



**Hermes Microvision, Inc.**

**2016 Annual Shareholders' Meeting  
Meeting Agenda  
(Translation)**

**Meeting Date: June 8, 2016**

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**Hermes Microvision, Inc.**  
**2016 Annual Shareholders' Meeting Procedure**

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

**Hermes Microvision, Inc.**  
**2016 Annual Shareholders' Meeting Agenda**  
**(Translation)**

Time: 9:00 a.m., June 8, 2016 (Wednesday)

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. Proposed Resolution (1)  
(1) To revise the company's "Article of Incorporation"
3. Report Items:  
(1) To report the business of 2015  
(2) Audit Committee's review report  
(3) To report the employee compensation and directors' remuneration
4. Acknowledgements  
(1) Adoption of the 2015 Business Report and Financial Statements  
(2) Adoption of the proposal for distribution of 2015 Profits
5. Proposed Resolution (2)  
(2) To revise the company's "Rules Governing Director Elections"
6. Special Motions
7. Meeting Adjourned

## **Proposed Resolution (1)**

### **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 related commercial laws, and to implement shareholder director nomination system, the company hereby proposes to revise the "Article of Incorporation." Please refer to page 7 (attachment 1) for details.

Resolution

## **Report Items**

1. To report the business of 2015

Explanatory Notes: Please refer to page 8, Attachment 2.

2. Audit Committee's review report

Explanatory Notes: Please refer to page 9, Attachment 3.

3. To report the employee compensation and directors' remuneration

Explanatory Notes: Please refer to page 10, Attachment 4.

## **Acknowledgements**

### **Acknowledgement 1**

Proposed by the Board of Directors

Subject: Adoption of the 2015 Business Report and Financial Statements

Descriptions:

- (1) Hermes Microvision, Inc's 2015 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 Tien-Yi Li and Kwok-Wah Tsang of PricewaterhouseCoopers. The report issued by the independent auditors has been approved by the Board.
- (2) For the 2015 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements, please refer to page 8, Attachment 2, page 11-20, Attachment 5-6.

Resolution:

### **Acknowledgement 2**

Proposed by the Board of Directors

Subject: Adoption of the proposal for distribution of 2015 Profits

Descriptions:

- (1) The 2015 Profit Allocation Proposal is attached hereto as Attachment 7. Please refer to page 21.
- (2) For the distribution amount to any shareholder that is less than NT\$ 1 will be accounted as other income of the Company.
- (3) 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 Resolution (2)**

### **Proposal 2**

Proposed by the Board of Directors

Subject: To revise the company's "Rules Governing Director Elections." Please proceed to discuss.

Descriptions: In order to implement shareholder director nomination system and enforce corporate governance, the company hereby proposes to revise the "Rules Governing Director Elections." Please refer to page 22 (attachment 8) for details.

Resolution:

## **Special Motions**

## **Meeting Adjourned**

## Attachment 1

### Hermes Microvision, Inc.

#### Details of revision of the Company's "Article of Incorporation"

After revision	Before revision	Remarks
14.The Company shall have seven (7) to thirteen (13) directors. The term of office of director is three (3) years. <u>The Company adopts a candidates nomination system which shareholders shall elect the directors from among the nominees listed in the roster of director candidates</u> ; re-election shall be permissible.	14.The Company shall have seven (7) to thirteen (13) directors. The term of office of director is three (3) years. <u>The directors shall be elected in the shareholders' meeting from persons with capacity to make judicial acts</u> ; re-election shall be permissible.	Amended in accordance with the adoption of candidates nomination system for election of board of directors.
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. <u>The board of directors shall elect the vice chairman according to the same rule as the election of chairman.</u>	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.	Amended in accordance with the adoption of candidates nomination system for election of board of directors.
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, <u>and then, by resolution of the company's shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve or reverse special reserve.</u> 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.	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, <u>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.</u> 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.	Amended in accordance with the announcement of the authority.
20. Company shall <u>pay not less than 1% of the profit in the preceding fiscal year as the bonus to employees and pay not more than 1% of the profit as the remuneration to directors.</u> <u>However, the company's accumulated losses shall have been covered.</u> <u>The distribution of employees' compensation shall be in the form of shares or in cash, and employees entitled to receive shares or cash include the employees of subsidiaries of the company meeting certain specific requirements.</u> <u>The profit in the preceding fiscal year in paragraph 1 is defined as the profit before tax of the preceding year before deduction of the bonus to employees and the remuneration to directors.</u> <u>The distribution of bonus to employees and the remuneration to directors shall be adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.</u>		Addition in accordance with the announcement of the authority.
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; the ninth amendment was made on June 6, 2014; <u>the tenth amendment was made on June 8, 2016.</u>	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; the ninth amendment was made on June 6, 2014.	Addition to amendment dates.



## **Attachment 2**

### **Hermes Microvision, Inc. 2015 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.

However, in 2015, the unfavorable emerging markets foreign exchange rate against US dollars and macroeconomic uncertainties resulted in sluggish end-user electronics demand. Semiconductor manufacturing companies thus turned cautious in capital investments. Therefore, the sales revenue and net income of the Company slightly declined on a year on year basis.

Due to challenging business environment, HMI's 2015 operating revenue was NT\$ 6.65 billion, representing a 7.8% annual decline compared with NT\$7.21 billion generated in 2014. HMI's 2015 net income was NT\$2.32 billion, and EPS was NT\$32.70.

Despite the decline in revenue and profitability, HMI proactively collaborated with clients and other semiconductor wafer fabrication equipment companies to develop e-beam technologies. HMI has been committed to the research and manufacturing of EBI tools and solutions since our company first started. 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.

In 2015, HMI was ranked as top 5% of the public companies in Taiwan which participated in the first yearly corporate governance review. That was to show HMI's commitment to achieve objectives set and pursued in the context of the social, regulatory and market environment, stakeholders' interests, and to create corporate sustainability.

Looking ahead to 2016, as leading logic semiconductor manufacturing companies migrate down to 10 nm and even more advanced technologies and memory semiconductor manufacturing companies develop 3-dimensional NAND devices, in increasing architectural and manufacturing complexities result in more defects, and it's increasingly difficult to manage production yield rate. Therefore, customer demand for high-end process control technology gradually increases. 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. HMI will continue to enhance our product performance and improve our customer service, so as to take on the market's keen challenge and deliver business growth even under challenging macroeconomic environment.

Chairman: Chin-Yung Hsu

President: Chung-Shih Pan

CFO: Hsiao-Lien Shen

### **Attachment 3**

#### **Hermes Microvision, Inc. Audit Committee's Review Report**

The Financial Statements of Hermes Microvision, Inc. in fiscal year 2015 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. 2016 Annual General Shareholders' Meeting

**Hermes Microvision, Inc.**

Chairman of the Audit Committee: Han-Liang Hu

March 1, 2016

## **Attachment 4**

### **Details of employee compensation and directors' remuneration plan**

The Board of Directors adopted a proposal for 2015 compensation to employee and remuneration to directors at its Meeting on March 1, 2016. The proposal will be effected upon the approval of shareholders at the Annual Shareholders' Meeting on June 8, 2016

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1. Employees' compensation: NT\$132,273,823.
2. Directors' remuneration: NT\$13,200,000.
3. The amounts of the aforementioned items, which were expensed in 2015, do not materially differ from the amounts proposed by the Board of Directors.

# Attachment 5

HERMES MICROVISION, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	2015		2014	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 8,260,389	51	\$ 7,230,183	49
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		-	-	1,101,805	7
1147	Bond investments without active	6(4)				
	markets - current		2,828,250	18	1,266,000	9
1170	Accounts receivable, net	6(5)	911,204	6	2,633,803	18
1180	Accounts receivable - related	7				
	parties		386,373	2	69,639	-
1200	Other receivables		3,698	-	5,263	-
1210	Other receivables - related parties		-	-	417	-
130X	Inventories, net	6(6)	1,563,101	10	816,609	6
1410	Prepayments		7,010	-	17,743	-
11XX	Current Assets		13,960,025	87	13,141,462	89
Non-current assets						
1523	Available-for-sale financial assets	6(3)				
	- noncurrent		13,978	-	7,450	-
1550	Investments accounted for using	6(7)				
	the equity method		1,062,726	7	939,980	6
1600	Property, plant and equipment, net	6(8)	907,315	6	681,954	5
1780	Intangible assets	6(9)	21,623	-	8,392	-
1840	Deferred income tax assets	6(23)	56,638	-	50,129	-
1920	Refundable deposits		233	-	2,050	-
15XX	Non-current assets		2,062,513	13	1,689,955	11
1XXX	Total assets		\$ 16,022,538	100	\$ 14,831,417	100

(Continued)

HERMES MICROVISION, INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	2015		2014	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2170	Accounts payable		\$ 84,939	1	\$ 116,362	1
2180	Accounts payable - related parties	7	57,071	-	91,326	1
2200	Other payables	6(10)(12)	968,147	6	780,040	5
2220	Other payables - related parties	7	214,417	1	182,428	1
2230	Current income tax liabilities	6(23)	168,582	1	265,634	2
2250	Provisions for liabilities - current	6(13)	1,808,182	11	1,471,138	10
2300	Other current liabilities		5,613	-	7,555	-
21XX	Current Liabilities		3,306,951	20	2,914,483	20
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	16,586	-	12,147	-
2600	Other non - current liabilities	6(11)	116,103	1	76,926	-
25XX	Non - current liabilities		132,689	1	89,073	-
2XXX	Total Liabilities		3,439,640	21	3,003,556	20
Equity						
3110	Share capital - common stock	6(14)	710,000	4	710,000	5
3200	Capital surplus	6(15)	5,436,908	34	5,431,196	37
	Retained earnings	6(16)				
3310	Legal reserve		789,999	5	466,206	3
3350	Unappropriated retained earnings		5,574,668	35	5,170,809	35
	Other equity interest	6(17)				
3400	Other equity interest		71,323	1	49,650	-
3XXX	Total equity		12,582,898	79	11,827,861	80
Significant contingent liabilities		9				
and unrecognized contract						
commitments						
3X2X	Total liabilities and equity		\$ 16,022,538	100	\$ 14,831,417	100

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

**HERMES MICROVISION, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2015		2014	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 6,724,191	100	\$ 7,390,177	100
5000	Operating costs	6(6) and 7	( 2,349,780)	( 35)	( 2,496,856)	( 34)
5900	Net operating margin		4,374,411	65	4,893,321	66
	Operating expenses	6(21)(22) and 7				
6100	Selling expenses		( 415,645)	( 6)	( 393,913)	( 5)
6200	General and administrative expenses		( 302,745)	( 5)	( 221,447)	( 3)
6300	Research and development expenses		( 1,374,763)	( 20)	( 1,176,668)	( 16)
6000	Total operating expenses		( 2,093,153)	( 31)	( 1,792,028)	( 24)
6900	Operating profit		2,281,258	34	3,101,293	42
	Non-operating income and expenses					
7010	Other income	6(19)	69,966	1	93,019	1
7020	Other gains and losses	6(20)	207,517	3	319,013	5
7070	Share of profit of subsidiaries	4(15) and 6(7)	73,273	1	77,973	1
7000	Total non-operating income and expenses		350,756	5	490,005	7
7900	Profit before income tax		2,632,014	39	3,591,298	49
7950	Income tax expense	6(23)	( 310,580)	( 5)	( 353,370)	( 5)
8200	Profit for the year		\$ 2,321,434	34	\$ 3,237,928	44
	Other comprehensive income	6(11)(17)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		( \$ 38,291)	-	( \$ 8,842)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	6,509	-	1,503	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		( 31,782)	-	( 7,339)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation		26,112	-	41,798	-
8399	Income tax relating to the components of other comprehensive income	6(23)	( 4,439)	-	( 7,105)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		21,673	-	34,693	-
8300	Other comprehensive (loss) income for the year		( \$ 10,109)	-	\$ 27,354	-
8500	Total comprehensive income for the year		\$ 2,311,325	34	\$ 3,265,282	44
9750	Basic earnings per share	6(24)	\$	32.70	\$	45.60
9850	Diluted earnings per share	6(24)	\$	32.64	\$	45.55

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

HERMES MICROVISION, INC.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Retained Earnings				Unappropriated retained earnings	Cumulative translation differences of foreign operations	Total equity
			Capital surplus	Legal reserve	Special reserve				
<u>For the year ended December 31, 2014</u>									
Balance at January 1, 2014		\$ 710,000	\$ 5,427,023	\$ 231,846	\$ 4,144	\$ 3,306,436	\$ 14,957	\$ 9,694,406	
Appropriation of 2013 earnings									
Legal reserve		-	-	234,360	-	( 234,360 )	-	-	
Special reserve		-	-	-	( 4,144 )	4,144	-	-	
Cash dividends		-	-	-	-	( 1,136,000 )	-	( 1,136,000 )	
Profit for the year		-	-	-	-	3,237,928	-	3,237,928	
Adjustments arising from changes in percentages of ownership in subsidiary	6(15)	-	4,173	-	-	-	-	4,173	
Other comprehensive income for the year	6(17)	-	-	-	-	( 7,339 )	34,693	27,354	
Balance at December 31, 2014		<u>\$ 710,000</u>	<u>\$ 5,431,196</u>	<u>\$ 466,206</u>	<u>\$ -</u>	<u>\$ 5,170,809</u>	<u>\$ 49,650</u>	<u>\$ 11,827,861</u>	
<u>For the year ended December 31, 2015</u>									
Balance at January 1, 2015		\$ 710,000	\$ 5,431,196	\$ 466,206	\$ -	\$ 5,170,809	\$ 49,650	\$ 11,827,861	
Appropriation of 2014 earnings									
Legal reserve		-	-	323,793	-	( 323,793 )	-	-	
Cash dividends		-	-	-	-	( 1,562,000 )	-	( 1,562,000 )	
Profit for the year		-	-	-	-	2,321,434	-	2,321,434	
Adjustments arising from changes in percentages of ownership in subsidiary	6(15)	-	2,313	-	-	-	-	2,313	
Share-based payment transaction	6(12)	-	3,399	-	-	-	-	3,399	
Other comprehensive (loss) income for the year	6(17)	-	-	-	-	( 31,782 )	21,673	( 10,109 )	
Balance at December 31, 2015		<u>\$ 710,000</u>	<u>\$ 5,436,908</u>	<u>\$ 789,999</u>	<u>\$ -</u>	<u>\$ 5,574,668</u>	<u>\$ 71,323</u>	<u>\$ 12,582,898</u>	

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

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

	Notes	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the year		\$ 2,632,014	\$ 3,591,298
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		-	7,505
Depreciation	6(8)(21)	58,134	36,396
Amortization	6(9)(21)	6,310	3,254
Loss from disposal of property, plant, equipment and intangible assets	6(20)	692	-
Compensation cost for employees option	6(12)	897	-
Compensation cost of stock appreciation right	6(12)(22)	365,744	306,057
Share of profits of subsidiaries		( 73,273 )	( 77,973 )
Revaluation of financial assets at fair value		( 6,063 )	( 1,805 )
Interest income	6(19)	( 68,084 )	( 69,909 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		1,722,599	( 1,268,051 )
Accounts receivable - related parties		( 316,734 )	312,283
Other receivables		1,239	4,858
Other receivables - related parties		417	668
Inventories		( 771,314 )	31,138
Prepayments		10,842	( 8,200 )
Net changes in liabilities relating to operating activities			
Accounts payable		( 31,423 )	18,074
Accounts payable - related parties		( 34,255 )	( 144,253 )
Other payables		( 135,899 )	28,677
Other payables - related parties		31,989	33,865
Provisions for liabilities		337,044	498,879
Other current liabilities		( 1,942 )	2,616
Other non- current liabilities		887	( 2,132 )
Cash generated from operations		3,729,821	3,303,245
Interest received		68,410	69,638
Income tax paid		( 407,633 )	( 240,584 )
Net cash provided by operating activities		<u>3,390,598</u>	<u>3,132,299</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at fair value through profit or loss		1,107,868	( 1,100,000 )
Proceeds from disposal (acquisition) of bond investments without active markets - current		( 1,562,250 )	1,625,085
Acquisition of available-for-sales financial assets - non - current		( 6,528 )	( 3,038 )
Acquisition of investments accounted for using the equity method		( 18,546 )	-
Acquisition of property, plant and equipment	6(25)	( 301,212 )	( 469,437 )
Proceeds from disposal of property, plant, equipment and intangible assets		-	11
Acquisition of intangible assets	6(9)	( 19,541 )	( 6,618 )
Decrease (increase) in refundable deposits		1,817	( 1,930 )
Net cash (used in) provided by investing activities		( 798,392 )	44,073
<u>CASH FLOWS FROM FINANCING ACTIVITY</u>			
Cash dividends paid		( 1,562,000 )	( 1,136,000 )
Increase in cash and cash equivalents		1,030,206	2,040,372
Cash and cash equivalents at beginning of year	6(1)	7,230,183	5,189,811
Cash and cash equivalents at end of year	6(1)	<u>\$ 8,260,389</u>	<u>\$ 7,230,183</u>

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



## Attachment 6

**HERMES MICROVISION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 8,559,779	51	\$ 7,396,471	49
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		-	-	1,101,805	7
1147	Investments in debt instrument	6(4)				
	without active markets		2,828,250	17	1,266,000	8
1170	Accounts receivable, net	6(5)	1,329,965	8	2,661,783	18
1180	Accounts receivable - related	7				
	parties		29,332	-	20,134	-
1200	Other receivables		3,760	-	7,306	-
130X	Inventories, net	6(6)	2,634,265	16	1,744,812	12
1410	Prepayments		160,236	1	94,412	1
1470	Other current assets		60,856	-	4,851	-
11XX	<b>Current Assets</b>		<u>15,606,443</u>	<u>93</u>	<u>14,297,574</u>	<u>95</u>
<b>Non-current assets</b>						
1523	Available - for - sale financial	6(3)				
	assets - noncurrent		32,524	-	7,450	-
1550	Investments accounted for under					
	equity method		-	-	-	-
1600	Property, plant and equipment, net	6(7)	975,021	6	749,531	5
1780	Intangible assets	6(8)	25,203	-	12,357	-
1840	Deferred income tax assets		56,638	1	50,129	-
1900	Other non - current assets		9,452	-	9,435	-
15XX	<b>Non - current assets</b>		<u>1,098,838</u>	<u>7</u>	<u>828,902</u>	<u>5</u>
1XXX	<b>Total assets</b>		<u>\$ 16,705,281</u>	<u>100</u>	<u>\$ 15,126,476</u>	<u>100</u>

(Continued)

**HERMES MICROVISION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31**

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2015		December 31, 2014			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2170	Accounts payable		\$	106,129	1	\$	177,559	1
2200	Other payables	6(9)		1,690,655	10		1,080,525	7
2220	Other payables - related parties	7		43,663	-		78,177	-
2230	Current income tax liabilities			182,404	1		267,987	2
2250	Provisions for liabilities - current	6(12)		1,808,182	11		1,471,138	10
2300	Other current liabilities			105,292	-		87,053	1
21XX	Current Liabilities			3,936,325	23		3,162,439	21
Non-current liabilities								
2570	Deferred income tax liabilities			16,586	-		12,147	-
2600	Other non - current liabilities	6(10)		116,103	1		76,926	-
25XX	Non - current liabilities			132,689	1		89,073	-
2XXX	Total Liabilities			4,069,014	24		3,251,512	21
Equity								
Equity attributable to owners of parent company								
Share capital								
3110	Share capital - common stock	6(13)		710,000	4		710,000	5
3200	Capital surplus	6(14)		5,436,908	33		5,431,196	36
	Retained earnings	6(15)						
3310	Legal reserve			789,999	5		466,206	3
3350	Unappropriated retained earnings			5,574,668	33		5,170,809	34
	Other equity interest	6(16)						
3400	Other equity interest			71,323	1		49,650	-
31XX	Equity attributable to owners of the parent company			12,582,898	76		11,827,861	78
36XX	Non - controlling interest			53,369	-		47,103	1
3XXX	Total equity			12,636,267	76		11,874,964	79
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		\$	16,705,281	100	\$	15,126,476	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, except earnings per share amount)

		Years ended December 31			
		2015		2014	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7	\$ 6,651,805	100	\$ 7,209,650	100
5000 Operating costs	6(6)	( 1,975,436)	( 30)	( 2,143,885)	( 30)
5900 Net operating margin		4,676,369	70	5,065,765	70
Operating expenses	6(20)(21) and 7				
6100 Selling expenses		( 541,434)	( 8)	( 518,097)	( 7)
6200 General and administrative expenses		( 469,907)	( 7)	( 358,202)	( 5)
6300 Research and development expenses		( 1,194,282)	( 18)	( 961,186)	( 13)
6000 Total operating expenses		( 2,205,623)	( 33)	( 1,837,485)	( 25)
6900 Operating profit		2,470,746	37	3,228,280	45
Non-operating income and expenses					
7010 Other income	6(18)	78,225	1	102,553	1
7020 Other gains and losses	6(19)	213,363	4	323,710	5
7000 Total non-operating income and expenses		291,588	5	426,263	6
7900 Profit before tax		2,762,334	42	3,654,543	51
7950 Income tax expense	6(22)	( 440,586)	( 7)	( 412,607)	( 6)
8200 Profit for the year		\$ 2,321,748	35	\$ 3,241,936	45
Other comprehensive income for the year					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial loss on defined benefit plan		( \$ 38,291)	-	( \$ 8,842)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		6,509	-	1,503	-
Components of other comprehensive income that will be reclassified to profit or loss					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Cumulative translation differences of foreign operations		31,074	-	44,455	-
8399 Income tax relating to the components of other comprehensive income	6(22)	( 4,439)	-	( 7,105)	-
8360 Summary of components of other comprehensive income that will be reclassified to profit or loss		26,635	-	37,350	-
8300 Other comprehensive income for the year		( \$ 5,147)	-	\$ 30,011	-
8500 Total comprehensive income for the year		\$ 2,316,601	35	\$ 3,271,947	45
Profit, attributable to:					
8610 Equity holders of the parent company		\$ 2,321,434	35	\$ 3,237,928	45
8620 Non-controlling interest		314	-	4,008	-
Profit for the year		\$ 2,321,748	35	\$ 3,241,936	45
Total comprehensive income attributable to:					
8710 Equity holders of the parent company		\$ 2,311,325	35	\$ 3,265,282	45
8720 Non-controlling interest		5,276	-	6,665	-
Total comprehensive income for the year		\$ 2,316,601	35	\$ 3,271,947	45
Earnings per share					
9750 Basic earnings per share	6(23)	\$ 32.70		\$ 45.60	
9850 Diluted earnings per share	6(23)	\$ 32.64		\$ 45.55	

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, 2015 AND 2014  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent						Non-controlling interest	Total equity	
		Share capital - common stock	Capital surplus	Legal reserve	Retained Earnings		Cumulative translation differences of foreign operations			
					Special reserve	Unappropriated retained earnings				Total
<b>For the year ended December 31, 2014</b>										
Balance at January 1, 2014		\$ 710,000	\$ 5,427,023	\$ 231,846	\$ 4,144	\$ 3,306,436	\$ 14,957	\$ 9,694,406	\$ 38,626	\$ 9,733,032
Distribution of 2013 earnings										
Legal reserve		-	-	234,360	-	( 234,360 )	-	-	-	-
Reversal of special reserve		-	-	-	( 4,144 )	4,144	-	-	-	-
Cash dividends		-	-	-	-	( 1,136,000 )	-	( 1,136,000 )	-	( 1,136,000 )
Profit for the year		-	-	-	-	3,237,928	-	3,237,928	4,008	3,241,936
Other comprehensive income for the year	6(16)	-	-	-	-	( 7,339 )	34,693	27,354	2,657	30,011
Adjustments arising from changes in percentages of ownership in subsidiary	6(14)	-	4,173	-	-	-	-	4,173	1,812	5,985
Balance at December 31, 2014		\$ 710,000	\$ 5,431,196	\$ 466,206	\$ -	\$ 5,170,809	\$ 49,650	\$ 11,827,861	\$ 47,103	\$ 11,874,964
<b>For the year ended December 31, 2015</b>										
Balance at January 1, 2015		\$ 710,000	\$ 5,431,196	\$ 466,206	\$ -	\$ 5,170,809	\$ 49,650	\$ 11,827,861	\$ 47,103	\$ 11,874,964
Legal reserve		-	-	323,793	-	( 323,793 )	-	-	-	-
Cash dividends		-	-	-	-	( 1,562,000 )	-	( 1,562,000 )	-	( 1,562,000 )
Profit for the year		-	-	-	-	2,321,434	-	2,321,434	314	2,321,748
Share-based payment transaction		-	3,399	-	-	-	-	3,399	-	3,399
Other comprehensive income for the year	6(16)	-	-	-	-	( 31,782 )	21,673	( 10,109 )	4,962	( 5,147 )
Adjustments arising from changes in percentages of ownership in subsidiary	6(14)	-	2,313	-	-	-	-	2,313	990	3,303
Balance at December 31, 2015		\$ 710,000	\$ 5,436,908	\$ 789,999	\$ -	\$ 5,574,668	\$ 71,323	\$ 12,582,898	\$ 53,369	\$ 12,636,267

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)

	Notes	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated profit before tax for the year		\$ 2,762,334	\$ 3,654,543
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		-	7,505
Depreciation	6(7)(20)	79,642	57,322
Amortization	6(8)(20)	8,203	5,110
Revaluation of financial assets at fair value	6(19)	( 6,063 )	( 1,805 )
Loss on disposal of property, plant, equipment and intangible assets	6(19)	638	( 27 )
Compensation cost of employee stock option	6(11)(21)	5,436	2,817
Compensation cost of stock appreciation right	6(11)(21)	840,603	573,702
Interest income	6(18)	( 68,342 )	( 70,115 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		1,331,819	( 1,104,891 )
Accounts receivable - related parties		( 9,198 )	( 6,767 )
Other receivables		3,219	10,302
Inventories		( 884,051 )	( 192,628 )
Prepayments		72,712	( 56,734 )
Other current assets		( 56,003 )	28,900
Net changes in liabilities relating to operating activities			
Accounts payable		( 71,430 )	27,856
Accounts payable - related parties		-	( 328 )
Other payables		( 188,734 )	( 129,957 )
Other payables - related parties		( 34,514 )	( 9,446 )
Provisions for liabilities		337,044	498,879
Other current liabilities		18,239	82,114
Other non - current liabilities		886	( 2,132 )
Cash generated from operations		4,142,440	3,374,220
Interest received		68,668	69,844
Income tax paid		( 624,420 )	( 314,454 )
Net cash provided by operating activities		<u>3,586,688</u>	<u>3,129,610</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in financial assets at fair value through profit or loss		1,107,868	( 1,100,000 )
Proceeds from disposal of bond investments without active markets-current		( 1,562,250 )	1,625,085
Acquisition of available - for - sale financial assets - non - current		( 25,074 )	( 3,038 )
Acquisition of property, plant and equipment		( 326,170 )	( 489,032 )
Proceeds from disposal of property, plant, equipment and intangible assets		160	38
Acquisition of intangible assets	6(8)	( 20,966 )	( 6,618 )
Increased in deposits - out		( 18 )	( 632 )
Net cash (used in) provided by investing activities		<u>( 826,450 )</u>	<u>25,803</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends paid		( 1,562,000 )	( 1,136,000 )
Proceeds from the exercise of subsidiaries' employees stock option		1,265	-
Net cash used in financing activities		<u>( 1,560,735 )</u>	<u>( 1,136,000 )</u>
Effect of fluctuations in exchange rate		( 36,195 )	6,356
Increase in cash and cash equivalents		1,163,308	2,025,769
Cash and cash equivalents at beginning of year	6(1)	7,396,471	5,370,702
Cash and cash equivalents at end of year	6(1)	<u>\$ 8,559,779</u>	<u>\$ 7,396,471</u>

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

## Attachment 7

### Hermes Microvision, Inc. Profit Allocation Proposal December 31, 2015

	Unit: NT\$
Unappropriated Retained Earnings of Previous Years	\$3,285,016,449
Plus: Net Income of 2015 <sup>1</sup>	2,321,433,565
Less: Employee Compensation Calculation Loss	(31,781,565)
10% Legal Reserve	(232,143,357)
Retained Earnings Available for Distribution as of December 31, 2015	5,342,525,092
Distribution Item:	
Cash Dividends to Common Share Holders (NT\$16 per share)	(1,136,000,000)
Unappropriated Retained Earnings	<u>\$ 4,206,525,092</u>

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<sup>1</sup> After expensing the following:

- Employees' cash bonus and profit sharing of NT\$132,273,823.
- Directors' compensation of NT\$ 13,200,000.

## Attachment 8

### Hermes Microvision, Inc.

#### Comparison of the Original Text and the Amended Text in “Rules Governing Director Elections”

After revision	Before revision	Remarks
4.4For elections of the Company’s <u>directors (including independent directors)</u> , the candidates shall be nominated in accordance with the candidate nomination system and procedure prescribed by Article 192-1 of the Company Act.	4.4For 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.	Amended in accordance with the Company’s policy.

## **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 thirteen (13) 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**

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. 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 can not 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; the ninth amendment was made on June 6, 2014.

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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 extemporary 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 extemporary 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. 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 directors (including 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 4**

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

The dividends approved by the Board of Directors for 2015 are all cash dividends. Therefore, this disclosure is not applicable.

## Appendix 5

### **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 10<sup>th</sup>, 2016, 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	Hsu, Chin-Yung	2014.06.06	387,000	361,000
Vice Chairman	Jack Y. Jau	2014.06.06	1,620,000	1,620,000
Director	Hermes-Epitek Corporation Representative: Hwang, Ming-Chi	2014.06.06	7,105,000	5,605,000
Director	Chen, Zhong-Wei	2014.06.06	-	-
Director	Yang, Chyan	2014.06.06	-	-
Independent Director	Hu, Han-Liang	2014.06.06	-	-
Independent Director	Tu, Huai-Chi	2014.06.06	-	-
Independent Director	Liang, Kai-Tai	2014.06.06	-	-
Independent Director	Kin, Lien-Fang	2014.06.06	-	-
Holdings of all Directors			7,586,000	