)
Other receivables - related parties	17,454	7,373
Inventories	36,268	(31,601)
Prepayments	10,079	4,108
Net changes in liabilities relating to operating activities		
Notes payable	-	(1,080)
Accounts payable	36,008	28,512
Accounts payable - related parties	20,260	110,247
Other payables	47,179	170,315
Other payables - related parties	(10,146)	(66,137)
Provisions for liabilities	395,002	358,681
Other current liabilities	2,068	982
Other non- current liabilities	235	37
Cash provided by operations	2,450,021	1,775,259
Interest received	23,997	6,448
Interest paid	-	(6,040)
Income tax paid	(125,235)	(142,565)
Net cash provided by operating activities	2,348,783	1,633,102
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of bond investments without active markets - current	(2,891,085)	-
Acquisition of available-for-sales financial assets - non - current	(4,412)	-
Acquisition of investments accounted for using the equity method	-	(29,521)
Acquisition of property, plant and equipment	(123,843)	(20,391)
Acquisition of intangible assets	(3,669)	(3,082)
Proceeds from disposal of property, plant, equipment and intangible assets	3	19
Decrease in refundable deposits	127	44
Net cash used in investing activities	(3,022,879)	(52,931)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short - term borrowings	-	(657,000)
Proceeds from issuance of common stock	4,302,575	1,248,000
Cost of acquisition of capital	(64,539)	-
Cash dividends paid	(792,000)	(264,000)
Net cash provided by financing activities	3,446,036	327,000
Increase in cash and cash equivalents	2,771,940	1,907,171
Cash and cash equivalents at beginning of year	2,417,871	510,700
Cash and cash equivalents at end of year	\$ 5,189,811	\$ 2,417,871

The accompanying notes are an integral part of parent company only financial statements.

Attachment 4

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR13000035

To Hermes Microvision, Inc.

We have audited the accompanying consolidated balance sheets of Hermes Microvision, Inc. and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hermes Microvision, Inc. and its subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012 and the results of their operations and their cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Hermes Microvision, Inc. as of the years ended December 31, 2013 and 2012. In our report dated February 25, 2014, we expressed an unqualified opinion on these financial statements.

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

February 25, 2014

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.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2013		December 31, 2012		January 1, 2012	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,370,702	46	\$ 2,776,308	53	\$ 612,326	22
1147	Bond investments without	6(3)						
	active markets - current		2,891,085	25	-	-	-	-
1170	Accounts receivable, net	6(4)	1,556,892	13	848,427	16	652,622	24
1180	Accounts receivable - related	7						
	parties		13,367	-	303	-	7,135	-
1200	Other receivables		24,842	-	31,892	1	30,565	1
130X	Inventories	6(5)	1,516,157	13	1,278,613	25	1,189,641	44
1410	Prepayments		37,678	-	32,862	1	30,840	1
1470	Other current assets		33,751	-	3,154	-	22	-
11XX	Current Assets		11,444,474	97	4,971,559	96	2,523,151	92
Non-current assets								
1523	Available-for-sale financial	6(2)						
	assets - noncurrent		4,412	-	-	-	-	-
1600	Property, plant and equipment	6(6)	334,590	3	170,246	3	168,142	6
1780	Intangible assets	6(7)	10,632	-	10,717	-	11,045	1
1840	Deferred income tax assets	6(22)	48,626	-	27,020	1	30,595	1
1900	Other non - current assets		8,803	-	8,117	-	7,553	-
15XX	Non - current assets		407,063	3	216,100	4	217,335	8
1XXX	Total assets		\$ 11,851,537	100	\$ 5,187,659	100	\$ 2,740,486	100

(Continued)

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short - term loans	6(8)	\$ -	-	\$ -	-	\$ 657,000	24
2150	Notes payable		-	-	-	-	1,080	-
2170	Accounts payable		149,703	1	93,112	2	59,066	2
2180	Accounts payable - related parties	7	328	-	-	-	-	-
2200	Other payables	6(9)	678,687	6	378,101	7	168,240	6
2220	Other payables - related parties	7	68,731	1	62,125	1	87,590	3
2230	Current income tax liabilities	6(22)	159,758	1	85,194	2	100,064	4
2250	Provisions for liabilities - current	6(12)	972,259	8	577,257	11	218,576	8
2300	Other current liabilities		4,939	-	2,873	-	8,712	1
21XX	Current Liabilities		<u>2,034,405</u>	<u>17</u>	<u>1,198,662</u>	<u>23</u>	<u>1,300,328</u>	<u>48</u>
	Non-current liabilities							
2570	Deferred income tax liabilities	6(22)	5,042	-	14	-	3,589	-
2600	Other non - current liabilities	6(10)	79,058	1	88,940	2	61,412	2
25XX	Non - current liabilities		<u>84,100</u>	<u>1</u>	<u>88,954</u>	<u>2</u>	<u>65,001</u>	<u>2</u>
2XXX	Total Liabilities		<u>2,118,505</u>	<u>18</u>	<u>1,287,616</u>	<u>25</u>	<u>1,365,329</u>	<u>50</u>
	Equity							
	Equity attributable to owners of parent company							
	Share capital							
3110	Share capital - common stock	6(13)	710,000	6	660,000	13	600,000	22
3200	Capital surplus	6(14)	5,427,023	46	1,234,348	24	-	-
	Retained earnings	6(15)						
3310	Legal reserve		231,846	2	80,186	1	14,962	-
3320	Special reserve		4,144	-	-	-	-	-
3350	Unappropriated retained earnings		3,306,436	28	1,900,634	36	739,104	27
	Other equity interest	6(16)						
3400	Other equity interest		14,957	-	(8,136)	-	-	-
31XX	Equity attributable to owners of the parent company		<u>9,694,406</u>	<u>82</u>	<u>3,867,032</u>	<u>74</u>	<u>1,354,066</u>	<u>49</u>
36XX	Non - controlling interest		<u>38,626</u>	<u>-</u>	<u>33,011</u>	<u>1</u>	<u>21,091</u>	<u>1</u>
3XXX	Total equity		<u>9,733,032</u>	<u>82</u>	<u>3,900,043</u>	<u>75</u>	<u>1,375,157</u>	<u>50</u>
	Significant contingent liabilities and unrecognised contract commitments							
	Total liabilities and equity		\$ 11,851,537	100	\$ 5,187,659	100	\$ 2,740,486	100

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31			
		2013		2012	
	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 5,340,043	100	\$ 4,179,904	100
5000	Operating costs	(1,581,584)	(30)	(1,199,056)	(29)
5900	Net operating margin	3,758,459	70	2,980,848	71
	Operating expenses				
6100	Selling expenses	(362,496)	(7)	(321,045)	(8)
6200	General and administrative expenses	(240,476)	(4)	(234,546)	(5)
6300	Research and development expenses	(743,966)	(14)	(717,941)	(17)
6000	Total operating expenses	(1,346,938)	(25)	(1,273,532)	(30)
6900	Operating profit	2,411,521	45	1,707,316	41
	Non-operating income and expenses				
7010	Other income	79,312	2	34,570	1
7020	Other gains and losses	64,698	1	(68,993)	(2)
7050	Finance costs	-	-	(5,824)	-
7000	Total non-operating income and expenses	144,010	3	(40,247)	(1)
7900	Profit before tax	2,555,531	48	1,667,069	40
7950	Income tax expense	(208,256)	(4)	(146,640)	(3)
8200	Profit for the year	\$ 2,347,275	44	\$ 1,520,429	37
	Other comprehensive income for the year				
8310	Cumulative translation differences of foreign operations	\$ 27,061	1	(\$ 9,434)	-
8360	Actuarial gain (loss) on defined benefit plan	6,645	-	(26,412)	(1)
8399	Income tax relating to the components of other comprehensive income	297	-	-	-
8300	Other comprehensive income for the year	\$ 34,003	1	(\$ 35,846)	(1)
8500	Total comprehensive income for the year	\$ 2,381,278	45	\$ 1,484,583	36
	Profit, attributable to:				
8610	Equity holders of the parent company	\$ 2,343,600	44	\$ 1,517,166	37
8620	Non-controlling interest	3,675	-	3,263	-
	Profit for the year	\$ 2,347,275	44	\$ 1,520,429	37
	Total comprehensive income attributable to:				
8710	Equity holders of the parent company	\$ 2,376,699	45	\$ 1,482,618	36
8720	Non-controlling interest	4,579	-	1,965	-
	Total comprehensive income for the year	\$ 2,381,278	45	\$ 1,484,583	36
	Basic earnings per share (In dollars)				
9750	Basic earnings per share	\$ 35.09		\$ 23.34	
	Diluted earnings per share (In dollars)				
9850	Diluted earnings per share	\$ 35.04		\$ 23.30	

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent							Non-controlling interest	Total equity
Share capital - common stock	Retained earnings							
	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Total		
\$ 600,000	\$ -	\$ 14,962	\$ -	\$ 739,104	\$ -	\$ 1,354,066	\$ 21,091	\$ 1,375,157
60,000	1,188,000	-	-	-	-	1,248,000	-	1,248,000
-	-	65,224	-	(65,224)	-	-	-	-
-	-	-	-	(264,000)	-	(264,000)	-	(264,000)
-	-	-	-	1,517,166	-	1,517,166	3,263	1,520,429
-	-	-	-	(26,412)	(8,136)	(34,548)	(1,298)	(35,846)
-	10,517	-	-	-	-	10,517	9,955	20,472
-	35,831	-	-	-	-	35,831	-	35,831
\$ 660,000	\$ 1,234,348	\$ 80,186	\$ -	\$ 1,900,634	(\$ 8,136)	\$ 3,867,032	\$ 33,011	\$ 3,900,043

(Continued)

For the year ended December 31, 2012

Balance at January 1, 2012
Issuance of common stock for cash
Appropriation of 2011 earnings
Legal reserve
Cash dividends
Profit for the year
Other comprehensive income for the year
Adjustments arising from changes in percentages of ownership in subsidiary
Compensation cost for newly issued shares reserved for subscription by employees
Balance at December 31, 2012

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Equity attributable to owners of the parent						Non-controlling interest	Total equity	
	Retained earnings								
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations			Total
\$	660,000	\$ 1,234,348	\$ 80,186	\$ -	\$ 1,900,634	(\$ 8,136)	\$ 3,867,032	\$ 33,011	\$ 3,900,043
50,000		4,188,036	-	-	-	-	4,238,036	-	4,238,036
-	-	-	151,660	-	(151,660)	-	-	-	-
-	-	-	-	4,144	(4,144)	-	-	-	-
-	-	-	-	-	(792,000)	-	(792,000)	-	(792,000)
-	-	-	-	-	2,343,600	-	2,343,600	3,675	2,347,275
-	-	-	-	-	10,006	23,093	33,099	904	34,003
-	-	4,639	-	-	-	-	4,639	1,036	5,675
\$ 710,000	\$ 5,427,023	\$ 231,846	\$ 4,144	\$ 3,306,436	\$ 14,957	\$ 9,694,406	\$ 38,626	\$ 9,733,032	

For the year ended December 31, 2013

Balance at January 1, 2013
Issuance of common stock for cash
Appropriation of 2012 earnings
Legal reserve
Special reserve
Cash dividends
Profit for the year
Other comprehensive income for the year
Adjustments arising from changes in percentages of ownership in subsidiary
Balance at December 31, 2013

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 2,555,531	\$ 1,667,069
Adjustments to reconcile profit before tax to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
(Reversal of allowance) provision for doubtful accounts	(67,806)	21,530
Depreciation	53,766	56,402
Amortization	6,440	6,162
Loss on disposal of property, plant, equipment and intangible assets	42	226
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831
Compensation cost of employee stock option	2,827	4,403
Compensation cost of stock appreciation right	112,465	-
Interest expense	-	5,824
Interest income	(24,284)	(6,641)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable	(640,660)	(217,335)
Accounts receivable - related parties	(13,063)	6,832
Other receivables	7,050	(1,327)
Inventories	(229,323)	(137,171)
Prepayments	(4,816)	8,641
Other current assets	(30,597)	(3,132)
Net changes in liabilities relating to operating activities		
Notes payable	-	(1,080)
Accounts payable	56,591	34,046
Accounts payable - related parties	328	-
Other payables	110,726	210,077
Other payables - related parties	6,606	(25,465)
Provisions for liabilities	395,002	358,681
Other current liabilities	2,066	(5,839)
Other non - current liabilities	(3,237)	1,116
Cash provided by operations	2,295,654	2,018,850
Interest received	24,284	6,641
Interest paid	-	(6,040)
Income tax paid	(149,292)	(161,510)
Net cash provided by operating activities	2,170,646	1,857,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of bond investments without active markets-current	(2,891,085)	-
Acquisition of available - for - sales financial assets - non - current	(4,412)	-
Acquisition of property, plant and equipment	(146,627)	(46,416)
Proceeds from disposal of property, plant, equipment and intangible assets	612	393
Acquisition of intangible assets	(6,240)	(5,601)
Proceeds from disposal of intangible assets	47	-
Increased in deposits - out	(686)	(564)
Net cash used in investing activities	(3,048,391)	(52,188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short - term loans	-	(657,000)
Proceeds from issuance of common stock	4,302,575	1,248,000
Cost of acquisition of capital	(64,539)	-
Cash dividends paid	(792,000)	(264,000)
Proceeds from the exercise of subsidiaries' employees stock option	-	20,472
Net cash provided by financing activities	3,446,036	347,472
Effect of exchange rate	26,103	10,757
Increase in cash and cash equivalents	2,594,394	2,163,982
Cash and cash equivalents at beginning of year	2,776,308	612,326
Cash and cash equivalents at end of year	\$ 5,370,702	\$ 2,776,308

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

Attachment 5

Hermes Microvision, Inc. Profit Allocation Proposal December 31, 2013

	Unit: NT\$
Unappropriated Retained Earnings of Previous Years	\$1,021,747,284
IFRS Adjustments	(68,916,477)
Plus: Net Income of 2013 ¹	2,343,600,348
Employee Compensation Calculation Benefit	10,005,207
Reverse of Special Reserve	4,143,607
Less: 10% Legal Reserve	(234,360,035)
Retained Earnings Available for Distribution as of December 31, 2013	3,076,219,934
Distribution Item:	
Cash Dividends to Common Share Holders (NT\$16 per share)	(1,136,000,000)
Unappropriated Retained Earnings	<u>\$ 1,940,219,934</u>

¹ After expensing the following:

- Employees' cash bonus and profit sharing of NT\$91,131,950.
- Directors' compensation of NT\$ 4,800,000.

Attachment 6

Hermes Microvision, Inc.

Comparison of the Original Text and the Amended Text in “Article of Incorporation”

	Amended Text	Original Text	Amendment Remarks
Section IV Article 14	The Company shall have seven (7) to <u>thirteen (13)</u> directors. The term of office of director is three (3) years. The directors shall be elected in the shareholders' meeting from persons with capacity to make judicial acts; re-election shall be permissible.	The Company shall have seven (7) to <u>nine (9)</u> directors. The term of office of director is three (3) years. The directors shall be elected in the shareholders' meeting from persons with capacity to make judicial acts; re-election shall be permissible.	To conform with the Company's policies
Section IV Article 14-1	<u>The number of independent directors shall be at least two and not less than one-fifth of the total number of directors in the board of directors.</u> The independent directors shall be elected by candidates nomination mechanism. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority.	<u>There shall be at least two independent directors in the board of directors.</u> The independent directors shall be elected by candidates nomination mechanism. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority.	Amended in accordance with the latest amendment of "Securities and Exchange Act"
Section VII Article 22	These Articles of Incorporation were resolved on April 30, 2003. The first amendment was made on July 3, 2003; the second amendment was made on February 23, 2004; the third amendment was made on June 21, 2005; the fourth amendment was made on August 30, 2007; the fifth amendment was made on June 16, 2009; the sixth amendment was made on June 10, 2010; the seventh amendment was made on November 30, 2010; the eighth amendment was made on June 30, 2011; <u>the ninth amendment was made on June 6, 2014.</u>	These Articles of Incorporation were resolved on April 30, 2003. The first amendment was made on July 3, 2003; the second amendment was made on February 23, 2004; the third amendment was made on June 21, 2005; the fourth amendment was made on August 30, 2007; the fifth amendment was made on June 16, 2009; the sixth amendment was made on June 10, 2010; the seventh amendment was made on November 30, 2010; the eighth amendment was made on June 30, 2011.	Amendment date added.

Attachment 7

Hermes Microvision, Inc.

Comparison of the Original Text and the Amended Text in “Procedures Governing Asset Acquisition and Disposal”

Amended Text	Original Text	Amendment Remarks
<p>2.Legal basis</p> <p>The Procedures are set up in accordance with Article 36-1 of the “Securities and Exchange Act”, and the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies” stipulated by the Financial Supervisory Commission (hereafter referred to as the FSC).</p>	<p>2.Legal basis</p> <p>The Procedures are set up in accordance with Article 36-1 of the “Securities and Exchange Act”, and the “Guidelines for Handling Acquisition and Disposal of Assets by Public Companies” stipulated by the Financial Supervisory Commission <u>of Executive Yuan</u>.</p>	<p>This text was amended in accordance with the latest laws and regulations</p>
<p>3.Scope of applicable assets</p> <p>3.1 Investment in stocks, bonds, corporate bonds, financial bonds, securities in recognition of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.</p> <p>3.2 Real estate (including <u>land, houses and buildings, investment property, rights to use land</u>, construction inventory) and <u>equipment</u>.</p> <p>3.3. Membership cards</p> <p>3.4 Intangible assets, such as patent rights, copy rights, trademark rights and franchises, etc.</p> <p>3.5 Financial institutions’ debts (including receivables, purchase of foreign exchanges, discount, loans and overdue receivable).</p> <p>3.6 Derivative products</p> <p>3.7 The assets acquired or disposed by law from merger, split, acquisition or share assignment.</p> <p>3.8 Other important assets.</p>	<p>3.Scope of applicable assets</p> <p>3.1 Investment in stocks, bonds, corporate bonds, financial bonds, securities in recognition of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.</p> <p>3.2 Real estate (including construction inventory) and <u>other fixed assets</u>.</p> <p>3.3. Membership cards</p> <p>3.4 Intangible assets, such as patent rights, copy rights, trademark rights and franchises, etc.</p> <p>3.5 Financial institutions’ debts (including receivables, purchase of foreign exchanges, discount, loans and overdue receivable).</p> <p>3.6 Derivative products</p> <p>3.7 The assets acquired or disposed by law from merger, split, acquisition or share assignment.</p> <p>3.8 Other important assets.</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p>
<p>4.Definition of terms</p> <p>4.1 Derivative products: They refer to the forward contract, option contract, futures contract, leverage contract and swap contract derived from the products whose values are determined by assets, interest rates, exchange rates, indexes or other benefits, and the compound contract combining the aforesaid products. The aforesaid forward contract does not include the insurance contract, performance contract, after-sale service contract, long-term lease contract and long-term purchase (sales) contract.</p> <p>4.2 The assets acquired or disposed by law from merger, split, acquisition or share assignment: They refer to the assets acquired or disposed from merger, split or acquisition according to the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial</p>	<p>4.Definition of terms</p> <p>4.1 Derivative products: They refer to the forward contract, option contract, futures contract, leverage contract and swap contract derived from the products whose values are determined by assets, interest rates, exchange rates, indexes or other benefits, and the compound contract combining the aforesaid products. The aforesaid forward contract does not include the insurance contract, performance contract, after-sale service contract, long-term lease contract and long-term purchase (sales) contract.</p> <p>4.2 The assets acquired or disposed by law from merger, split, acquisition or share assignment: They refer to the assets acquired or disposed from merger, split or acquisition according to the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>Amended the number of items.</p>

Amended Text	Original Text	Amendment Remarks
<p>Institutions Merger Act or other laws, or from other company's share assignment for the new shares (hereafter referred to share assignment) issued in accordance with Paragraph 8 of Article 156 of the Company Act.</p> <p>4.3 Related parties and subsidiaries: <u>As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p><u>4.4</u> Professional appraisers: They refer to the real estate appraisers, or those who engage in real estate and <u>equipment</u> appraisal businesses as stated by law.</p> <p><u>4.5</u> Incident occurrence day: It refers to the earlier of the transaction signing day, payment day, consigned trading day, ownership transfer day, board meeting resolution day or other days which suffice for confirming transaction counterparts and trading amounts. However, those that require approval of the competent authorities for investment, the earlier of the aforesaid day or competent authorities' approval day shall prevail.</p> <p><u>4.6</u> Investment in the mainland China area: It refers to the mainland China investment made in accordance with the Regulations on the Permission of Investment and Technical Cooperation in the Mainland China Area stipulated by Investment Commission, Ministry of Economic Affairs.</p> <p><u>4.7</u> The "latest period of financial statements" refer to the last period of financial statements audited and certified or reviewed by a certified public accountant (CPA), which are publicly disclosed by law prior to the Company's acquisition or disposal of assets.</p>	<p>Institutions Merger Act or other laws, or from other company's share assignment for the new shares (hereafter referred to share assignment) issued in accordance with Paragraph 8 of Article 156 of the Company Act.</p> <p>4.3 Related parties: <u>They refer to the those who are covered by the Statements of Financial Accounting Standard No. 6 published by Accounting Research and Development Foundation (hereafter referred to as ARDF).</u></p> <p><u>4.4</u> Subsidiaries: <u>They refer to the those who are covered by the Statements of Financial Accounting Standard No. 5 and No. 7 published by ARDF.</u></p> <p><u>4.5</u> Professional appraisers: They refer to the real estate appraisers, or those who engage in real estate and <u>other fixed assets</u> appraisal businesses as stated by law.</p> <p><u>4.6</u> Incident occurrence day: It refers to the earlier of the transaction signing day, payment day, consigned trading day, ownership transfer day, board meeting resolution day or other days which suffice for confirming transaction counterparts and trading amounts. However, those that require approval of the competent authorities for investment, the earlier of the aforesaid day or competent authorities' approval day shall prevail.</p> <p><u>4.7</u> Investment in the mainland China area: It refers to the mainland China investment made in accordance with the Regulations on the Permission of Investment and Technical Cooperation in the Mainland China Area stipulated by Investment Commission, Ministry of Economic Affairs.</p> <p><u>4.8</u> The "latest period of financial statements" refer to the last period of financial statements audited and certified or reviewed by a certified public accountant (CPA), which are publicly disclosed by law prior to the Company's acquisition or disposal of assets.</p>	
<p>7. Handling procedures of acquisition or disposal of real estate or <u>equipment</u></p> <p>7.1 Evaluation and operation procedures The Company's acquisition or disposal of its real estate and <u>equipment</u> shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.</p> <p>7.2 Procedures to determine transaction terms and authorized limits</p> <p>7.2.1. Prior to acquiring or disposing real estate, the responsible personnel shall refer to the government-declared present value, judge the real estate's value and</p>	<p>7. Handling procedures of acquisition or disposal of real estate or <u>other fixed assets</u></p> <p>7.1 Evaluation and operation procedures The Company's acquisition or disposal of its real estate and <u>other fixed assets</u> shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.</p> <p>7.2 Procedures to determine transaction terms and authorized limits</p> <p>7.2.1. Prior to acquiring or disposing real estate, the responsible personnel shall refer to the government-declared present value, judge the real estate's value and</p>	Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."

Amended Text	Original Text	Amendment Remarks
<p>investigate neighboring real estate's actual trading prices, followed by determining the transaction terms and price and preparing an analysis report for submission. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.2 The responsible personnel shall use price enquiry, price comparison, price negotiation or bidding to acquire or dispose <u>equipment</u>. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>7.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>7.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by more than half of the entire body of audit committee members before being</p>	<p>investigate neighboring real estate's actual trading prices, followed by determining the transaction terms and price and preparing an analysis report for submission. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.2 The responsible personnel shall use price enquiry, price comparison, price negotiation or bidding to acquire or dispose <u>other fixed assets</u>. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>7.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>7.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>7.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by more than half of the entire body of audit committee members before being</p>	

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<p>submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>7.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>7.3 Execution unit When acquiring or disposing real estate or <u>equipment</u>, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use and management units shall be responsible for execution.</p> <p>7.4 Appraisal reports of real estate and <u>equipment</u> For the Company's acquisition or disposal of real estate or <u>equipment</u>, except the transaction with government agencies, construction assigned by the land owner, construction assigned for the leased land, or acquisition or disposal of business-purpose equipment, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the appraisal report (the matters to be stated in the report shall be subject to statutory laws and regulations) issued by a professional appraiser shall be obtained before the incident occurrence day and comply with the following regulations.</p> <p>7.4.1 If due to some special reason the limited price, specific price or special price is required to be used as the reference for the transaction price, the transaction in question shall be first submitted to the board of directors for adoption. The aforesaid procedures shall also apply to those that have any change in transaction terms in the future.</p> <p>7.4.2 When a transaction amount is more than 100 million NT dollars, the appraisal shall be made by at least two professional appraisers.</p> <p>7.4.3 In case that any of the following circumstances occurs to the appraisal made by a professional appraiser, except that the appraised price of asset acquisition is higher than the transaction amount or the appraised price of asset disposal is lower than the transaction</p>	<p>submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>7.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>7.3 Execution unit When acquiring or disposing real estate or <u>other fixed assets</u>, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use and management units shall be responsible for execution.</p> <p>7.4 Appraisal reports of real estate and <u>other fixed assets</u> For the Company's acquisition or disposal of real estate or <u>other fixed assets</u>, except the transaction with government agencies, construction assigned by the land owner, construction assigned for the leased land, or acquisition or disposal of business-purpose <u>machinery</u> equipment, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the appraisal report (the matters to be stated in the report shall be subject to statutory laws and regulations) issued by a professional appraiser shall be obtained before the incident occurrence day and comply with the following regulations.</p> <p>7.4.1 If due to some special reason the limited price, specific price or special price is required to be used as the reference for the transaction price, the transaction in question shall be first submitted to the board of directors for adoption. The aforesaid procedures shall also apply to those that have any change in transaction terms in the future.</p> <p>7.4.2 When a transaction amount is more than 100 million NT dollars, the appraisal shall be made by at least two professional appraisers.</p> <p>7.4.3 In case that any of the following circumstances occurs to the appraisal made by a professional appraiser, except that the appraised price of asset acquisition is higher than the transaction amount or the appraised price of asset</p>	

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<p>amount, the Company shall request its CPA to process the case <u>in accordance with the Statements of Auditing Standard No. 20 published by ARDF</u>, for which the CPA shall give their specific opinion on the variance cause and adequacy of the transaction price:</p> <p>7.4.3.1 When the gap between the appraised price and transaction amount is over 20% of the transaction amount.</p> <p>7.4.3.2 When the appraisal made by two or more than two appraisers and the gap of the appraised price and transaction amount is over 10% of the transaction amount.</p> <p>7.4.4 The date of the report issued by a professional appraiser shall not be more than three months apart from the contract establishment date. However, for the case which can be subject to the present value declared by the government in the same period and the date of the report is within six months, the original professional appraiser shall issue their opinion report.</p> <p>7.4.5. In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate document issued by the court can be used to replace the appraisal report or CPA's opinion report.</p> <p>7.4.6 A transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by a professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.</p> <p>7.4.6.1 The amount of each transaction</p> <p>7.4.6.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>7.4.6.3. The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p>	<p>disposal is lower than the transaction amount, the Company shall request its CPA to process the case in accordance with the Statements of Auditing Standard No. 20, for which the CPA shall give their specific opinion on the variance cause and adequacy of the transaction price:</p> <p>7.4.3.1 When the gap between the appraised price and transaction amount is over 20% of the transaction amount.</p> <p>7.4.3.2 When the appraisal made by two or more than two appraisers and the gap of the appraised price and transaction amount is over 10% of the transaction amount.</p> <p>7.4.4 The date of the report issued by a professional appraiser shall not be more than three months apart from the contract establishment date. However, for the case which can be subject to the present value declared by the government in the same period and the date of the report is within six months, the original professional appraiser shall issue their opinion report.</p> <p>7.4.5. In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate document issued by the court can be used to replace the appraisal report or CPA's opinion report.</p> <p>7.4.6 A transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by a professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.</p> <p>7.4.6.1 The amount of each transaction</p> <p>7.4.6.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>7.4.6.3. The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p>	
<p>9.Related parties' transaction handling procedures</p> <p>9.1 For the assets acquired or disposed between the Company and its related parties, other than the matters regarding related resolution procedures and evaluation of the rationality of the</p>	<p>9.Related parties' transaction handling procedures</p> <p>9.1 For the assets acquired or disposed between the Company and its related parties, other than the matters regarding related resolution procedures and evaluation of the rationality of the</p>	<p>Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and</p>

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<p>transaction terms which shall be processed by complying with the following regulations, if the transaction amount is over 10% of the Company's total asset amount, the "7.4", "8.4" and "10.4" of the Procedures shall be followed in obtaining the appraisal report issued by a professional appraiser or the opinion report issued by a CPA. In addition, when judging if a transaction counterparty is a related party, other than legal issues, substantive relations shall also be considered.</p> <p>9.2 Evaluate and operation procedures</p> <p>9.2.1 For the real estate or other assets other than real estate that the Company acquires or disposes from its related parties, if the transaction amount is more than 20% of the Company's paid-up capital, 10% of the Company's total asset amount or 300 million NT dollars, <u>unless trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds</u>, the following data shall be submitted to the board of directors for approval and sent to supervisors for adoption. After obtaining the approval and adoption, the transaction contract can then be signed and the payment can then be made:</p> <p>9.2.1.1 The purpose, necessity and expected effects of asset acquisition or disposal.</p> <p>9.2.1.2 The reason for determining a related party as a transaction counterparty.</p> <p>9.2.1.3 The data related to evaluation of the rationality of the scheduled transaction terms made according to "9.3.1" to "9.3.4" of the Handling Procedures for the real estate acquisition from related parties.</p> <p>9.2.1.4 The matters regarding related party's original acquisition date and price, the transaction counterparty and the relationship between the transaction counterparty and the Company as well as its related parties.</p> <p>9.2.1.5 The list of prediction of cash receipt and expenditure for respective months of the coming one year starting from the month expected to sign the contract, and evaluation of transaction necessity and rationality of capital utilization.</p> <p>9.2.1.6 The appraisal report issued by a professional appraiser or the opinion report issued by a CPA, which is obtained in accordance with "9.1" of the Procedures.</p>	<p>transaction terms which shall be processed by complying with the following regulations, if the transaction amount is over 10% of the Company's total asset amount, the "7.4", "8.4" and "10.4" of the Procedures shall be followed in obtaining the appraisal report issued by a professional appraiser or the opinion report issued by a CPA. In addition, when judging if a transaction counterparty is a related party, other than legal issues, substantive relations shall also be considered.</p> <p>9.2 Evaluate and operation procedures</p> <p>9.2.1 For the real estate or other assets other than real estate that the Company acquires or disposes from its related parties, if the transaction amount is more than 20% of the Company's paid-up capital, 10% of the Company's total asset amount or 300 million NT dollars, the following data shall be submitted to the board of directors for approval and sent to supervisors for adoption. After obtaining the approval and adoption, the transaction contract can then be signed and the payment can then be made:</p> <p>9.2.1.1 The purpose, necessity and expected effects of asset acquisition or disposal.</p> <p>9.2.1.2 The reason for determining a related party as a transaction counterparty.</p> <p>9.2.1.3 The data related to evaluation of the rationality of the scheduled transaction terms made according to "9.3.1" to "9.3.4" of the Handling Procedures for the real estate acquisition from related parties.</p> <p>9.2.1.4 The matters regarding related party's original acquisition date and price, the transaction counterparty and the relationship between the transaction counterparty and the Company as well as its related parties.</p> <p>9.2.1.5 The list of prediction of cash receipt and expenditure for respective months of the coming one year starting from the month expected to sign the contract, and evaluation of transaction necessity and rationality of capital utilization.</p> <p>9.2.1.6 The appraisal report issued by a professional appraiser or the opinion report issued by a CPA, which is obtained in accordance with "9.1" of the Procedures.</p> <p>9.2.1.7 Restriction terms and other important agreed matters of this time of transaction.</p> <p>9.2.1.8 The transaction amount shall be calculated according to the following</p>	<p>Disposal of Assets by Public Companies."</p>

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<p>9.2.1.7 Restriction terms and other important agreed matters of this time of transaction.</p> <p>9.2.1.8 The transaction amount shall be calculated according to the following ways, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that are submitted to the board of directors for approval and sent to supervisors for adoption can be exempt from the calculation.</p> <p>A.The amount of each transaction</p> <p>B.The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>C.The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>D.The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>9.2.2 For acquisition or disposal of business-purpose equipment between the Company and its parent company or subsidiaries, the board of directors may authorize the president for execution within 500 million NT dollars, for which any execution will be reported in the next board meeting for retroactive adoption.</p> <p>9.2.3. Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors’ opinions into account when following the stipulation to submit a real estate acquisition transaction with a related party to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>9.2.4 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the matters which shall be adopted by supervisors as regulated shall be agreed by more than the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the matters fail to pass the</p>	<p>ways, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that are submitted to the board of directors for approval and sent to supervisors for adoption can be exempt from the calculation.</p> <p>A.The amount of each transaction</p> <p>B.The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>C.The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>D.The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>9.2.2 For acquisition or disposal of business-purpose <u>machinery</u> equipment between the Company and its parent company or subsidiaries, the board of directors may authorize the president for execution within 500 million NT dollars, for which any execution will be reported in the next board meeting for retroactive adoption.</p> <p>9.2.3. Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors’ opinions into account when following the stipulation to submit a real estate acquisition transaction with a related party to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>9.2.4 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the matters which shall be adopted by supervisors as regulated shall be agreed by more than the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the matters fail to pass the approval of the majority of the entire body of audit committee members, they can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution</p>	

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<p>approval of the majority of the entire body of audit committee members, they can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>9.2.5 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>9.3 Evaluation of transaction cost rationality</p> <p>9.3.1. The rationality of the transaction cost of the real estate acquired by the Company from its related party shall be evaluated according to the following methods:</p> <p>9.3.1.1 To add required capital interest and the cost required to be paid by the buyer by law to the related party's transaction price. The preceding required capital interest cost shall be calculated according to the weighted average interest rate for the amount borrowed in the year in which the Company purchased the asset. However, the interest rate shall not be higher than the highest loan rate published by the Ministry of Finance for the non-institutional industry.</p> <p>9.3.1.2 If the related party pledged the underlying object in question at a financial institution for a loan, the actual accumulated amount of the loan released from the financial institution against the pledged object shall be over 70% of the total estimated amount of the loan and the loan period shall be more than one year. However, it is not applicable to the situation where the financial institution and the transaction party are the related party each other.</p> <p>9.3.2 Those that jointly purchase the same underlying land and house shall assess the transaction cost of the land and house respectively according to either method listed in the preceding paragraph.</p> <p>9.3.3 When the Company acquires real estate from its related party, it shall follow "9.3.1" of the Procedures to assess the cost of the real estate and request its CPA to re-check it and give concrete opinion.</p> <p>9.3.4 In the case that the Company's assessment price for the real estate acquired from its related party according to "9.3.1" of the Handling Procedures is lower than the transaction price, "9.3.5"</p>	<p>adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>9.2.5 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>9.3 Evaluation of transaction cost rationality</p> <p>9.3.1. The rationality of the transaction cost of the real estate acquired by the Company from its related party shall be evaluated according to the following methods:</p> <p>9.3.1.1 To add required capital interest and the cost required to be paid by the buyer by law to the related party's transaction price. The preceding required capital interest cost shall be calculated according to the weighted average interest rate for the amount borrowed in the year in which the Company purchased the asset. However, the interest rate shall not be higher than the highest loan rate published by the Ministry of Finance for the non-institutional industry.</p> <p>9.3.1.2 If the related party pledged the underlying object in question at a financial institution for a loan, the actual accumulated amount of the loan released from the financial institution against the pledged object shall be over 70% of the total estimated amount of the loan and the loan period shall be more than one year. However, it is not applicable to the situation where the financial institution and the transaction party are the related party each other.</p> <p>9.3.2 Those that jointly purchase the same underlying land and house shall assess the transaction cost of the land and house respectively according to either method listed in the preceding paragraph.</p> <p>9.3.3 When the Company acquires real estate from its related party, it shall follow "9.3.1" of the Procedures to assess the cost of the real estate and request its CPA to re-check it and give concrete opinion.</p> <p>9.3.4 In the case that the Company's assessment price for the real estate acquired from its related party according to "9.3.1" of the Handling Procedures is lower than the transaction price, "9.3.5"</p>	

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<p>of the Handling Procedures shall be subject to. However, it is not limited to the following circumstances in which objective evidence and concrete and rational opinions from a real estate professional appraiser and a CPA are submitted:</p> <p>9.3.4.1 For the construction made after related party's acquisition of the plain land or leased land, the burden of proof for complying with any of the following terms shall be put:</p> <p>A.The total amount of the plain land assessed according to the preceding article and the house calculated by adding a reasonable construction profit to a related party's construction cost exceeds the actual transaction price. The aforesaid reasonable construction profit shall be the lower of the average business gross margin of the related party's construction department over the past three years or the gross margin of the construction industry published by the Ministry of Finance in the latest period.</p> <p>B.The successful transactions of other floors of the underlying building or the neighboring area made by non-related parties within one year, in which the space is similar, and, as estimated according to the reasonable floor and area price difference with the real estate trading practice, the transaction terms are tantamount.</p> <p>C.The lease cases of other floors of the underlying building occurring to non-related parties within one year, in which, as inferred according to the reasonable floor price difference with the real estate lease practice, the transaction terms are similar.</p> <p>9.3.4.2 According to the burden of proof put by the Company for the real estate purchased from a related party, the transaction terms are tantamount to those of the successful transactions of the neighboring area made by non-related parties, in which the space is similar. The aforesaid successful transactions of the neighboring area are based on the principle that the real estate is at the same or neighboring street and within 500 meters from the underlying real estate or its value is close to the government declared present value. Also, in terms of the similar space, it refers to the space of the real estate of the successful transactions made by non-related</p>	<p>professional appraiser and a CPA are submitted:</p> <p>9.3.4.1 For the construction made after related party's acquisition of the plain land or leased land, the burden of proof for complying with any of the following terms shall be put:</p> <p>A.The total amount of the plain land assessed according to the preceding article and the house calculated by adding a reasonable construction profit to a related party's construction cost exceeds the actual transaction price. The aforesaid reasonable construction profit shall be the lower of the average business gross margin of the related party's construction department over the past three years or the gross margin of the construction industry published by the Ministry of Finance in the latest period.</p> <p>B.The successful transactions of other floors of the underlying building or the neighboring area made by non-related parties within one year, in which the space is similar, and, as estimated according to the reasonable floor and area price difference with the real estate trading practice, the transaction terms are tantamount.</p> <p>C.The lease cases of other floors of the underlying building occurring to non-related parties within one year, in which, as inferred according to the reasonable floor price difference with the real estate lease practice, the transaction terms are similar.</p> <p>9.3.4.2 According to the burden of proof put by the Company for the real estate purchased from a related party, the transaction terms are tantamount to those of the successful transactions of the neighboring area made by non-related parties, in which the space is similar. The aforesaid successful transactions of the neighboring area are based on the principle that the real estate is at the same or neighboring street and within 500 meters from the underlying real estate or its value is close to the government declared present value. Also, in terms of the similar space, it refers to the space of the real estate of the successful transactions made by non-related parties which shall not less than 50% of the space of the underlying real estate. The aforesaid "within one year" shall be one year before this time of real estate acquisition occurrence day.</p>	

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<p>parties which shall not less than 50% of the space of the underlying real estate. The aforesaid “within one year” shall be one year before this time of real estate acquisition occurrence day.</p> <p>9.3.5 For the Company’s real estate acquisition from a related party, if the price evaluated according to “9.3.1” and “9.3.4” of the Handling Procedures is lower than the transaction price, the regulations below shall be followed:</p> <p>9.3.5.1 For the difference between real estate’s transaction price and its assessed cost, the Company shall set a special surplus reserve aside according to Paragraph 1 of Article 41 of the Securities and Exchange Act, with which surplus distribution or stock dividend from earnings recapitalization is not allowed. If the investor using the equity method to value the Company’s investment is a public company, a special surplus reserve shall be set aside based on the pro-rata entitlement of the lodged amount as prescribed by Paragraph 1 of Article 41 of the Securities and Exchange Act. Also, if the Company and the public company adopting the equity method to value the Company’s investment already set a special surplus reserve aside in accordance with the aforesaid regulations, recognized loss on market value for the asset purchased with a high price, disposed the asset, properly compensated for the loss or restored the asset to its original state, or there is other evidence to show no irrationality, the special surplus reserve in question could then be used after approved by the competent authorities.</p> <p>9.3.5.2 Supervisors shall comply with Article 218 of the Company Act.</p> <p>9.3.5.3 The status of the handling made according to “9.3.5.1” and “9.3.5.2” of the Handling Procedures shall be submitted to the board of shareholders and the detailed transaction content shall be disclosed in the annual report and prospectus.</p> <p>9.3.6 If any of the following circumstances occurs when the Company acquires real estate from a related party, “9.2” of the Handling Procedures for evaluation and operation procedures shall be subject to, whereas “9.3.1” to “9.3.3” of the Handling Procedures for evaluation of rationality of transaction costs are not applicable:</p> <p>9.3.6.1 The related party acquires the real</p>	<p>9.3.5 For the Company’s real estate acquisition from a related party, if the price evaluated according to “9.3.1” and “9.3.4” of the Handling Procedures is lower than the transaction price, the regulations below shall be followed:</p> <p>9.3.5.1 For the difference between real estate’s transaction price and its assessed cost, the Company shall set a special surplus reserve aside according to Paragraph 1 of Article 41 of the Securities and Exchange Act, with which surplus distribution or stock dividend from earnings recapitalization is not allowed. If the investor using the equity method to value the Company’s investment is a public company, a special surplus reserve shall be set aside based on the pro-rata entitlement of the lodged amount as prescribed by Paragraph 1 of Article 41 of the Securities and Exchange Act. Also, if the Company and the public company adopting the equity method to value the Company’s investment already set a special surplus reserve aside in accordance with the aforesaid regulations, recognized loss on market value for the asset purchased with a high price, disposed the asset, properly compensated for the loss or restored the asset to its original state, or there is other evidence to show no irrationality, the special surplus reserve in question could then be used after approved by the competent authorities.</p> <p>9.3.5.2 Supervisors shall comply with Article 218 of the Company Act.</p> <p>9.3.5.3 The status of the handling made according to “9.3.5.1” and “9.3.5.2” of the Handling Procedures shall be submitted to the board of shareholders and the detailed transaction content shall be disclosed in the annual report and prospectus.</p> <p>9.3.6 If any of the following circumstances occurs when the Company acquires real estate from a related party, “9.2” of the Handling Procedures for evaluation and operation procedures shall be subject to, whereas “9.3.1” to “9.3.3” of the Handling Procedures for evaluation of rationality of transaction costs are not applicable:</p> <p>9.3.6.1 The related party acquires the real estate from inheritance or bestowal.</p> <p>9.3.6.2 The transaction contract signing date is over five year apart from the day that the related party established the contract and acquired the real estate.</p>	

Amended Text	Original Text	Amendment Remarks
<p>estate from inheritance or bestowal.</p> <p>9.3.6.2 The transaction contract signing date is over five year apart from the day that the related party established the contract and acquired the real estate.</p> <p>9.3.6.3 The real estate is acquired by signing a co-construction contract, <u>engaging others to build on its own land.</u> <u>engaging others to build on rented land with a related party.</u></p> <p>9.3.7 When the Company acquires real estate from a related party, if there is any evidence to show that the transaction does not meet the arm's length principle, "9.3.5" of the Handling Procedures will be followed.</p>	<p>9.3.6.3 The real estate is acquired by signing a co-construction contract with a related party.</p> <p>9.3.7 When the Company acquires real estate from a related party, if there is any evidence to show that the transaction does not meet the arm's length principle, "9.3.5" of the Handling Procedures will be followed.</p>	
<p>10.Handling procedures of acquisition or disposal of membership cards or intangible assets</p> <p>10.1 Evaluation and operation procedures The Company's acquisition or disposal of its membership cards or intangible assets shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.</p> <p>10.2 Procedures to determine transaction terms and authorized limits</p> <p>10.2.1 Prior to acquiring or disposing membership cards, the responsible personnel shall refer to the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.2 Prior to acquiring or disposing intangible assets, the responsible personnel shall refer to expert's assessment report or the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be</p>	<p>10.Handling procedures of acquisition or disposal of membership cards or intangible assets</p> <p>10.1 Evaluation and operation procedures The Company's acquisition or disposal of its membership cards or intangible assets shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.</p> <p>10.2 Procedures to determine transaction terms and authorized limits</p> <p>10.2.1 Prior to acquiring or disposing membership cards, the responsible personnel shall refer to the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.2 Prior to acquiring or disposing intangible assets, the responsible personnel shall refer to expert's assessment report or the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be</p>	<p>Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p>

Amended Text	Original Text	Amendment Remarks
<p>submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>10.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>10.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of the entire body of audit committee members and submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of the entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>10.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>10.3 Execution unit When acquiring or disposing membership cards or intangible assets, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use department and financial unit or administrative unit shall be responsible for execution.</p> <p>10.4 Expert's opinions</p>	<p>submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.</p> <p>10.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.</p> <p>10.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.</p> <p>10.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of the entire body of audit committee members and submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of the entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.</p> <p>10.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.</p> <p>10.3 Execution unit When acquiring or disposing membership cards or intangible assets, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use department and financial unit or administrative unit shall be responsible for execution.</p> <p>10.4 Expert's opinions</p>	

Amended Text	Original Text	Amendment Remarks
<p>10.4.1 For the Company's acquisition or disposal of its membership cards or intangible assets, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, <u>unless transacting with a government agency</u>, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price, for which the CPA shall follow the Statements of Auditing Standard No. 20 published by ARDF to process the case.</p> <p>10.4.2 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain their CPA's opinion report can be exempt from the calculation.</p> <p>10.4.2.1 The amount of each transaction</p> <p>10.4.2.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p>	<p>10.4.1 For the Company's acquisition or disposal of its membership cards or intangible assets, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price, for which the CPA shall follow the Statements of Auditing Standard No. 20 published by ARDF to process the case.</p> <p>10.4.2 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain their CPA's opinion report can be exempt from the calculation.</p> <p>10.4.2.1 The amount of each transaction</p> <p>10.4.2.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p>	
<p>12.4 The principles of the board of directors' supervision management for derivative product transactions</p> <p>12.4.1 The board of directors shall designate high-rank competent supervisors to supervise and control the risk of derivative product transactions at any time. The management principles are as follow:</p> <p>12.4.1.1 Periodically evaluate if the current risk management measures are proper, and literally follow the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Procedures.</p> <p>12.4.1.2 Supervise the status of transactions and profit/loss. In case of finding any irregularities, required countermeasures shall be taken and the board of directors shall be immediately reported. If the Company has independent directors, they shall attend the board meeting and put forth their opinions.</p> <p>12.4.2 Periodically evaluate if the performance of derivative product transactions conform to the existing operating strategy and if the assumed</p>	<p>12.4 The principles of the board of directors' supervision management for derivative product transactions</p> <p>12.4.1 The board of directors shall designate high-rank competent supervisors to supervise and control the risk of derivative product transactions at any time. The management principles are as follow:</p> <p>12.4.1.1 Periodically evaluate if the current risk management measures are proper, and literally follow the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Procedures.</p> <p>12.4.1.2 Supervise the status of transactions and profit/loss. In case of finding any irregularities, required countermeasures shall be taken and the board of directors shall be immediately reported. If the Company has independent directors, they shall attend the board meeting and put forth their opinions.</p> <p>12.4.2 Periodically evaluate if the performance of derivative product transactions conform to the existing operating strategy and if the assumed</p>	<p>Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p>

Amended Text	Original Text	Amendment Remarks
<p>risks are within the Company's tolerance.</p> <p>12.4.3 When engaging in a derivative product transaction, the personnel authorized according to the Handling Procedures shall submit an ex-post report to <u>the next</u> board of directors meeting.</p>	<p>risks are within the Company's tolerance.</p> <p>12.4.3 When engaging in a derivative product transaction, the personnel authorized according to the Handling Procedures shall submit an ex-post report to board of directors meeting.</p>	
<p>14.Procedures of public disclosure of information</p> <p>14.1 Matters required to be announced and declared, and announcement and declaration standards</p> <p>14.1.1 The real estate acquired or disposed from a related party or other assets (beyond real estate) acquired or disposed from a related party in which the transaction amount is over 20% of the Company's paid-up capital, 10% of its total asset amount or 300 million NT dollars. However, it is not limited to purchase or sale of government bonds, the bonds with a repurchase or reverse repurchase agreement or subscription <u>or redemption of domestic money market funds.</u></p> <p>14.1.2 When processing merger, split, acquisition or share assignment.</p> <p>14.1.3 The loss on derivative product transactions tops the ceiling amount regulated in the Handling Procedures for loss on total contracts or individual contract.</p> <p>14.1.4 Except the asset transactions stated in the preceding three sub-paragraphs, the transaction amount of the debts disposed by financial institutions or the investment in mainland China is over 20% of the Company's paid-up capital or 300 million NT dollars. However, it is not limited to the following circumstances:</p> <p>14.1.4.1 Purchase or sale of government bonds</p> <p>14.1.4.2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, <u>either in the primary market or in accordance with relevant regulations.</u></p> <p>14.1.4.3 The bonds with a repurchase or reverse repurchase agreement or subscription <u>or redemption of domestic money market funds.</u></p> <p>14.1.4.4 The category of the acquired or disposed assets falls in the machinery equipment for the business purpose, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT</p>	<p>14.Procedures of public disclosure of information</p> <p>14.1 Matters required to be announced and declared, and announcement and declaration standards</p> <p>14.1.1 The real estate acquired or disposed from a related party or other assets (beyond real estate) acquired or disposed from a related party in which the transaction amount is over 20% of the Company's paid-up capital, 10% of its total asset amount or 300 million NT dollars. However, it is not limited to purchase or sale of government bonds, the bonds with a repurchase or reverse repurchase agreement or subscription.</p> <p>14.1.2 When processing merger, split, acquisition or share assignment.</p> <p>14.1.3 The loss on derivative product transactions tops the ceiling amount regulated in the Handling Procedures for loss on total contracts or individual contract.</p> <p>14.1.4 Except the asset transactions stated in the preceding three sub-paragraphs, the transaction amount of the debts disposed by financial institutions or the investment in mainland China is over 20% of the Company's paid-up capital or 300 million NT dollars. However, it is not limited to the following circumstances:</p> <p>14.1.4.1 Purchase or sale of government bonds</p> <p>14.1.4.2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm.</p> <p>14.1.4.3 The bonds with a repurchase or reverse repurchase agreement or subscription.</p> <p>14.1.4.4 The category of the acquired or disposed assets falls in the <u>machinery</u> equipment for the business purpose, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.</p> <p>14.1.4.5 The real estate is acquired or disposed by the Company for its construction business, the transaction</p>	<p>Amended in accordance with the latest amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p>

Amended Text	Original Text	Amendment Remarks
<p>dollars.</p> <p>14.1.4.5 The real estate is acquired or disposed by the Company for its construction business, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.</p> <p>14.1.4.6 The real estate is acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint construction and allocation of ownership percentages, or the joint construction and separate sale, in which the amount that the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>14.1.5 The transaction amount referred to in “14.1.4” of the Handling Procedures shall be calculated as follows, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to make announcement can be exempt from the calculation.</p> <p>14.1.5.1 The amount of each transaction</p> <p>14.1.5.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>14.1.5.3 The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>14.1.5.4. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p>	<p>counterparty is not a related party and the transaction amount is less than 500 million NT dollars.</p> <p>14.1.4.6 The real estate is acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint construction and allocation of ownership percentages, or the joint construction and separate sale, in which the amount that the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>14.1.5 The transaction amount referred to in “14.1.4” of the Handling Procedures shall be calculated as follows, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to make announcement can be exempt from the calculation.</p> <p>14.1.5.1 The amount of each transaction</p> <p>14.1.5.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.</p> <p>14.1.5.3 The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p> <p>14.1.5.4. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.</p>	
<p>18.Supplementary provisions</p> <p>18.1 For those that have followed the Securities and Exchange Act to set up the audit committee, the regulations for supervisors stipulated in the Procedures are also applicable to the audit committee.</p> <p>18.2 For those that have followed the “Securities and Exchange Act” to set up the audit committee, “9.3.5.2” of the Procedures is also applicable to the independent directors of the audit committee.</p> <p>18.3 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent</p>	<p>18.Supplementary provisions</p> <p>18.1 For those that have followed the Securities and Exchange Act to set up the audit committee, the regulations for supervisors stipulated in the Procedures are also applicable to the audit committee.</p> <p>18.2 For those that have followed the “Securities and Exchange Act” to set up the audit committee, “9.3.5.2” of the Procedures is also applicable to the independent directors of the audit committee.</p> <p>18.3 The matters not covered by the Handling Procedures shall be subject to related laws and regulations.</p>	<p>Amended in accordance with the latest amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>Amended the number of items.</p>

Amended Text	Original Text	Amendment Remarks
<p>company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p>18.4 The matters not covered by the Handling Procedures shall be subject to related laws and regulations.</p>		

Appendix 1

Hermes Microvision, Inc. Article of Incorporation

Section I - General Provisions

Article 1

The company shall be organized as a company limited by shares under the Company Act of the Republic of China, and its name in English shall be Hermes Microvision Inc. (the “Company”).

Article 2

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

1. Manufacture of CB01010 Machinery and Equipment
2. Manufacture of CC01080 Electronic Parts and Components
3. I501010 Product Design
4. Research, development, design, manufacture and sale of the following products:
5. E-Beam Inspection Tool, Services associated with and technical support for E-Beam Inspection Tool

Article 3

The Company is headquartered in Hsin Chu City. When necessary, the Company may set up a foreign or domestic branch office upon adoption of resolution of the board of directors and approval by the competent authorities.

Article 4

Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

Section II - Shares

Article 5

The total amount of share capital of the Company is NT\$ 1,200,000,000, which is divided into 120,000,000 shares with par value of NT\$ 10 each. Among all the shares, 9,000,000 shares, each with par value of NT\$10 and amount to NT\$ 90,000,000, are preserved for exercise of stock options. The board of directors is authorized to issue the remaining unissued shares in installments.

Article 6

The total amount of the Company’s investment shall not be restricted by Article 13 of the Company Act, which provides that the total amount of investments in a company shall not exceed 40% of the amount of the Company’s paid-up capital.

Article 7

The shares of the Company shall be registered share certificates. The shares shall be affixed with the

signatures or personal seals of three or more directors and duly certified and authenticated prior to issuance.

The Company may be exempted from printing physical share certificates, provided that the shares have been publicly issued, and recordation by the centralized securities custody enterprise or institution has been made.

Article 8

Registration for transfer of shares shall be suspended within sixty (60) days prior to the convening date of an annual general meeting of shareholders, or within thirty (30) days prior to the convening date of an extraordinary general meeting of shareholders, or within five (5) days prior to the record date fixed by the Company for distribution of dividends, bonus or other benefits.

Section III - Shareholders' Meeting

Article 9

Shareholders' meetings of the Company are of two types: (1) annual general meeting of shareholders ("AGM"); and (2) extraordinary general meeting of shareholders ("EGM"). AGM shall be convened by the board of directors in accordance with the laws, rules and regulations within six (6) months after the close of each fiscal year. EGM shall be convened whenever necessary in accordance with the laws, rules and regulations.

Article 10

A shareholder who is unable to attend a shareholders' meeting may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the company, signed and affixed with seal, and stated therein the scope of power authorized to the proxy.

Article 11

Each share is entitled to one voting power, except shares which are subject to limitation, or the kinds of shares stipulated in Article 179 of the Company Act as having no voting power.

Article 12

Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

Article 13

The proposal of revocation of public issuance of shares by the Company shall be submitted to the shareholders' meeting for review and approval with a resolution, and shall not be changed when the Company is listed for trading on stock exchange or registered as emerging stock.

Section IV – Directors and Audit Committee**Article 14**

The Company shall have seven (7) to nine (9) directors. The term of office of director is three (3) years. The directors shall be elected in the shareholders' meeting from persons with capacity to make judicial acts; re-election shall be permissible.

Article 14-1

There shall be at least two independent directors in the board of directors. The independent directors shall be elected by candidates nomination mechanism. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority.

Article 14-2

The Company may purchase liability insurance for the damages incurred from the execution of business by the directors in their term of office.

Article 14-3

In compliance with Securities and Exchange Act, the Company shall establish an audit committee; the members of the audit committee shall consist of all and only independent directors of the Company. Upon establishment of an audit committee, the rights and duties of supervisors shall be transferred to the audit committee, and all provisions related to supervisors shall cease to apply.

Article 15

The board of directors shall be organized by directors. The chairman of the board of directors shall be elected from the directors by an approval of a majority of the directors present at a directors' meeting attended by two-thirds or more of all directors. The chairman shall have the authority to represent the Company externally.

Article 16

The deputy of chairman of the board of directors shall be determined according to Article 208 of the Company Act if the chairman is on leave or absent or cannot exercise his/her power and authority for any cause.

Directors and supervisors shall be notified of a meeting of board of directors with written notices, E-mail

or fax seven (7) days prior to the meeting.

A meeting of the board of directors may be convened at any time in case of urgent circumstances. Notices may be made in writing via E-mail or fax.

Directors shall attend the meeting of the board of directors in person. A director may appoint another director to attend the meeting on his/her behalf by proxy. A director can only accept one proxy from one directors to attend the meeting on his/her behalf.

A meeting of the board of directors may proceed via video conference, the directors taking part in video conference shall be deemed to have attended the meeting in person.

Article 17

The remuneration of all the directors shall be determined by a shareholders' meeting. The board of directors may be authorized by the shareholders to determine according to the standard generally adhered in the industry irrespective of whether the Company operates at a profit or loss. Different remuneration may be reasonably adopted for independent directors.

Section V – Management of the Company

Article 18

A company may have managerial personnel. The appointment, discharge and remuneration of managerial personnel shall be conducted in accordance with Article 29 of the Company Act.

Section VI – Financial Reports

Article 19

After the end of each fiscal year, the financial reports stipulated in Article 228 of the Company Act shall be prepared by the board of directors and audited by audit committee thirty (30) days prior to the AGM; the financial reports shall then be submitted to the AGM for approval.

Article 20

If there is profit in the preceding fiscal year, the Company shall provide for and pay taxes, offset its losses in previous years, set aside a legal reserve at 10% of the profits, and then, pay not more than 1% of the remaining profits as the remuneration to directors and not less than 1% of the remaining profits as the bonus to employees. The Company may issue stock bonuses to employees, including employees of an affiliated company, meeting the conditions set by the board of directors. As for the dividends distribution, a plan of distribution of dividends shall be proposed by the board of directors according to the dividend policy set forth in Paragraph 2 of this Article, and submitted to shareholders' meeting for approval. Considering that the Company is in a growth stage, for the purpose of matching the overall environment and characteristics of the industry, and for the goal of achieving sustainable operation and long-term interests of shareholders, the dividend policy shall take into consideration factors such as the Company's current operating conditions and the capital budgeting plans of the subsequent year. In principle, dividends

to shareholders shall be distributed in a combination of cash and shares, whereas the cash dividends shall not be less than 10% of the total dividends distributed to shareholders.

Section VII – Supplementary Provisions

Article 21

In regard to all matters not provided for in these Articles of Incorporation, the Company Act shall govern.

Article 21-1

The Company may engage in providing guaranty activities.

Article 22

These Articles of Incorporation were resolved on April 30, 2003. The first amendment was made on July 3, 2003; the second amendment was made on February 23, 2004; the third amendment was made on June 21, 2005; the fourth amendment was made on August 30, 2007; the fifth amendment was made on June 16, 2009; the sixth amendment was made on June 10, 2010; the seventh amendment was made on November 30, 2010; the eighth amendment was made on June 30, 2011.

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Hermes Microvision Inc.

President : Shu, Chin-Yung

Appendix 2

Hermes Microvision, Inc. **Rules and Procedures Governing Shareholders' Meetings**

1. Purpose

In order to establish a good shareholders' meeting governance system, strengthen the supervision function and reinforce management efficiency, the Company specifically set up the Rules and Procedures for the personnel across the board to comply with.

2. Applicable scope

Unless otherwise stated by law or the Articles of Incorporation of the Company, the Rules and Procedures shall be followed as the rules and procedures of the Company's shareholders' meetings.

3. Legal basis

The Rules and Procedures are set up in accordance with the "Rules Governing the Conduct of Shareholders Meetings by Public Companies"

4. Holding of shareholders' meetings

4.1 Convening of shareholders' meetings and meeting notification

4.1.1 If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board of directors. If the chairperson is on leave or cannot exercise his or her power and authority for any reason, the appointment of an acting chairperson shall be processed in accordance with the Company Act.

4.1.2 When a shareholders' meeting is convened by the convener not from the board of directors, the convener in question shall chair the meeting. If there are two or more conveners for the same meeting, the chairperson of the meeting shall be elected from among the conveners.

4.1.3 The Company may invite its appointed attorneys and certified public accountants and other related personnel to attend a shareholders' meeting as the case may be.

4.1.4 Director election or dismissal, change of the Articles of Incorporation of the Company, corporate dissolution, merger, split or the matters prescribed by Paragraph 1 of Article 185 of the Company Act and Article 26-1 and Article 43-6 of the Securities and Exchange Act shall be covered in the causes for convening a meeting. Those matters shall not be put forth as extemporary motions.

4.1.5 Shareholders who hold more than 1% of the issued shares are entitled to submit a limit of one motion to a regular shareholders' meeting in writ. Those with more than one motion shall not be listed in the agenda.

4.1.6 For any motions proposed by shareholders which are in any of the circumstances listed in Paragraph 4 of Article 172-1 of the Company Act, the board of directors may exclude them in the agenda.

4.1.7 The Company shall announce receipt of shareholders' proposals, receipt place and receipt period before suspension of the stock ownership transfer which is prior to holding of a

regular shareholders' meeting. The receipt period shall be at least 10 days.

4.1.8 Any motion proposed by shareholders shall be limited to 300 words. Those with more than 300 words shall not be listed in the agenda. Proposing shareholders shall attend the regular shareholders' meeting in person, or appoint others to attend on their behalf, and participate in discussion of the proposed motion.

4.1.9 The Company shall notify the proposing shareholders of handling results before the shareholders' meeting notification day, and list the motions meeting the regulations of this article in the meeting notification. For shareholders' motions not listed in the agenda, the board of directors shall elaborate on the reason for not listing them in the agenda at the shareholders' meeting.

4.2 Meeting notification and meeting materials

4.2.1 The Company shall prepare the shareholders' meeting notification letter, letter of proxy, and the subjects of various motions, such as adoption cases, discussion cases and director election or dismissal as well as the explanation data and produce them into an electronic file, followed by transmitting the file to the Market Observation Post System at least 30 days before a regular shareholders' meeting or 15 days before a provisional shareholders' meeting. At the same time, the shareholders' meeting agenda manual and meeting supplementary materials shall be produced into an electronic file and transmitted to the Market Observation Post System at least 21 days prior to a regular shareholders' meeting or at least 15 days prior to a provisional shareholders' meeting. In addition, the agenda manual and the supplementary materials for the shareholders' meeting in question shall be prepared at least 15 days prior to the shareholders' meeting for the asking from shareholders, and displayed at the Company and its stock affairs service agency, and also be distributed at the shareholders' meeting.

4.2.2 The reason for convening a meeting shall be specified in the notification and announcement: If it is agreed by the counterparty, the notification can be made via e-mail.

4.3 Proxy of shareholders

4.3.1 In the case that a shareholder of the Company cannot attend a shareholders' meeting in person, he or she may appoint a representative with a letter of proxy printed by the Company to attend the meeting on his or her behalf. The letter of proxy shall state the scope of authorization for the meeting.

4.3.2 A shareholder can issue a letter of attorney and appoint one representative only. The letter of proxy shall arrive at the Company at least 5 days before the shareholders' meeting. In case that there is any repetition of the letter of proxy, the first one arriving at the Company shall prevail. However, it is not limited to the situation where revocation of the prior letter of proxy is declared.

4.3.3 After the letter of proxy arrives at the Company, if the shareholder wishes to attend the shareholders' meeting in person, he or she shall notify the Company of the proxy revocation in writing at least 2 days prior to the shareholders' meeting. In case of any overdue revocation, the voting right exercised by the attending proxy shall prevail.

4.4. Location and time of a shareholders' meeting

The place for holding a shareholders' meeting shall be at the Company or a place convenient for shareholders to attend and suitable for holding a shareholders' meeting. The meeting time shall not be earlier than 9:00 AM or later than 3:00 PM. For the meeting place and time, independent directors' opinions shall be taken into account.

4.5 Preparation and placement of required documents, such as the attendance book

4.5.1 The Company shall prepare an attendance book for the shareholders or the proxies appointed by other shareholders (hereafter referred to as the shareholders) attending the meeting to sign in, or have the attending shareholders turn in the attendance card to replace the signature.

4.5.2 The Company shall hand the agenda manual, annual report, attendance certificate, speech note, voting ticket and other meeting materials to the attending shareholders. In case that the meeting involves director election, an election ballot shall be additionally attached.

4.5.3 Shareholders shall attend a shareholders' meeting by presenting their attendance identification, attendance card or other attendance documents. The shareholders who solicit letters of proxy shall bring their ID certificate documents with them for reconciliation

4.5.4 For government or institutional shareholders, their meeting attending representatives are not limited to one person only. However, when an institutional shareholder is entrusted to attend a shareholders' meeting, only one representative can be appointed for attendance.

4.6 Calculation of the number of shares held by shareholders present at a shareholders' meeting

The attendance of a shareholders' meeting shall be calculated according to the number of shares held by shareholders present at the meeting, in which the calculation shall be made from the attendance book and the returned attendance cards plus the shares used to exercise the voting right in writing via the electronic method.

4.7 Holding of a shareholders' meeting

4.7.1 When it is time for a meeting and the shareholders representing a majority of the total issued shares are present, the chairperson shall call the meeting to order. However, if the number of shares held by the shareholders present at the meeting has yet to constitute the quorum, the chairperson may announce postponement of the meeting, but the postponement of the said meeting is limited to two times only, whereas the total postponement time shall not exceed one hour. If a meeting has been postponed for two times and the shares held by the shareholders present at the meeting are still less than one-third of the total issued shares, the chairperson may abort the meeting.

4.7.2 If a meeting has been postponed for two times and has yet to constitute the quorum but the shareholders representing one-third of the total issued shares are present, the resolution adopted by a majority of votes given by the shareholders present can be used for the provisional resolution. Each shareholder shall be notified of the provisional resolution, and the shareholders' meeting shall be convened again within one month.

4.7.3 Before the end of the meeting in question, if the number of the shares held by the

shareholders present represents a majority of the total issued shares, the chairperson may put forward the adopted provisional resolution and request adoption of the resolution at the meeting in accordance with Article 174 of the Company Act.

4.8 Evidence produced by the audio or video recording of the proceedings of a shareholders' meeting

The Company shall record the entire proceedings of a shareholders' meeting in an audio or video format, and keep such recording for at least one year. However, in case of any litigation filed by a shareholder in accordance with Article 189 of the Company Act, the audio or video evidence shall be kept until closure of such litigation.

4.9 Motion discussion

4.9.1 If a shareholders' meeting is called by the board of directors, the meeting proceedings shall be set up by the board of directors, and the meeting shall be conducted according to the scheduled proceedings, which shall not be changed unless resolved by the shareholders' meeting.

4.9.2 If a shareholders' meeting is called by any other person outside the board of directors who has the convening right, the preceding provision shall apply.

4.9.3 Without resolution, the chairperson shall not adjourn a meeting before closure of the motions (including extemporary motions) in the agenda arranged according to the preceding two paragraphs. If the chairperson violates the meeting rules and procedures by adjourning a meeting, other members of the board of directors may follow the legal procedure and quickly come forward to help the attending shareholders elect another chairperson by the resolution adopted by a majority of the shareholders present, and continue the meeting.

4.9.4 For any motions and revision cases proposed by shareholders or extemporary motions, the chairperson shall allow sufficient explanation and discussion, close the discussion when he or she believes that it's time for resolution, and put them to the vote.

4.10 Speeches from shareholders

4.10.1 Shareholders who wish to speak in a shareholders' meeting shall first fill out a speech note stating their speech subject, their shareholder number (or attendance card number) and their account name. The chairperson shall decide their speech order.

4.10.2 Shareholders who submit a speech note but do not actually give any speech shall be deemed not to give any speech. In the case that the speech content is not consistent with what is stated in the speech note, the speech content shall prevail.

4.10.3 Unless otherwise permitted by the chairperson, a shareholder shall not speak more than two times for a same motion and each time of speech shall not exceed 5 minutes. If the speech given by any shareholder violates the aforesaid stipulation or is beyond the agenda scope, the chairperson may stop the speech.

4.10.4 When a shareholder is giving a speech, other shareholders shall not interrupt the speech unless otherwise obtaining the consent from the chairperson. The chairperson shall stop any violation.

4.10.5 If an institutional shareholder designates two or more representatives to attend a

shareholders' meeting. Only one representative is allowed to speak for the same motion.

4.10.6 After the speech of a shareholder, the chairperson may respond to it on his or her own, or designate an appropriate person to respond.

4.11 Meeting recess and continuation

4.11.1 During a meeting, the chairperson may announce recess at the time he or she considers appropriate. In case of force majeure, the chairperson may decide to temporarily suspend the meeting, and announce the time of meeting resumption depending on the situation.

4.11.2 Before closure of the motions (including extemporaneous motions) set in the agenda of a shareholders' meeting, if the meeting place cannot be continuously used, the board of shareholders shall resolve to find another place for continuation of the meeting.

4.11.3 According to Article 182 of the Company Act, the board of shareholders may resolve to postpone a meeting and have it held within five days or continue the meeting.

5. Calculation of voting shares and the recusal system

5.1 The resolution of a shareholders' meeting shall be calculated according to the voting shares.

5.2 For the resolution of a shareholders' meeting, the shares held by the shareholders without voting rights shall not be included in the total number of the issued shares.

5.3 Shareholders who have conflict of interests with the meeting agenda which may adversely affect the Company's interests are not allowed to participate in any resolution. In addition, they are also not allowed to represent any shareholders to exercise their voting rights.

5.4 The number of the aforesaid shares not allowed to be used to exercise the voting right shall not be included in the votes given by the attending shareholders.

5.5 Except the trust business or the stock affairs agency approved by the securities competent authorities, if a person is simultaneously entrusted by two or more shareholders, the votes represented by him or her shall not exceed 3% of the total issued shares, and the excess votes shall not be calculated.

6. Resolution

6.1 Each share held by a shareholder is entitled to one vote, but it is not limited to those shareholders who have no voting right or the ones stated in Paragraph 2 of Article 179 of the Company Act for no voting right.

6.2 When holding a shareholders' meeting, the Company may exercise the voting right with written or electronic methods. When using the written or electronic method for exercise of the voting right, the method shall be put on the notification of the shareholders' meeting. Those shareholders who exercise their voting right with the written or electronic method shall be deemed to attend the shareholders' meeting in person. However, for extemporaneous motions and revision of the original motions of the shareholders' meeting in question, those shareholders shall be deemed abstention in participation.

6.3 For those that exercise their voting right with the preceding written or electronic method in a meeting, their intent expression shall arrive at the Company at least 2 days prior to the

shareholders' meeting. When there is any repetition of the intent expression, the first one arriving at the Company shall prevail. However, it is not limited to the situation where the revocation of the prior intent expression is declared. For those shareholders who wish to attend a shareholders' meeting in person after their intent expression has arrived at the Company, they shall revoke the aforesaid intent expression by using the same method as they use for exercising the voting right at least 2 days prior to the shareholders' meeting. In case of overdue revocation, the written or electronic method shall prevail for exercising the voting right. In the case that the written or electronic method is used to exercise the voting right while the shareholder also entrusts a representative with the letter of proxy to attend the shareholders' meeting, the voting right exercised by the attending representative shall prevail.

- 6.4 Except otherwise stated in the Company Act or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting. The chairperson or his or her designated personnel shall announce the total votes cast by the shareholders present case by case.
- 6.5 If no objection from the shareholders present after enquired by the chairperson, the resolution shall be deemed to be adopted, and shall have the same effect as the voting made by casting ballots. However, if there is any objection, the resolution shall be made with the ballot casting method. For revision or replacement of a same motion, the chairperson shall decide the sequence of the resolutions by including the original motion. If any of the resolutions is adopted, the others shall be deemed to be vetoed and no future voting shall be required.
- 6.6. Ballot examiners and ballot counters shall be designated by the chairperson, in which the ballot examiners shall be the shareholders.
- 6.7 Ballot calculation shall be publicly conducted on the site where the shareholders' meeting is held, and the voting results shall be announced on the spot and recorded in the meeting minutes accordingly.

7. Election matters

- 7.1 Any director election at a shareholders' meeting shall be processed in accordance with the "Regulations Governing Director Election" instituted by the Company, and the election results shall be announced on the spot.
- 7.2 The ballots cast for the preceding election matters shall be sealed and signed by the ballot examiner and properly retained for at least one year. However, those that are involved in the litigation filed by a shareholder in accordance with Article 189 of the Company Act shall be retained until closure of such litigation.

8. Meeting minutes and signatory matters

- 8.1 All the matters resolved in a shareholders' meeting shall be recorded in the meeting minutes book which shall be signed or sealed by the chairperson and distributed to respective shareholders within 20 days after the shareholders' meeting. The production and distribution of the meeting minutes book shall be processed in accordance with Company Act related laws and regulations.

- 8.2 For distribution of the preceding meeting minutes book, the Company may transmit the meeting minutes book to the Market Observation Post System as the announcement method.
- 8.3 The items including the meeting date and place, chairperson's name, resolution method, main points of the meeting proceedings and the results shall be literally recorded in the meeting minutes book, which shall be retained during the existence of the Company.
- 8.4 For the preceding resolution method, if there is no objection from the shareholders present after enquired by the chairperson, the statement of "the resolution is unanimously adopted by the entire body of the shareholders present after enquired by the chairperson" shall be made in the meeting minutes book. However, if there is any objection from any shareholders, the voting method and the ratio of affirmative votes to the total votes shall be stated in the meeting minutes book.

9. Public announcement

- 9.1 The Company shall prepare a statistical list for the shares solicited by solicitors and the ones represented by the entrusted proxies, and disclose it at the meeting site on the shareholders' meeting day.
- 9.2 If the resolution adopted at a shareholders' meeting is regulated by law or stipulated by Taiwan Stock Exchange Corporation (Gre Tai Securities Market) as material information, the Company shall transmit the content to Market Observation Post System within the regulated time limit.

10. Maintenance of meeting order

- 10.1 Those who work on the shareholders' meeting site for handling meeting related affairs shall wear an ID card or arm badge.
- 10.2 The chairperson may direct disciplinary personnel or security personnel to maintain order of a meeting. When maintaining order of the meeting, those disciplinary personnel and security personnel shall wear the badge or ID card bearing the words of "disciplinary personnel".
- 10.3 At a meeting site equipped with a public address system, the chairperson may stop any speech made by the shareholder who does not use the public address system provided by the Company.
- 10.4 For those shareholders who violate the meeting rules and procedures, disobey the correction from the chairperson, obstruct the meeting proceedings and ignore the prohibition, the chairperson may have the disciplinary personnel or security personnel ask them to leave the premises.

11. Implementation and revision

The Rules and procedures shall come into effect after approved by the general manager, agreed by the board of directors and passed by the board of shareholders. The same shall also apply in case of any revision.

Appendix 3

Hermes Microvision, Inc. Procedures Governing Asset Acquisition and Disposal

1. Purpose

In order to protect its investment and fulfill its public disclosure of information, the Company's asset acquisition or disposal shall be subject to the Procedures.

2. Legal basis

The Procedures are set up in accordance with Article 36-1 of the "Securities and Exchange Act", and the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" stipulated by the Financial Supervisory Commission of Executive Yuan.

3. Scope of applicable assets

- 3.1 Investment in stocks, bonds, corporate bonds, financial bonds, securities in recognition of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.
- 3.2 Real estate (including construction inventory) and other fixed assets.
- 3.3. Membership cards
- 3.4 Intangible assets, such as patent rights, copy rights, trademark rights and franchises, etc.
- 3.5 Financial institutions' debts (including receivables, purchase of foreign exchanges, discount, loans and overdue receivable).
- 3.6 Derivative products
- 3.7 The assets acquired or disposed by law from merger, split, acquisition or share assignment.
- 3.8 Other important assets.

4. Definition of terms

- 4.1 Derivative products: They refer to the forward contract, option contract, futures contract, leverage contract and swap contract derived from the products whose values are determined by assets, interest rates, exchange rates, indexes or other benefits, and the compound contract combining the aforesaid products. The aforesaid forward contract does not include the insurance contract, performance contract, after-sale service contract, long-term lease contract and long-term purchase (sales) contract.
- 4.2 The assets acquired or disposed by law from merger, split, acquisition or share assignment: They refer to the assets acquired or disposed from merger, split or acquisition according to the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or from other company's share assignment for the new shares (hereafter referred to share assignment) issued in accordance with Paragraph 8 of Article 156 of the Company Act.
- 4.3 Related parties: They refer to those who are covered by the Statements of Financial Accounting Standard No. 6 published by Accounting Research and Development Foundation (hereafter referred to as ARDF).

- 4.4 Subsidiaries: They refer to those who are covered by the Statements of Financial Accounting Standard No. 5 and No. 7 published by ARDF.
- 4.5 Professional appraisers: They refer to the real estate appraisers, or those who engage in real estate and other fixed assets appraisal businesses as stated by law.
- 4.6 Incident occurrence day: It refers to the earlier of the transaction signing day, payment day, consigned trading day, ownership transfer day, board meeting resolution day or other days which suffice for confirming transaction counterparts and trading amounts. However, those that require approval of the competent authorities for investment, the earlier of the aforesaid day or competent authorities' approval day shall prevail.
- 4.7 Investment in the mainland China area: It refers to the mainland China investment made in accordance with the Regulations on the Permission of Investment and Technical Cooperation in the Mainland China Area stipulated by Investment Commission, Ministry of Economic Affairs.
- 4.8 The "latest period of financial statements" refer to the last period of financial statements audited and certified or reviewed by a certified public accountant (CPA), which are publicly disclosed by law prior to the Company's acquisition or disposal of assets.

5. Limits for investment in non-business purpose real estate and securities

The limits for the aforesaid assets acquired by the Company and its subsidiaries respectively are as follows:

- 5.1 For the non-business purpose real estate, its total accumulated acquisition amount shall not be more than 20% of the paid-up capital of the Company or a subsidiary.
- 5.2 The total accumulated amount of investment in securities shall not be higher than 100% of the total asset amount of the Company or a subsidiary.
- 5.3 The total amount of investment in any individual securities shall not be higher than 80% of the total asset amount of the Company or a subsidiary.

6. Acquisition of appraisal reports or opinion reports

The professional appraiser as well as his or her appraisal personnel, CPA, attorney or securities underwriter who issues the appraisal report or the opinion report for the Company shall not be the related party of the transaction involving party.

7. Handling procedures of acquisition or disposal of real estate or other fixed assets

7.1 Evaluation and operation procedures

The Company's acquisition or disposal of its real estate and other fixed assets shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.

7.2 Procedures to determine transaction terms and authorized limits

- 7.2.1. Prior to acquiring or disposing real estate, the responsible personnel shall refer to the government-declared present value, judge the real estate's value and investigate neighboring real estate's actual trading prices, followed by determining the transaction terms and price and preparing an analysis report for submission. An individual transaction

with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

7.2.2 The responsible personnel shall use price enquiry, price comparison, price negotiation or bidding to acquire or dispose other fixed assets. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

7.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.

7.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

7.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by more than half of the entire body of audit committee members before being submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

7.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

7.3 Execution unit

When acquiring or disposing real estate or equipment, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use and management units shall be responsible for execution.

7.4 Appraisal reports of real estate and other fixed assets

For the Company's acquisition or disposal of real estate or other fixed assets, except the transaction with government agencies, construction assigned by the land owner, construction assigned for the leased land, or acquisition or disposal of business-purpose machinery equipment, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars,

the appraisal report (the matters to be stated in the report shall be subject to statutory laws and regulations) issued by a professional appraiser shall be obtained before the incident occurrence day and comply with the following regulations.

- 7.4.1 If due to some special reason the limited price, specific price or special price is required to be used as the reference for the transaction price, the transaction in question shall be first submitted to the board of directors for adoption. The aforesaid procedures shall also apply to those that have any change in transaction terms in the future.
- 7.4.2 When a transaction amount is more than 100 million NT dollars, the appraisal shall be made by at least two professional appraisers.
- 7.4.3 In case that any of the following circumstances occurs to the appraisal made by a professional appraiser, except that the appraised price of asset acquisition is higher than the transaction amount or the appraised price of asset disposal is lower than the transaction amount, the Company shall request its CPA to process the case in accordance with the Statements of Auditing Standard No. 20 published by ARDF, for which the CPA shall give their specific opinion on the variance cause and adequacy of the transaction price:
 - 7.4.3.1 When the gap between the appraised price and transaction amount is over 20% of the transaction amount.
 - 7.4.3.2 When the appraisal made by two or more than two appraisers and the gap of the appraised price and transaction amount is over 10% of the transaction amount.
- 7.4.4 The date of the report issued by a professional appraiser shall not be more than three months apart from the contract establishment date. However, for the case which can be subject to the present value declared by the government in the same period and the date of the report is within six months, the original professional appraiser shall issue their opinion report.
- 7.4.5. In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate document issued by the court can be used to replace the appraisal report or CPA's opinion report.
- 7.4.6 A transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by a professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.
 - 7.4.6.1 The amount of each transaction
 - 7.4.6.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.
 - 7.4.6.3. The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

8. Handling procedures of acquisition or disposal of securities investment

8.1 Evaluation and operation procedures

The purchase and sale of the Company's securities shall be processed in accordance with the Company's internal control system for the investment cycling operation.

8.2 Procedures to determine transaction terms and authorized limits

8.2.1. Purchase or sale of securities not at the stock exchange market or securities firms' business outlets:

8.2.1.1 The underlying company's latest financial statements audited and certified or reviewed by its CPA shall be obtained before the incident occurrence day and used as the reference for evaluation of the transaction price. Also, the underlying company's net value per share, profitability, development potential and transaction purpose shall be taken into consideration. All the details shall be submitted to the board of directors for approval before implemented.

8.2.1.2 The Company shall not give up its participation in the capital increase of HMI Holdings, Inc. and Hermes Microvision, Inc. (USA) for the years to come. HMI Holdings, Inc. shall not give up its participation in the capital increase of Hermes Microvision Japan, Inc., Hermes Microvision Korea, Inc. and Ansing International LLC for the years to come. Ansing International LLC shall not give up its participation in the capital increase of Hermes Microvision Co., Ltd. (Beijing) for the years to come. In the future, if the Company has to give up its participation in the capital increase of the aforesaid companies or dispose the aforesaid companies due to consideration of strategic alliance or as agreed by Gre Tai Securities Market, it shall be passed by the Company's board of directors as a special resolution. At the same time, if amendment to the article is required, it shall be put on the Market Observation Post System for disclosure of material information, and reported to Gre Tai Securities Market for future reference.

8.2.2 For purchase and sale of securities at the stock exchange market or securities firms' business outlets, the responsible unit shall judge according to the market status. An individual transaction with an amount no more than 300 million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than 300 million NT dollars shall be submitted to the president for approval.

8.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.

8.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded

in the board meeting minutes book.

8.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

8.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

8.3 Execution unit

When investing in securities, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the financial unit shall be responsible for execution.

8.4 Opinions from experts

8.4.1 For the Company's acquisition or disposal of securities, the underlying company's latest financial statements audited and certified or reviewed by its CPA shall be obtained before the incident occurrence day and used as the reference for evaluation of the transaction price. Also, when the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price. In the case that the CPA requires adopting expert's report, it shall be processed in accordance with the Statements of Auditing Standard No. 20 published by ARDF. However, it is not limited to the securities having active market public offer or with the following provisos listed by the competent authorities:

8.4.1.1 The securities acquired by cash capital contribution in initiation or placement.

8.4.1.2 Participation in the capital increase in cash processed by law by the subscription underlying company, in which the securities are issued at par.

8.4.1.3 Participation in the capital increase in cash processed by the investee company 100% owned by the Company through trans-investment, in which the securities are issued.

8.4.1.4 The TSEC, GTSM and emerging listed securities trading at the stock exchange market or securities firms' business outlets.

8.4.1.5 The bonds which are government bonds with a repurchase agreement or under a reverse repurchase agreement.

8.4.1.6 Local and foreign funds

8.4.1.7 The TSEC (GTSM) listed stocks acquired or disposed in accordance with the Taiwan Stock Exchange Corporation or Gre Tai Securities Market Rules Governing Subscription Bidding or Auction.

8.4.1.8 The securities acquired by participating in the subscription of the shares issued by

a public company in its cash capital increase, and the acquired securities shall not be the privately placed securities.

8.4.1.9 The funds applied for subscription before establishment of the funds as prescribed by Paragraph 1 of Article 11 of the Securities Investment Trust and Consulting Act and according to the doc. Chin-Kuan-Cheng-Su-Tzu No. 0930005249 issued by the FSC on November 1, 2004.

8.4.1.10 The applied or repurchased local privately placed funds. Except the securities margin trading and the held un-offset securities related commodity positions stated in the trust deed, the investment strategy for the investment scope shall be same as that of publicly placed funds.

8.4.2 In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate document issued by the court can be used to replace the appraisal report or CPA's opinion report.

8.4.3 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by an professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.

8.4.3.1 The amount of each transaction

8.4.3.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

8.4.3.3 The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

9. Related parties' transaction handling procedures

9.1 For the assets acquired or disposed between the Company and its related parties, other than the matters regarding related resolution procedures and evaluation of the rationality of the transaction terms which shall be processed by complying with the following regulations, if the transaction amount is over 10% of the Company's total asset amount, the "7.4", "8.4" and "10.4" of the Procedures shall be followed in obtaining the appraisal report issued by a professional appraiser or the opinion report issued by a CPA. In addition, when judging if a transaction counterparty is a related party, other than legal issues, substantive relations shall also be considered.

9.2 Evaluate and operation procedures

9.2.1 For the real estate or other assets other than real estate that the Company acquires or disposes from its related parties, if the transaction amount is more than 20% of the Company's paid-up capital, 10% of the Company's total asset amount or 300 million NT dollars, unless trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the following

data shall be submitted to the board of directors for approval and sent to supervisors for adoption. After obtaining the approval and adoption, the transaction contract can then be signed and the payment can then be made:

9.2.1.1 The purpose, necessity and expected effects of asset acquisition or disposal.

9.2.1.2 The reason for determining a related party as a transaction counterparty.

9.2.1.3 The data related to evaluation of the rationality of the scheduled transaction terms made according to “9.3.1” to “9.3.4” of the Handling Procedures for the real estate acquisition from related parties.

9.2.1.4 The matters regarding related party’s original acquisition date and price, the transaction counterparty and the relationship between the transaction counterparty and the Company as well as its related parties.

9.2.1.5 The list of prediction of cash receipt and expenditure for respective months of the coming one year starting from the month expected to sign the contract, and evaluation of transaction necessity and rationality of capital utilization.

9.2.1.6 The appraisal report issued by a professional appraiser or the opinion report issued by a CPA, which is obtained in accordance with “9.1” of the Procedures.

9.2.1.7 Restriction terms and other important agreed matters of this time of transaction.

9.2.1.8 The transaction amount shall be calculated according to the following ways, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that are submitted to the board of directors for approval and sent to supervisors for adoption can be exempt from the calculation.

A. The amount of each transaction

B. The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

C. The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

D. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

9.2.2 For acquisition or disposal of business-purpose machinery equipment between the Company and its parent company or subsidiaries, the board of directors may authorize the president for execution within 500 million NT dollars, for which any execution will be reported in the next board meeting for retroactive adoption.

9.2.3. Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors’ opinions into account when following the stipulation to submit a real estate acquisition transaction with a related party to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

9.2.4 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the matters which shall be adopted by supervisors as regulated shall be agreed by more than the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the matters fail to pass the approval of the majority of the entire body of audit committee members, they can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

9.2.5 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

9.3 Evaluation of transaction cost rationality

9.3.1. The rationality of the transaction cost of the real estate acquired by the Company from its related party shall be evaluated according to the following methods:

9.3.1.1 To add required capital interest and the cost required to be paid by the buyer by law to the related party's transaction price. The preceding required capital interest cost shall be calculated according to the weighted average interest rate for the amount borrowed in the year in which the Company purchased the asset. However, the interest rate shall not be higher than the highest loan rate published by the Ministry of Finance for the non-institutional industry.

9.3.1.2 If the related party pledged the underlying object in question at a financial institution for a loan, the actual accumulated amount of the loan released from the financial institution against the pledged object shall be over 70% of the total estimated amount of the loan and the loan period shall be more than one year. However, it is not applicable to the situation where the financial institution and the transaction party are the related party each other.

9.3.2 Those that jointly purchase the same underlying land and house shall assess the transaction cost of the land and house respectively according to either method listed in the preceding paragraph.

9.3.3 When the Company acquires real estate from its related party, it shall follow "9.3.1" of the Procedures to assess the cost of the real estate and request its CPA to re-check it and give concrete opinion.

9.3.4 In the case that the Company's assessment price for the real estate acquired from its related party according to "9.3.1" of the Handling Procedures is lower than the transaction price, "9.3.5" of the Handling Procedures shall be subject to. However, it is not limited to the following circumstances in which objective evidence and concrete and rational opinions from a real estate professional appraiser and a CPA are submitted:

9.3.4.1 For the construction made after related party's acquisition of the plain land or leased land, the burden of proof for complying with any of the following terms shall be put:

A. The total amount of the plain land assessed according to the preceding article and the house calculated by adding a reasonable construction profit

to a related party's construction cost exceeds the actual transaction price. The aforesaid reasonable construction profit shall be the lower of the average business gross margin of the related party's construction department over the past three years or the gross margin of the construction industry published by the Ministry of Finance in the latest period.

- B. The successful transactions of other floors of the underlying building or the neighboring area made by non-related parties within one year, in which the space is similar, and, as estimated according to the reasonable floor and area price difference with the real estate trading practice, the transaction terms are tantamount.
- C. The lease cases of other floors of the underlying building occurring to non-related parties within one year, in which, as inferred according to the reasonable floor price difference with the real estate lease practice, the transaction terms are similar.

9.3.4.2 According to the burden of proof put by the Company for the real estate purchased from a related party, the transaction terms are tantamount to those of the successful transactions of the neighboring area made by non-related parties, in which the space is similar. The aforesaid successful transactions of the neighboring area are based on the principle that the real estate is at the same or neighboring street and within 500 meters from the underlying real estate or its value is close to the government declared present value. Also, in terms of the similar space, it refers to the space of the real estate of the successful transactions made by non-related parties which shall not less than 50% of the space of the underlying real estate. The aforesaid "within one year" shall be one year before this time of real estate acquisition occurrence day.

9.3.5 For the Company's real estate acquisition from a related party, if the price evaluated according to "9.3.1" and "9.3.4" of the Handling Procedures is lower than the transaction price, the regulations below shall be followed:

9.3.5.1 For the difference between real estate's transaction price and its assessed cost, the Company shall set a special surplus reserve aside according to Paragraph 1 of Article 41 of the Securities and Exchange Act, with which surplus distribution or stock dividend from earnings recapitalization is not allowed. If the investor using the equity method to value the Company's investment is a public company, a special surplus reserve shall be set aside based on the pro-rata entitlement of the lodged amount as prescribed by Paragraph 1 of Article 41 of the Securities and Exchange Act. Also, if the Company and the public company adopting the equity method to value the Company's investment already set a special surplus reserve aside in accordance with the aforesaid regulations, recognized loss on market value for the asset purchased with a high price, disposed the asset, properly

compensated for the loss or restored the asset to its original state, or there is other evidence to show no irrationality, the special surplus reserve in question could then be used after approved by the competent authorities.

9.3.5.2 Supervisors shall comply with Article 218 of the Company Act.

9.3.5.3 The status of the handling made according to “9.3.5.1” and “9.3.5.2” of the Handling Procedures shall be submitted to the board of shareholders and the detailed transaction content shall be disclosed in the annual report and prospectus.

9.3.6 If any of the following circumstances occurs when the Company acquires real estate from a related party, “9.2” of the Handling Procedures for evaluation and operation procedures shall be subject to, whereas “9.3.1” to “9.3.3” of the Handling Procedures for evaluation of rationality of transaction costs are not applicable:

9.3.6.1 The related party acquires the real estate from inheritance or bestowal.

9.3.6.2 The transaction contract signing date is over five year apart from the day that the related party established the contract and acquired the real estate.

9.3.6.3 The real estate is acquired by signing a co-construction contract, engaging others to build on its own land, engaging others to build on rented land with a related party.

9.3.7 When the Company acquires real estate from a related party, if there is any evidence to show that the transaction does not meet the arm’s length principle, “9.3.5” of the Handling Procedures will be followed.

10. Handling procedures of acquisition or disposal of membership cards or intangible assets

10.1 Evaluation and operation procedures

The Company’s acquisition or disposal of its membership cards or intangible assets shall be processed in accordance with the Company’s internal control system for the fixed asset cycling procedures.

10.2 Procedures to determine transaction terms and authorized limits

10.2.1 Prior to acquiring or disposing membership cards, the responsible personnel shall refer to the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

10.2.2 Prior to acquiring or disposing intangible assets, the responsible personnel shall refer to expert’s assessment report or the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level

of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

10.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.

10.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

10.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of the entire body of audit committee members and submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of the entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

10.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

10.3 Execution unit

When acquiring or disposing membership cards or intangible assets, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use department and financial unit or administrative unit shall be responsible for execution.

10.4 Expert's opinions

10.4.1 For the Company's acquisition or disposal of its membership cards or intangible assets, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price, for which the CPA shall follow the Statements of Auditing Standard No. 20 published by ARDF to process the case.

10.4.2 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain their CPA's opinion report can be exempt from the calculation.

10.4.2.1 The amount of each transaction

10.4.2.2 The amount of the transactions accumulated within one year which have the

same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

11. Handling procedures of acquisition or disposal of financial institutions' debts

In principle, the Company does not engage in the transactions of acquiring or disposing financial institutions' debts. In the future, if it plans to engage in acquisition or disposal of financial institutions' debts, it will submit the proposal to its board of directors for approval, followed by setting up the evaluation and operation procedures after obtaining the approval.

12. Handling procedures of derivative product transactions

12.1 Transaction principle and orientation

12.1.1 Transaction categories

The derivative products referred to in "4.1" of the Procedures

12.1.2 Operating (hedge) strategy

When engaging in derivative financial product transactions, the purpose shall be risk hedge. Hence, the products which can hedge the risk accrued from company's business operation shall be the choice of the Company. The held currencies shall be consistent with the foreign currencies actually required by the Company in its import and export transactions, in which the Company's overall internal positions (referring to foreign currency revenue and expenditure) shall break even, so as to reduce the Company's overall foreign exchange risk and save foreign exchange operation costs.

12.1.3 Authorization and responsibility

12.1.3.1 Transaction personnel

- A. Transaction personnel shall periodically evaluate the positions, pick up market information, judge market trends, measure risks, conduct supervision and control, familiarize themselves with financial products and related laws and regulations, draw up operation strategy proposals, and engage in transactions in accordance with the instructions from competent supervisors and authorized positions.
- B. When the financial market has significant change, transaction personnel shall put forth the evaluation report and recommendations for the risk exposure position in a timely manner and re-draft the strategy, which shall be approved by the competent supervisor before trading further.

12.1.3.2 Accounting personnel

According to related regulations (e.g. the Statements of Financial Accounting Standards, etc), accounting personnel shall adequately present hedge related transactions and profit/loss results on financial statements.

12.1.3.3 Settlement personnel

They are responsible for the issue of settlement of derivative financial product transactions, and shall periodically inspect the cash flow status, so as to ensure

that the signed transaction contracts can be settled on a timely manner.

12.1.3.4 Audit unit

It is responsible for understanding the adequacy of the internal control of derivative product transactions and auditing transaction department's compliance with the operation procedures, while it shall also analyze transaction cycles and prepare the auditor's report. In case of finding any material violation, it shall report it to the board of directors, and punish relevant personnel according to the degree of the violation.

12.1.4 Performance evaluation

12.1.4.1 Performance evaluation shall be made in accordance with the profit or loss accrued from the difference between the book value of the Company's foreign exchange cost and the cost of the engaged derivative financial transactions.

12.1.4.2 In order to fully control and present transaction's valuation risk, the Company adopts the monthly closing entry method to evaluate its profit or loss.

12.1.4.3. The financial unit shall provide competent supervisors with foreign exchange position valuation, foreign exchange market trends and market analysis as the reference for management and instruction.

12.1.5 Derivative product transaction limits and authorized limits

12.1.5.1 Hedge transactions (with non-transaction purpose)

The Company's total amount of hedge transaction contracts shall not exceed the total amount of its foreign currency assets and liabilities as of the end of the previous month.

12.1.5.2 Non-hedge transaction (with transaction purpose)

The Company does not engage in non-hedge transaction operation.

12.1.5.3 The authorized limits of derivative product transactions and levels of authorization shall be processed in accordance with the Company's "Regulations Governing Post Authorization and Agency Management".

12.1.6 The limit of loss on derivative product transactions

The ceiling of the loss on the total contracts or individual contract shall be 10% of the amount of the total contracts or the individual contract.

12.2 Risk management measures

12.2.1 credit risk management

The Company's transaction counterparties shall be its correspondent banks or international acknowledged financial institutions which, in principle, can offer professional information.

12.2.2 Market risk management

The Company's derivative product transactions are limited to hedge, and it does not engage in speculative financial operation

12.2.3 Liquidity risk management

In order to ensure market liquidity, the Company mainly selects the financial products

with higher liquidity (i.e. they can break even in the market at any time). The financial institution trusted for transactions shall have sufficient information with the trading capacity at any markets.

12.2.4. Cash flow risk management

In order to ensure stable turnover of the Company's working capital, the source of the Company's capital for derivative product transactions shall be proprietary capital, and when determining the operation amount, the capital requirement for future cash revenue and expenditure shall be taken into consideration.

12.2.5 Operation risk management

12.2.5.1 The Company's authorization limits, operation process and internal auditing shall be literally followed, so as to avoid operation risk.

12.2.5.2 The derivative product transaction personnel and confirmation personnel as well as settlement personnel shall not overlap.

12.2.5.3 Risk's measurement, supervision and control personnel and the preceding personnel shall fall in different departments. They shall report to the board of directors or the high-rank competent supervisors not responsible for transaction or position determination respectively.

12.2.5.4 The position held for derivative product transactions shall be evaluated at least once a week. However, the hedge transactions required by business shall be evaluated at least twice a month. The evaluation report shall be submitted to the high-rank competent supervisors authorized by the board of directors.

12.2.6 Commodity risk management

Internal transaction personnel shall have intact and accurate professional knowledge and request banks to fully disclose risks, so as to avoid the risk of misuse of financial products.

12.2.7 Legal risk management

The documents to be signed with financial institutions shall be inspected by the professional personnel in the fields of foreign exchange, legal affairs, and legal consultation before being formally signed, so as to avoid the legal risk.

12.3 Internal auditing system

Internal auditing personnel shall periodically check the adequacy of the internal control of derivative product transactions, audit transaction department's compliance with the handling procedures of derivative product transactions on a monthly basis, analyze transaction cycling and prepare the auditor's report. In case of finding any material violation, they shall report it to supervisors in writing.

12.4 The principles of the board of directors' supervision management for derivative product transactions

12.4.1 The board of directors shall designate high-rank competent supervisors to supervise and control the risk of derivative product transactions at any time. The management principles are as follow:

- 12.4.1.1 Periodically evaluate if the current risk management measures are proper, and literally follow the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the Procedures.
- 12.4.1.2 Supervise the status of transactions and profit/loss. In case of finding any irregularities, required countermeasures shall be taken and the board of directors shall be immediately reported. If the Company has independent directors, they shall attend the board meeting and put forth their opinions.
- 12.4.2 Periodically evaluate if the performance of derivative product transactions conform to the existing operating strategy and if the assumed risks are within the Company’ s tolerance.
- 12.4.3 When engaging in a derivative product transaction, the personnel authorized according to the Handling Procedures shall submit an ex-post report to board of directors meeting.
- 12.5 The Company shall set up a reference book for its derivative product transactions, in which the derivative transaction categories, amounts, the dates approved by the board of directors and the matters required to be prudently evaluated according to “12.2.5.4”, “12.4.1.1” and “12.4.2” of the Handling Procedures shall be recorded in detail for future reference.

13. Merger, split, acquisition or share assignment handling procedures

13.1 Evaluation and operation procedures

- 13.1.1 When processing merger, split, acquisition or share assignment, the Company shall request its attorney, CPA and underwriter to jointly work on the legal procedures and timetable, and organize a task force to execute the case in accordance with the legal procedures. At the same time, prior to holding a board meeting for the resolution, the Company shall request its CPA, attorney or securities underwriter to give their opinions on the issues regarding the share swap ratio, acquisition price or shareholder’s cash distribution, or rationality of other properties, followed by submit them to the board of directors for discussion and approval.
- 13.1.2 The Company shall produce a public document to shareholders prior to the shareholders’ meeting for its important merger, split and acquisition agreements and related matters, which shall be delivered to shareholders together with the expert opinions referred to in “13.1.1” of the Handling Procedures and the notification of the shareholders’ meeting, so shareholders can use the expert opinions as the reference in their consideration of the merger, split or acquisition. However, it is not limited to those that can be exempt from holding a shareholders’ meeting for resolution of the merger, split or acquisition case by law. In addition, for those companies that participate in merger, split or acquisition, if the shareholders’ meeting of any of those participating companies cannot be held due to deficiency in the number of the shareholders present at the meeting or the required votes or as restricted by other legal restrictions, or the resolution or motion is vetoed by the shareholders’ meeting, the company shall immediate make public of it, explain the cause and ensuing handling operation and announce the expected shareholders’ meeting date.

13.2 Other matters

- 13.2.1 Dates of the board meeting and shareholders' meeting: Unless otherwise provided by law or other special reasons which shall be reported to the competent authorities and approved by them in advance, the companies participating in merger, split or acquisition shall hold their board meeting and shareholders' meeting at the same day for resolutions of merger, spin-off or acquisition related matters. For the companies participating in share assignment, unless otherwise provided by law or other special reasons which shall be reported to the competent authorities and approved by them in advance, they shall hold the board meeting at the same day.
- 13.2.2 The publicly listed companies participating in merger, split, acquisition or share assignment, or the companies whose stocks are traded at securities firms' business outlets shall prepare an intact written record report containing the following data and retain it for five years for future reference:
- 13.2.2.1 Personnel basic information: including the personnel participating in merger, split, acquisition or share assignment plan prior to the information being made public, or plan execution personnel, and their job titles, names, and ID numbers (passport numbers for foreigners).
- 13.2.2.2 Dates of important matters: Including the date signing the letter of intent or memorandum and the dates appointing financial or legal consultants, signing contracts and holding board meetings, etc.
- 13.2.2.3 Important documents and meeting minutes books: including the merger, split, acquisition or share assignment plan, letter of intent or memorandum, important contracts and board meeting minutes books, etc.
- 13.2.3 The publicly listed companies participating in merger, split, acquisition or share assignment, or the companies whose stocks are traded at securities firms' business outlets shall declare the data prescribed by "13.2.2.1" and "13.2.2.2" in a regulated form to the competent authorities for future reference through the Internet information system within two days after the adoption by the board of directors.
- 13.2.4 In the case that the company participating in merger, split, acquisition or share assignment is not a publicly listed company and its stock is not traded at securities firms' business outlets, the publicly listed company or the company whose stock is traded at securities firms' business outlets shall sign an agreement with it, before the case is processed in accordance with "13.2.2" and "13.2.3".
- 13.2.5 Ex-ante confidentiality commitment: All the personnel participating in or aware of company's merger, split, acquisition or share assignment plan shall issue their confidentiality commitment in writing to commit not to externally disclose the content of the plan before the information is made public. They are also not allowed to trade the stocks of the companies or the equity-link securities related to the merger, split, acquisition or share assignment case under their names or under the names of others.
- 13.2.6 Principle of setting up and changing the share swap ratio or acquisition price: In

principle, the share swap ratio and acquisition price shall not discretionarily change. However, it is not limited to circumstance where the contract has already allowed the change and it has been publicly disclosed. The terms for change of the share swap ratio and acquisition price are as follows:

- 13.2.6.1 Processing capital increase in cash, issue of convertible corporate bonds, scrip issue, and issue of corporate bonds with warrants, preferred shares with warrants, warrants and other equity-linked securities.
- 13.2.6.2 The behavior of disposal of Company's material assets which may affect the Company's financial business.
- 13.2.6.3 The situation where material disasters occur or technology is significantly reformed which may affect the equity of company's shareholders or securities prices.
- 13.2.6.4 The adjustment made by any of the companies participating in merger, split, acquisition or share assignment by repurchasing the treasury stock.
- 13.2.6.5 The number of the entities participating in merger, split, acquisition or share assignment increases or decreases.
- 13.2.6.6 The contract has allowed change of terms and it has been publicly disclosed.
- 13.2.7 The matters required to be stated in the contract: The merger, split, acquisition or share assignment contract shall state the rights and obligations of the companies participating in merger, split, acquisition or share assignment. In addition, the following matters shall also be covered by the contract:
 - 13.2.7.1 Violation handling
 - 13.2.7.2 The handling principle for the equity-link securities or treasury shares issued or repurchased by a company prior to its extinction as a result of merger or its split.
 - 13.2.7.3 The number of treasure shares which may be repurchased by law by the participating companies after the base day calculating the share swap ratio, and the handling principle.
 - 13.2.7.4 The handling method for increase of decrease of the number of the participating entities.
 - 13.2.7.5 Plan execution schedule and expected completion schedule.
 - 13.2.7.6 The handling procedures for calling a shareholders' meeting which shall be held by law when the plan is not completed in due time.
- 13.2.8 When the number of the companies participating in merger, split, acquisition or share assignment changes: For any of the companies participating in merger, split, acquisition or share assignment, if they plan to have merger, split, acquisition or share assignment with other companies after the information is made public, except that the number of the participating companies reduces and the board of shareholders already resolved to authorize the board of directors to change the authorization, the participating companies can be exempt from holding the shareholders' meeting again for resolution. In addition,

for the original merger, split, acquisition or share assignment case, the procedures or legal act which has been completed shall be re-processed by all the participating companies.

13.2.9 For the companies participating in merger, split, acquisition or share assignment which are not publicly listed companies, the Company shall sign an agreement with them and follow “13.2.1” to “13.2.5” and “13.2.8” of the Handling Procedures to process the case.

14. Procedures of public disclosure of information

14.1 Matters required to be announced and declared, and announcement and declaration standards

14.1.1 The real estate acquired or disposed from a related party or other assets (beyond real estate) acquired or disposed from a related party in which the transaction amount is over 20% of the Company’s paid-up capital, 10% of its total asset amount or 300 million NT dollars. However, it is not limited to purchase or sale of government bonds, the bonds with a repurchase or reverse repurchase agreement or subscription.

14.1.2 When processing merger, split, acquisition or share assignment.

14.1.3 The loss on derivative product transactions tops the ceiling amount regulated in the Handling Procedures for loss on total contracts or individual contract.

14.1.4 Except the asset transactions stated in the preceding three sub-paragraphs, the transaction amount of the debts disposed by financial institutions or the investment in mainland China is over 20% of the Company’s paid-up capital or 300 million NT dollars. However, it is not limited to the following circumstances:

14.1.4.1 Purchase or sale of government bonds

14.1.4.2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm.

14.1.4.3 The bonds with a repurchase or reverse repurchase agreement or subscription.

14.1.4.4 The category of the acquired or disposed assets falls in the machinery equipment for the business purpose, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.

14.1.4.5 The real estate is acquired or disposed by the Company for its construction business, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.

14.1.4.6 The real estate is acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint construction and allocation of ownership percentages, or the joint construction and separate sale, in which the amount that the Company expects to invest in the transaction is less than NT\$500 million.

14.1.5 The transaction amount referred to in “14.1.4” of the Handling Procedures shall be

calculated as follows, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to make announcement can be exempt from the calculation.

14.1.5.1 The amount of each transaction

14.1.5.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

14.1.5.3 The amount of the same development project’s real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

14.1.5.4. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

14.2 The time limit for processing announcement and declaration

If the assets acquired or disposed by the company fall in the announcement items as regulated in “14.1” of the Handling Procedures and the transaction amount reaches the amount for announcement and declaration, the announcement and declaration shall be made within two days after the incident occurrence day.

14.3 Announcement and declaration procedures

14.3.1 The Company shall announce and declare the related data on the website designated by the competent authorities.

14.3.2 The Company shall monthly post the status of the derivative product transactions made by it and its non-local subsidiaries as of the end of the previous month according to the regulated format on the information declaration website designated by the competent authorities before the 10th of each month.

14.3.3. In the case that the Company makes errors or have omissions in its announcement of the items required to be announced as regulated and the errors or omissions shall be corrected, it shall announce and declare all the items again.

14.3.4 When the Company acquires or disposes assets, it shall keep the related contracts, meeting minutes books, reference books, appraisal reports and the opinion report prepared by its CPA, attorney or securities underwriter in the Company. Unless otherwise stated by law, they shall be retained for at least five years.

14.3.5 After the Company announces and declares its transaction in accordance with the preceding article, if any of the following circumstances occurs, the related information shall be announced and declared on the website designated by the competent authorities within two days after the incident occurrence day.

14.3.5.1 Change, termination or removal of originally signed contracts.

14.3.5.2 Merger, split, acquisition or share assignment fails to be completed according to the schedule prescribed by the contract.

14.3.5.3 There is change in the content of the original announcement and declaration.

14.4 Announcement format

- 14.4.1 When the Company trades the securities of its parent company, subsidiaries or affiliated enterprises at local and foreign stock markets or Gre Tai Securities Market, the announcement format for the items and content required to be announced shall be subject to related statutory laws and regulations.
- 14.4.2 For the real estate acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint construction and allocation of ownership percentages, or the joint construction and separate sale, the announcement format for the items and content required to be announced shall be subject to related statutory laws and regulations.
- 14.4.3 The announcement format for acquired or disposed real estate and other fixed assets and the real estate acquired from a related party shall be subject to related statutory laws and regulations.
- 14.4.4 The announcement format for the securities acquired neither from the stock exchange market nor from securities firms' business outlets, membership cards, intangible asset trading and financial institution's debt disposal shall be subject to related statutory laws and regulations.
- 14.4.5 The announcement format for the investment in mainland China shall be subject to related statutory laws and regulations.
- 14.4.6 For those that engage in derivative product transactions, the announcement format for the announcement to be made within two days after the incident occurrence day shall be subject to related statutory laws and regulations.
- 14.4.7 For those that engage in derivative product transactions, the announcement format for the announcement to be made before the 10th of each month shall be subject to related statutory laws and regulations.
- 14.4.8 The announcement format for merger, split, acquisition or share assignment shall be subject to related statutory laws and regulations.

15. Regulations to be followed by the Company's subsidiaries

- 15.1 The Company's subsidiaries shall follow the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" to set up and execute the "Asset Acquisition or Disposal Handling Procedures".
- 15.2 Subsidiary's asset acquisition or disposal shall be processed in accordance with the Company's regulations.
- 15.3. In the case that the subsidiary is not a local public company and its asset acquisition or disposal measure up to the announcement and declaration standard set up in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Parent company shall process the announcement and declaration on behalf of the subsidiary.
- 15.4 The calculation of the "20% of the Company's paid-up capital or 10% of its total asset amount" referred to in subsidiary's announcement and declaration standard is based on the parent

company (the Company)'s paid-up capital or total asset amount.

16. Penalties

When processing asset acquisition or disposal operation, if the Company's managers or responsible personnel violate the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" published by the FSC or the "Asset Acquisition or Disposal Handling Procedures" set up by the Company, the violation shall be reported to the general manager and the violating personnel shall be punished according the degree of seriousness of the violation

17. Implementation and revision

17.1 The "Asset Acquisition or Disposal Handling Procedures" set up by the Company and approved by its board of directors shall be sent to respective supervisors and submitted to the board of shareholders for approval. The same shall also apply in case of any revision. If any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.

7.2 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when submitting the "Asset Acquisition or Disposal Handling Procedures" to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

17.3 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the institution or revision of the "Asset Acquisition or Disposal Handling Procedures" shall be agreed by the majority of the entire body of audit committee members before being submitted to the board of directors for resolution. In the case that the institution or revision fails to pass the approval of the majority of the entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

17.4 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

18. Supplementary provisions

18.1 For those that have followed the Securities and Exchange Act to set up the audit committee, the regulations for supervisors stipulated in the Procedures are also applicable to the audit committee.

18.2 For those that have followed the "Securities and Exchange Act" to set up the audit committee, "9.3.5.2" of the Procedures is also applicable to the independent directors of the audit committee.

18.4 The matters not covered by the Handling Procedures shall be subject to related laws and regulations.

Appendix 4

Hermes Microvision, Inc. Rules Governing Director Elections

1. Purpose

In order to elect its directors with the principles of fairness, justice and transparency, the Company specifically sets up the rules governing director elections.

2. Applicable scope

Unless otherwise stated by law or the Article of Incorporation, the Company's director elections shall be subject to the Rules.

3. Legal basis

The Rules are set up in accordance with Article 21 and Article 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

4. Operation procedure

4.1 The overall deployment of the Company's board of Directors shall be taken into account in any election of the Company's directors. The members of the board of directors shall be generally equipped with the knowledge, skills and quality required in execution of their duties, such as business operating judgment ability, accounting and financial analysis ability, operating management ability, crisis handling ability, industry knowledge, supranational horizons, leadership, and decision making ability, etc.

4.2 The qualifications of the independent directors of the Company shall comply with Article 2, Article 3 and Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

4.3 The Company's independent directors shall be elected in accordance with Article 5, Article 6, Article 7, Article 8 and Article 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and elections shall be processed in accordance with Article 24 of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".

4.4 For elections of the Company's independent directors, the candidates shall be nominated in accordance with the candidate nomination system and procedure prescribed by Article 192-1 of the Company Act.

4.5 The Company shall use accumulated voting to elect its directors, with which the number of votes exercisable in respect of each share shall be same as the number of the directors to be elected, and the total number of votes per share can be consolidated for election of one candidate or split for election of more candidates. Election of independent directors and non-independent directors shall be held together, in which the numbers of independent and non-independent directors elect shall be separately calculated.

4.6 The board of directors shall prepare the same number of ballots as the number of the seats available for directors to be elected, put the number of voting shares on each ballot, and distribute

the ballot to each shareholder attending the shareholders' meeting. The voter's name may be replaced by the attendance card number printed on his or her ballot.

- 4.7 According to the number of the seats for directors stipulated in the Company's Article of Incorporation, the Company shall calculate the voting shares acquired by the candidates of independent directors and non-independent directors respectively. Those who acquire the cast ballots standing for more voting shares shall win the seat available. In case of two or more than two candidates acquire the same voting shares resulting in exceeding the specified number of the seats available, such candidates shall draw lots to decide who win/wins the seat(s). For those candidates who are not present at the meeting, the chairperson shall draw lots on behalf of them.
- 4.8 Prior to an election being held, the chairperson shall designate several ballot examiners and ballot counters from shareholders to perform election related duties. The board of directors shall prepare ballot boxes which shall be publicly examined on the site by ballot examiners.
- 4.9 If the election candidate is a shareholder, the voter shall fill the candidate's shareholder account name and shareholder account number in the candidate column on the ballot. If, on the other hand, the candidate is not a shareholder, the voter shall fill in the candidate's name and ID No. instead. However, if the candidate is a government or institutional shareholder, the name of the government shareholder or institutional shareholder shall be filled in the candidate account name column on the ballot, or the government or institutional shareholder's name and its representative's name can also be put in the column. If a government or institutional shareholder has several representatives, all of the representatives' names shall be filled in the column respectively.
- 4.10 In case of any of the following circumstances, the ballot shall become invalid:
 - 4.10.1 The ballot is not the one prepared by the board of directors.
 - 4.10.2 The ballot put into the ballot box is left blank.
 - 4.10.3 What is put on the ballot is illegible or altered.
 - 4.10.4 For the candidate who is a shareholder, his or her shareholder account name and number are not consistent with what are shown in the shareholders list. For the candidate who is not a shareholder, his or her name, ID No. are found not consistent after checking.
 - 4.10.5 There are other characters mingled with the candidate's shareholder account name (name) or shareholder account number (ID No.) and the number of the distributed voting shares.
 - 4.10.6 The filled candidate's name is same as another shareholder's name, and neither shareholder account No. nor ID No. is put in for discrimination.
- 4.11 The ballots shall be calculated on the spot after the voting is finished. According to the voting result, the chairperson shall announce the names of the directors elected at the meeting.
- 4.12 The Company's board of directors shall send an "election winning notification" to each elected director.

5. Implementation and revision

The Rules shall come into effect after approved by the general manager, agreed by the board of directors and adopted by the board of shareholders. The same shall also apply in case of any revision.

Appendix 5

Information Regarding Employees' Cash Bonus and Directors' Compensation

The Board of Directors approved the amount of payment of employees' cash bonus and Director's compensation on February 25th, 2014. After the approval of Annual General Shareholders' Meeting on June 6th, 2014, HMI will proceed the payment according to relevant regulations. The details of the payment are as follow.

1. The amount of employees' cash bonus and profit sharing is NT\$91,131,950.
2. The amount of Director's compensation is NT\$ 4,800,000.
3. The above amounts of employees' cash bonus and Director's compensation have been expensed in 2013 and the accrued amount is not materially different than the amount approved by the Board of Directors.

Appendix 6

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate

The dividends approved by the Board of Directors for 2013 are all cash dividends. Therefore, this disclosure is not applicable.

Appendix 7

Hermes Microvision, Inc. Shareholdings of All Directors

1. The shareholdings of the Company's Directors required by law are listed below:

The Company's total outstanding shares: 71,000,000

Total shareholdings of all Directors required by law: 5,680,000

As HMI has established the audit committee that satisfies the requirements of the R.O.C. Securities and Exchange Act, the minimum shareholding requirements for supervisors do not apply

2. As of April 8th, 2014, the cut-off date of this Shareholders' Meeting, the individual Directors and their aggregate shareholdings are listed below:

Title	Name	Date elected	Shareholding while elected (Shares)	Current Shareholding (Shares)
Chairman	Chin-Yung Hsu	100.06.30	644,000	387,000
Director	Hermes-Epitek Corporation Representative: Ming-Chi Hwang	100.06.30	10,411,000	7,105,000
Director	Jack Y. Jau	100.06.30	2,400,000	1,620,000
Director	Chyan Yang	100.06.30	-	-
Independent Director	Han-Liang Hu	100.06.30	-	-
Independent Director	Huai-Chi Tu	100.06.30	-	-
Independent Director	Kai-Tai Liang	100.06.30	-	-
Holdings of all Directors			9,112,000	