

Stock Code : 5340

**BAOTEK INDUSTRIAL MATERIALS LTD.**

**2020 Annual Shareholders' Meeting**

**Meeting Agenda**

June 9, 2020

# Table of Contents

<b>1. Meeting Procedure</b> .....	1
<b>2. Meeting Agenda</b> .....	3
<b>3. Report Items</b> .....	5
<b>4. Proposals for Acceptance and Approval</b> .....	7
<b>5. Discussion Items</b> .....	9
<b>6. Extemporaneous Motions</b> .....	11
<b>7. Attachment</b>	
Annex 1 : Business Report.....	13
Annex 2 : Inspection Report of Audit Committee .....	16
Annex 3 : Comparison Table for The Amendments of Rules of Procedure for Board of Directors Meetings .....	17
Annex 4 : Independent Auditors' Report and Financial Statements ( Including Consolidated Financial Statements ) .....	21
Annex 5 : Table of Annual Deficit Compensation .....	43
Annex 6 : Comparison Table of Amendment of charter of The Company.....	44
Annex 7 : Job list of directors who belong to the company's business scope for themselves or others .....	46
<b>8. Appendix</b>	
Appendix 1 : Rules of Procedure for Shareholders Meetings.....	48
Appendix 2 : Rules of Procedure for Board of Directors Meetings ( Before Amendment ) .....	51
Appendix 3 : Articles of the company ( Before Amendment ) .....	58
Appendix 4 : Shareholding of Directors .....	63
Appendix 5 : Effect upon business performance, earnings per share and ROE of any stock dividend distribution .....	64

# **1. Meeting Procedure**

# **BAOTEK INDUSTRIAL MATERIALS LTD.**

## **Procedure of the 2020 Regular Shareholder Meetings**

**Call Meeting to Order**

**Chairman's Address**

**Report Items**

**Proposals for Acceptance and Approval**

**Discussion Items**

**Extemporaneous Motions**

**Adjournment**

## **2. Annual Shareholders' Meeting Agenda**

# **BAOTEK INDUSTRIAL MATERIALS LTD.**

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

Time : June 9, 2020 Tue. at 9 a.m

Address : 3F., No.9, Damo St., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)  
(3F., Yangmei Dist Farmers' association)

Procedure of Meeting :

1. Attendance Report, Call Meeting to Order
2. Chairman's Address
3. Report Items :
  - (1) Business Report of 2019 and Business Outlook of 2020.
  - (2) The Audit Committee checks the 2019 final report.
  - (3) Revise the Company's "Rules of Procedure for Board of Directors Meetings" report.
  - (4) Other reporting matters.
4. Proposals for Acceptance and Approval :
  - (1) Proposals for Ratification of Financial Statements of 2019.
  - (2) Proposals for Ratification of Deficit Compensation of 2019.
5. Discussion Items :
  - (1) It is proposed to amend the "Articles of Incorporation" of the Company.
  - (2) Proposal for the Release on the Prohibition of Directors' Participation in Competing Businesses.
6. Extemporaneous Motions
7. Adjournment

# **3. Report Items**

1. Business Report of 2019 and Business Outlook of 2020, for your honor's approval.  
Explanation : Business Report of 2019, for details, please refer to Annex 1 [please refer to pages 13~15 of this manual].
2. Inspection Report of Audit Committee of 2019, for your honor's approval.  
Explanation : Inspection Report of Audit Committee, for details, please refer to Annex 2 [please refer to page 16 of this manual].
3. Revise the Company's "Rules of Procedure for Board of Directors Meetings" report, for your honor's approval.  
Explanation : According to Financial Supervision Commission on January 15, 2020, "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" as amended by Order No. 1080361934, it is proposed to amend Articles 3, 7, 10, 13 and 18 of the "Rules of Procedure for Board of Directors Meetings" of the Company. Comparison Table of Amendment of Rules of Procedure for Board of Directors Meetings, for details, please refer to Annex 3 [please refer to pages 17~20 of this manual].
4. Other reporting matters  
Explanation : The company's 2020 regular shareholders' meeting accepts proposals from March 30, 2020 to April 9, 2020, and there is no shareholder proposal.



## **4. Proposals for Acceptance and Approval**

**Case 1****Proposed by the Board of Directors**

Proposal : Financial Statement of 2019 was submitted for recognition.

Explanation : 1. The stand alone and consolidated financial statements of 2019 were audited by independent auditors, Jiang Caiyan and Zeng Guohua of Pricewaterhouse Coopers(PwC). And issue an audit report of unqualified opinion

2. The above financial statements and the company's 2019 annual business report have been verified by the audit committee, and an audit report has been issued.

3. The Business Report of 2019, for details, please refer to Annex 1 [please refer to pages 13 ~ 15 of this manual], Independent Auditor's Report, and Financial Statements, for details, please refer to Annex 4 [please refer to pages 21 ~42 of this manual]. For your adoption.

Resolution :

**Case 2****Proposed by the Board of Directors**

Proposal : Proposals for Ratification of Deficit Compensation of 2019 was submitted for recognition.

Explanation : 1. In accordance with the provisions of the Company Law and the Articles of Incorporation of the Company, there is a proposal to make up for losses.

2. The company's net profit after tax of 2019 is NT\$113,810,539. After deducting NT\$338,032,242 to make up for the losses of previous years and deducting NT\$446,863 from the actuarial loss of other comprehensive profit and loss determined benefit plans for 2020. The loss to be made up for this year is NT\$224,668,566, so there is no surplus available for distribution.

3. Table of Deficit Compensation of 2019, for details, please refer to Annex 5 [please refer to page 43 of this manual]. For your adoption.

Resolution :

# **5. Discussion Items**

## **Case 1**

## **Proposed by the Board of Directors**

Proposal : It is proposed to amend the Company's "Articles of Incorporation" for discussion.

Explanation : 1. In accordance with the laws and regulations and the actual operation needs, it is proposed to amend the Company's Articles of Incorporation. The amendments are as follows:

- (1) The Company has established an audit committee to replace the supervisors. Therefore, Chapter IV, Article 20 and Article 25, Paragraph 2 of the Articles of Incorporation were amended to remove the requirements of the supervisor.
  - (2) In accordance with Article 162 of the Company Law, Article 6 of the Articles of Incorporation was amended.
  - (3) According to Article 240 and Article 241 of the Company Law, the second item of the first paragraph of Article 30 was added, and the second item of the original provision was moved to the third item.
  - (4) Add the date of this amendment and amend Article 33 of the Articles of Incorporation.
2. The comparison table of amendment of Articles of Incorporation. For details, please refer to Annex 6 [please refer to page 44~45 of this manual] for discussion.

Resolution :

## **Case 2**

## **Proposed by the Board of Directors**

Proposal : Proposal for the release on the prohibition of directors' participation in competing businesses for discussion.

Explanation : 1. According to Article 209 of the Companies Act, "A director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."

2. If the directors of the company, while serving as directors of similar businesses listed in the business scope of the company, request the permission of the shareholders 'meeting and lift the restrictions on directors' competition, as long as they do not violate the company's interests. Directors who are themselves or others belong to the company's business scope, as detailed in Annex 7 [please refer to page 46 of this manual] for discussion.

Resolution :

## **6. Extemporany Motions**

# **7. Attachment**

## **Business Report**

### **1. Overall industry and market, and affected by the external competitive environment, regulatory environment and overall operating environment**

According to the Taiwan Circuit Board Association's prediction, in 2020, PCB (printed circuit board) will benefit from the emergence of 5G peripheral products. The application of high-frequency and high-speed products will increase. It is estimated that the global PCB industry will grow by 3%. The main thrust will come from HDI Board, substrate and FPC (Flexible Printed Circuit).

Despite the global interference of the US-China trade war and technology war, the global PCB is expected to decline slightly by 1.7% in 2019 (based on data from the Taiwan Circuit Board Association). In 2020, PCB (printed circuit board) is full of challenges, but it is still full of hope. The main reason is that 5G is undoubtedly the key and business opportunity for the growth of various industries in the next stage. The global PCB industry is caused by the 5G trend, and PCB will face different opportunities and challenges. Therefore, the industry has defined 2020 as the first year of 5G.

According to the TPCA's observation of the future trend of the industry, four key issues were found.

First, towards 5G, it is estimated that the overall PCB market will decline first and rise in 2020.

Second, PCB is facing increasing global competition.

Third, in addition to 5G, PCB smart manufacturing is driving another wave of purchasing opportunities.

Fourth, technology trends will include thinning, high-frequency and high-speed, heterogeneous integration, advanced chip packaging and flexible electronics, and circular economy.

Looking forward to 2020, the global PCB industry will continue to grow. With the rapid development of new applications such as 5G, automotive, Internet of Things (IoT), and artificial intelligence (AI), 5G construction will drive the growth of the PCB industry. As the "mother of electronic products", the PCB board covers downstream applications such as telecommunications, mobile phones, computers, and automobiles. The development of 5G technology has a positive impact on PCBs, and the total demand for terminals and base stations has increased. Coupled with the increase in PCB area used by unit terminals and base stations, the overall PCB industry demand has increased.

At present, the development of PCB technology includes forward-looking topics such as thinning, high-frequency and high-speed, heterogeneous integration, advanced chip packaging and flexible electronics, and circular economy. The PCB and packaging industry will continue to pursue the development of more fine-line pinholes, high-frequency high-speed, and heterogeneous integration, in order to respond to the

development of 5G, IoT and AI, and accelerate the packaging technology of related products and in-line components.

Observing the overall industry development trend, the global PCB industry is moving towards high density, high precision and high reliability, and continuously reduce costs, improve performance, reduce volume, lightweight and thin, increase productivity and reduce environmental impact to adapt to industrial development of downstream electronic terminal equipment, including HDI (High Density Interconnect), FPC (Flexible Printed Circuit), rigid-flex board and IC substrate, which will become the focus of future development.

## **2. Revenue and profitability**

The company's net revenue in 2019 was NT \$ 1,479,692,000, which is a decrease of 8.99% when compared with the net revenue of NT \$ 1,625,912,000 in 2018. The sales volume in 2019 was 57,458,000 meters, which is a decrease of 10.48% compared with the 2018 sales volume of 64,188,000 meters. Net profit before tax in 2018 was NT \$ 168,858,000, which was a decrease of 40.19% compared to NT \$ 100,992,000 before tax in 2019. It was mainly affected by the U.S.-China trade war, conservative customer orders, and oversupply in mainland fabric factories, which caused prices to fall and Exchange losses due to the sharp appreciation of the New Taiwan dollar in 2019.

## **3. R & D and innovation**

The product trend in 2019 has shifted significantly to 5G development applications, ADAS (Advanced Driver Assistance System) and space satellite signal transmission applications. In terms of volume change, in order to achieve the same network coverage of mobile communication in the future, the number of 5G cell site must be 5 times that of 4G; plus the board area of 5G cell site is estimated to be twice that of 4G. Thus, the demand for materials in this aspect will grow by nearly 10 times. In terms of material characteristics, in addition to low and stable Dk and Df, in order to meet the higher-speed signal transmission and increase the number of layers of high-frequency multilayer boards, the demand for thinner materials is bound to increase.

The trend of industrial products is relatively stable, and still includes applications in Aerospace / Aviation, PTFE coating for Antennas / Communications / Food industry, and other fields.

The R & D in 2020 continues the correct policy of last year, continues to focus on high interface compatibility of high-frequency / high-speed material, mass production of high-reliability processing liquid formula, more actively develop the process technology of SS fiber-opening products that have greatly improved the uniformity of Dk, so that the company's products can successfully expand the field of 5G materials. In the future, we will focus on the development and introduction of Low Dk (NE glass) series products. In the industrial field, we will focus on the application of Aerospace / Aviation, with the experience to gradually enter the European / Aerospace application market.



Things completed in 2019:

NTB technology was transferred to SS fiber-opening production line construction and product trial.

NTB technology was transferred to Anti-CAF, corresponding to the SP fiber-opening series products.

NTB technology was transferred to PPE, corresponding to client certification and mass production of processing liquid series (570).

#### **4. Business plan in 2020**

In 2020, the company predicts a sales volume of 56,000,000 meters. The business strategy and management guidelines to be adopted this year are as follows:

- Continue to manufacture high-end products and maintain strategic partnerships with customers, and jointly manage high-end markets and new product development.
- About business strategy guidelines, continue to strengthen the cloud and high-frequency, high-speed applications in the electronics industry; strengthen the research and development of industrial materials technology, and provide application products of AVIC and environmental protection green energy in European and American markets
- Strengthen the service quality of the customer base, increase each other's dependence, actively get rid of the price-cutting competition model, and provide customers with reliable products by improving technology and adding value-added products to improve profitability
- Adopt a coordinated policy of production and marketing to increase the daily utilization rate to reduce costs and budget management. And increase the market share of high-end cloth species with the advantages of quality and cost.
- Increase valuable customers.
- The keynote of the company's development strategy in the future will remain at growth and profitability, and it will actively develop future industries and combine the international market and global layout.

From the report of the above operating situation and business plan, I believe that colleagues will uphold the spirit of excellence in the future and create better results so as not to disappoint the shareholders' love for the company.

Chairman : Alan Chiang    General Manager : Yoshida, Kohichi    Accounting Supervisor : Liu, Chun-Chen

## **Inspection Report of Audit Committee**

The Board of Directors made the Company's 2019 Stand-alone financial statements and consolidated financial statements which were certified by the accountants who are Chiang, Tsai-Yen and Tsang, Kwok-Wah of PricewaterhouseCoopers, Taiwan (PwC). The business report and Statements of Deficit Compensation are approved by the Audit Committee, and it is considered that there is no disagreement, and in accordance with Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Act made a report, please review it.

To  
2020 Annual Shareholders' Meeting of  
BAOTEK INDUSTRIAL MATERIALS LTD.

Audit Committee Convener : Chang, Chih-Liang

March 13, 2020

## BAOTEK INDUSTRIAL MATERIALS LTD.

### Comparison Table for The Amendments of Rules of Procedure for Board of Directors Meetings

Article	Current Article	Revised Article	Explanation
Article 3	<p>Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or directors shall select one person from among themselves to serve as chair.</p> <p>The designated unit responsible for the board meetings of this Corporation shall be the accounting department.</p> <p>The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.</p> <p>A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	<p>Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p><u>According to the company act, the board of directors shall be convened by more than half of the directors by themselves, and shall select one person from among themselves to serve as chair.</u></p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or directors shall select one person from among themselves to serve as chair.</p> <p>The designated unit responsible for the board meetings of this Corporation shall be the accounting department</p> <p>The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.</p> <p>A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	<p>1. Revise the first paragraph.</p> <p>2. In accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the second paragraph is updated.</p> <p>3. The current paragraph 2~5 were moved to paragraph 3~6.</p>

Article	Current Article	Revised Article	Explanation
Article 7	<p>A board meeting shall follow the content given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.</p> <p><u>The content and extemporaneous motions scheduled in the preceding paragraph,</u> the chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting</p> <p>At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 6, paragraph 3 shall apply mutatis mutandis.</p>	<p>A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.</p> <p>The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.</p> <p>At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 6, paragraph 3 shall apply mutatis mutandis.</p>	<p>Revision was made in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p>
Article 10	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director can express opinions and answers, but may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 2 of the same Act.</p>	<p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p><u>Where the spouse or a blood relative within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.</u></p> <p>Where a director is prohibited by the two preceding paragraphs from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 4 of the same Act.</p>	<p>1. In accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the second paragraph is updated.</p> <p>2. The current paragraph 2 were moved to paragraph 3. And revision was made.</p>
Article 13	<p>Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.</p> <p>If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding</p>	<p>Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.</p> <p>If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding</p>	<p>Revision was made in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p>

Article	Current Article	Revised Article	Explanation
	<p>paragraph, the relevant audio or video record shall be retained, and does not apply to the provisions of the preceding paragraph. Where a board meeting is held by videoconference, the conference recording, video materials constitutes part of the meeting minutes and shall be retained permanently.</p> <p>Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> <li>1.The meeting session (or year) and the time and place of the meeting.</li> <li>2.The name of the chair.</li> <li>3.The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.</li> <li>4.The names and titles of those attending the meeting as non-voting participants.</li> <li>5.The name of the minute taker.</li> <li>6.The matters reported at the meeting.</li> <li>7.Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 4.</li> <li>8.Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, expert, or other person; their objections or reservations and any recorded or written statements.</li> <li>9.Other matters required to be recorded. The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting: The occurrence of any of the following</li> </ol>	<p>paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.</p> <p>Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of this Corporation.</p> <p>Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:</p> <ol style="list-style-type: none"> <li>1.The meeting session (or year) and the time and place of the meeting.</li> <li>2.The name of the chair.</li> <li>3.The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.</li> <li>4.The names and titles of those attending the meeting as non-voting participants.</li> <li>5.The name of the minute taker.</li> <li>6.The matters reported at the meeting.</li> <li>7.Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of article 10, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 4.</li> <li>8.Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.</li> <li>9.Other matters required to be recorded. The occurrence of any of the following</li> </ol>	

Article	Current Article	Revised Article	Explanation
	<p>circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission of Executive Yuan, within 2 days from the date of the meeting:</p> <p>1.Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.</p> <p>2.A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of this Corporation.</p> <p>The attendance book constitutes part of the minutes for each board meeting and shall be retained permanently.</p> <p>The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation.</p> <p>The meeting minutes of paragraph 4 may produce and distribute in electronic form.</p>	<p>circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the information declaration website designated by competent authority, within 2 days from the date of the meeting:</p> <p>1.Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.</p> <p>2.A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of this Corporation.</p> <p>The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of this Corporation.</p> <p>The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation.</p> <p>The meeting minutes of paragraph 4 may produce and distribute in electronic form.</p>	
Article 18	<p>These rules were formulated and approved by the board of directors on February 23, 2005, and approved by the shareholders meeting on May 23, 2005</p> <p>The first revision was approved by the board of directors on March 19, 2007, and reported to the shareholders' meeting on June 13, 2007.</p> <p>The second amendment to the fifth amendment (omitted)</p> <p>The sixth amendment was approved by the board of directors on March 14, 2019, and reported to the shareholders' meeting on June 21, 2019.</p>	<p>These rules were formulated and approved by the board of directors on February 23, 2005, and approved by the shareholders meeting on May 23, 2005</p> <p>The first revision was approved by the board of directors on March 19, 2007, and the report of the shareholders' meeting was on June 13, 2007.</p> <p>The second amendment to the fifth amendment (omitted)</p> <p>The sixth amendment was approved by the board of directors on March 14, 2019, and reported to the shareholders' meeting on June 21, 2019.</p> <p><u>The seventh amendment was approved by the board of directors on March 13, 2020, and reported to the shareholders' meeting on June 9, 2020.</u></p>	Add the date of this amendment.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of BAOTEK INDUSTRIAL MATERIALS LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of BAOTEK INDUSTRIAL MATERIALS LTD. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

### **Basis for opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

### **Cutoff of warehouse sales revenue**

#### Description

Refer to Note 4(23) for details of revenue recognition. The Company recognises sales revenue when goods are drop-shipped from factories directly and when customers accept the goods. The supporting documents of revenue recognition include reports or other information provided by warehouse custodians and inventory movement record of warehouse.

As there are hubs located around the world and numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are in various locations around the world, the process of revenue recognition contains numerous manual procedures. Since there are numerous daily revenue from hubs and from FOB destination and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cutoff has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Obtained an understanding of the Company's operations and industry, and assessed the reasonableness of the policy and procedures to recognise revenue.
2. Assessed and checked the appropriateness of cutoff of sales revenue around the balance sheet date, and verified the statements provided by the warehouse custodian.
3. Confirmed the inventory quantities with warehouse custodian and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies and accounting records and tested the reconciling items made by the Company in order to confirm whether the significant differences have been adjusted.
4. Confirmed the inventory quantities by performing physical inventory count observation and agreed the results to accounting records



## **Allowance for inventory valuation losses**

### Description

Refer to Note 4(11) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, Note 6(6) for description of inventories. As of December 31, 2019, inventory and allowance for inventory valuation losses amounted NT\$358,859 thousand and NT\$6,684 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of electronic glass fabrics which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Thus, we consider the allowance for inventory valuation losses a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Ascertained whether the policies on allowance for inventory valuation losses were reasonable and consistently applied in all the periods.
2. Validated the accuracy of inventory aging report, sampled and confirmed the consistency of quantities and amounts indicated in the inventory listing, and verified the proper categorization of inventory aging report.
3. Evaluated and confirmed the reasonableness of net realisable value, and examined the reasonableness of provision for allowance for inventory valuation losses.

## **Responsibilities of management and those charged with governance for the parent company only financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the parent company only financial statements**

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

---

Chiang, Tsai-Yen

---

Tsang, Kwok-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2020

---

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.

**BAOTEK INDUSTRIAL MATERIALS LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 23,233	1	\$ 30,757	2
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	213	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	76,223	4	69,120	3
1136	Current financial assets at amortised cost	6(4)	5,096	-	-	-
1170	Accounts receivable, net	6(5)	389,550	20	376,801	19
1180	Accounts receivable - related parties	6(5) and 7	91,244	5	91,832	5
1200	Other receivables		15,185	1	16,777	1
1210	Other receivables due from related parties	7	74	-	-	-
130X	Inventory	6(6)	352,175	18	387,440	20
1410	Prepayments	7	17,683	1	23,236	1
1470	Other current assets		11,084	-	3,803	-
11XX	<b>Total current assets</b>		<u>981,547</u>	<u>50</u>	<u>999,979</u>	<u>51</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(7), 7 and 8	963,536	49	937,039	48
1755	Right-of-use assets	6(8)	4,246	-	-	-
1840	Deferred income tax assets	6(21)	28,992	1	16,062	1
1900	Other non-current assets		2,650	-	3,638	-
15XX	<b>Total non-current assets</b>		<u>999,424</u>	<u>50</u>	<u>956,739</u>	<u>49</u>
1XXX	<b>Total assets</b>		<u>\$ 1,980,971</u>	<u>100</u>	<u>\$ 1,956,718</u>	<u>100</u>

(Continued)

**BAOTEK INDUSTRIAL MATERIALS LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term loans	6(9) and 8	\$ 16,000	1	\$ 89,377	5
2170	Accounts payable		15,945	1	25,747	1
2180	Accounts payable - related parties	7	167,275	8	163,076	8
2200	Other payables	6(10)	93,841	5	94,484	5
2220	Other payables - related parties	6(10) and 7	1,464	-	4,707	-
2280	Current lease liabilities		3,520	-	-	-
2300	Other current liabilities	6(15)	519	-	169	-
21XX	<b>Total current liabilities</b>		<u>298,564</u>	<u>15</u>	<u>377,560</u>	<u>19</u>
<b>Non-current liabilities</b>						
2580	Non-current lease liabilities		753	-	-	-
2600	Other non-current liabilities	6(11)	9,643	1	27,831	2
25XX	<b>Total non-current liabilities</b>		<u>10,396</u>	<u>1</u>	<u>27,831</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>308,960</u>	<u>16</u>	<u>405,391</u>	<u>21</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(12)	1,948,940	98	1,948,940	99
<b>Retained earnings</b>						
3350	Accumulated deficit	6(13)	( 224,669)	( 11)	( 338,032)	( 17)
<b>Other equity interest</b>						
3400	Other equity interest	6(14)	( 52,260)	( 3)	( 59,581)	( 3)
3XXX	<b>Total equity</b>		<u>1,672,011</u>	<u>84</u>	<u>1,551,327</u>	<u>79</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,980,971</u>	<u>100</u>	<u>\$ 1,956,718</u>	<u>100</u>

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

**BAOTEK INDUSTRIAL MATERIALS LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(15) and 7	\$ 1,479,692	100	\$ 1,625,912	100
5000 <b>Operating costs</b>	6(5)(19)(20) and 7	( 1,277,714)	( 86)	( 1,374,266)	( 84)
5900 <b>Net operating margin</b>		<u>201,978</u>	<u>14</u>	<u>251,646</u>	<u>16</u>
<b>Operating expenses</b>	6(19)(20) and 7				
6100 Selling expenses		( 29,437)	( 2)	( 30,422)	( 2)
6200 General and administrative expenses		( 56,611)	( 4)	( 62,791)	( 4)
6300 Research and development expenses		( 10,401)	( 1)	( 7,664)	-
6000 <b>Total operating expenses</b>		<u>( 96,449)</u>	<u>( 7)</u>	<u>( 100,877)</u>	<u>( 6)</u>
6900 <b>Operating profit</b>		<u>105,529</u>	<u>7</u>	<u>150,769</u>	<u>10</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(16)	8,244	1	8,656	-
7020 Other gains and losses	6(17) and 7	( 12,073)	( 1)	12,653	1
7050 Finance costs	6(18)	( 708)	-	( 3,198)	-
7070 Share of loss of associates and joint ventures accounted for using equity method, net		-	-	( 22)	-
7000 <b>Total non-operating income and expenses</b>		<u>( 4,537)</u>	<u>-</u>	<u>18,089</u>	<u>1</u>
7900 <b>Profit before income tax</b>		<u>100,992</u>	<u>7</u>	<u>168,858</u>	<u>11</u>
7950 Income tax expense	6(21)	<u>12,818</u>	<u>1</u>	<u>( 855)</u>	<u>-</u>
8200 <b>Profit for the year</b>		<u>\$ 113,810</u>	<u>8</u>	<u>\$ 168,003</u>	<u>11</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 (Loss) gain on defined benefit plan	6(11)	( \$ 559)	-	\$ 238	-
8316 Unrealised valuation losses on equity instruments at fair value through other comprehensive income	6(3)(14)	7,321	-	( 11,466)	( 1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	<u>112</u>	<u>-</u>	<u>38</u>	<u>-</u>
8310 <b>Other comprehensive income (loss) that will not be reclassified to profit or loss</b>		<u>6,874</u>	<u>-</u>	<u>( 11,190)</u>	<u>( 1)</u>
8300 <b>Total other comprehensive income (loss) for the year</b>		<u>\$ 6,874</u>	<u>-</u>	<u>( \$ 11,190)</u>	<u>( 1)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 120,684</u>	<u>8</u>	<u>\$ 156,813</u>	<u>10</u>
<b>Earnings per share (in dollars)</b>					
9750 <b>Basic and diluted earnings per share</b>	6(22)	<u>\$</u>	<u>0.58</u>	<u>\$</u>	<u>0.86</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Accumulated deficit	Other equity interest		Total equity
				Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	
<u>2018</u>						
Balance at January 1, 2018		\$ 1,948,940	(\$ 507,509)	\$ -	(\$ 46,603)	\$ 1,394,828
Effects of retrospective application and retrospective restatement		-	1,512	(48,115)	46,603	-
Balance at January 1 after adjustments		<u>1,948,940</u>	<u>(505,997)</u>	<u>(48,115)</u>	<u>-</u>	<u>1,394,828</u>
Net income		-	168,003	-	-	168,003
Other comprehensive income (loss)	6(3)(11)(14)	-	276	(11,466)	-	(11,190)
Total comprehensive income		-	168,279	(11,466)	-	156,813
Disposal of financial assets at fair value through other comprehensive income		-	(314)	-	-	(314)
Balance at December 31, 2018		<u>\$ 1,948,940</u>	<u>(\$ 338,032)</u>	<u>(\$ 59,581)</u>	<u>\$ -</u>	<u>\$ 1,551,327</u>
<u>2019</u>						
Balance at January 1, 2019		<u>\$ 1,948,940</u>	<u>(\$ 338,032)</u>	<u>(\$ 59,581)</u>	<u>\$ -</u>	<u>\$ 1,551,327</u>
Net income		-	113,810	-	-	113,810
Other comprehensive income	6(3)(11)(14)	-	(447)	7,321	-	6,874
Total comprehensive income		-	113,363	7,321	-	120,684
Balance at December 31, 2019		<u>\$ 1,948,940</u>	<u>(\$ 224,669)</u>	<u>(\$ 52,260)</u>	<u>\$ -</u>	<u>\$ 1,672,011</u>

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



**BAOTEK INDUSTRIAL MATERIALS LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 100,992	\$ 168,858
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(17)	213	( 213 )
Depreciation	6(7)(8)(19)	94,753	81,151
Expected credit losses	12(2)	148	-
Gain on disposal of property, plant and equipment	6(17)	( 380 )	( 288 )
Gains on disposal of investments	6(17)	-	( 1,770 )
Interest income	6(16)	( 302 )	( 192 )
Interest expense	6(18)	708	3,198
Share of profit (loss) of associates and joint ventures accounted for using equity method, net		-	22
Dividend income	6(16)	( 3,993 )	( 4,948 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	3,665
Accounts receivable		( 12,869 )	88,595
Accounts receivable - related parties		560	( 91,832 )
Other accounts receivable		1,592	( 9,933 )
Other receivables - related parties		( 74 )	-
Inventory		35,265	( 36,362 )
Prepayments		5,553	( 1,679 )
Other current assets		( 7,281 )	( 614 )
Other non-current assets		586	-
Changes in operating liabilities			
Notes payable		-	( 6,774 )
Accounts payable		( 9,802 )	( 199,871 )
Accounts payable - related parties		4,199	163,076
Other accounts payable		( 6,731 )	12,859
Other accounts payable - related parties		91	-
Other current liabilities		350	25
Pension liabilities		( 18,746 )	( 1,497 )
Cash inflow generated from operations		184,832	165,476
Interest received		302	192
Interest paid		( 733 )	( 3,331 )
Dividends received		3,993	4,948
Net cash flows from operating activities		<u>188,394</u>	<u>167,285</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Return of capital from current financial assets at fair value through other comprehensive income		218	-
Increase in financial assets at amortized cost	6(4)	( 5,096 )	-
Acquisition of property, plant and equipment	6(24)	( 114,762 )	( 52,824 )
Proceeds from disposal of property, plant and equipment		380	288
Decrease (increase) in refundable deposits		402	( 158 )
Proceeds from disposal of financial assets	7	-	146,571
Net cash flows (used in) from investing activities		<u>( 118,858 )</u>	<u>93,877</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term loans	6(25)	899,384	1,096,169
Decrease in short-term loans	6(25)	( 972,761 )	( 1,389,249 )
Payment of lease liability	6(25)	( 3,683 )	-
Net cash flows used in financing activities		<u>( 77,060 )</u>	<u>( 293,080 )</u>
Net decrease in cash and cash equivalents		( 7,524 )	( 31,918 )
Cash and cash equivalents at beginning of year	6(1)	30,757	62,675
Cash and cash equivalents at end of year	6(1)	<u>\$ 23,233</u>	<u>\$ 30,757</u>

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

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of BAOTEK INDUSTRIAL MATERIALS LTD.

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

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

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

### **Cutoff of warehouse sales revenue**

#### Description

Refer to Note 4 (24) for details of revenue recognition. The Group recognises sales revenue when goods are drop-shipped from factories directly and when customers accept the goods. The supporting documents of revenue recognition include reports or other information provided by warehouse custodians and inventory movement record of warehouse.

As there are hubs located around the world and numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are in various locations around the world, the process of revenue recognition contains numerous manual procedures. Since there are numerous daily revenue from hubs and from FOB destination and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cutoff has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Obtained an understanding of the Group's operations and industry, and assessed the reasonableness of the policy and procedures to recognise revenue.
2. Assessed and checked the appropriateness of cutoff of sales revenue around the balance sheet date, and verified the statements provided by the warehouse custodian.
3. Confirmed the inventory quantities with warehouse custodian and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies and accounting records and tested the reconciling items made by the Group in order to confirm whether the significant differences have been adjusted.
4. Confirmed the inventory quantities by performing physical inventory count observation and agreed the results to accounting records

## **Allowance for inventory valuation losses**

### Description

Refer to Note 4(12) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of inventories. As of December 31, 2019, inventory and allowance for inventory valuation losses amounted to NT\$358,859 thousand and NT\$6,684 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of electronic glass fabrics which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Thus, we consider the allowance for inventory valuation losses a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Ascertained whether the policies on allowance for inventory valuation losses were reasonable and consistently applied in all the periods.
2. Validated the accuracy of inventory aging report, sampled and confirmed the consistency of quantities and amounts indicated in the inventory listing, and verified the proper categorization of inventory aging report.
3. Evaluated and confirmed the reasonableness of net realisable value, and examined the reasonableness of provision for allowance for inventory valuation losses.

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

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

## **Responsibilities of management and those charged with governance for the parent company only financial statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to

enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

---

Chiang, Tsai-Yen

---

Tsang, Kwok-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2020

---

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.

**BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 23,233	1	\$ 30,757	2
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	213	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	76,223	4	69,120	3
1136	Current financial assets at amortised cost	6(4)	5,096	-	-	-
1170	Accounts receivable, net	6(5)	389,550	20	376,801	19
1180	Accounts receivable - related parties	6(5) and 7	91,244	5	91,832	5
1200	Other receivables		15,185	1	16,777	1
1210	Other receivables - related parties	7	74	-	-	-
130X	Inventory	6(6)	352,175	18	387,440	20
1410	Prepayments	7	17,683	1	23,236	1
1470	Other current assets		11,084	-	3,803	-
11XX	<b>Total current assets</b>		<u>981,547</u>	<u>50</u>	<u>999,979</u>	<u>51</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(7), 7 and 8	963,536	49	937,039	48
1755	Right-of-use assets	6(8)	4,246	-	-	-
1840	Deferred income tax assets	6(21)	28,992	1	16,062	1
1900	Other non-current assets		2,650	-	3,638	-
15XX	<b>Total non-current assets</b>		<u>999,424</u>	<u>50</u>	<u>956,739</u>	<u>49</u>
1XXX	<b>Total assets</b>		<u>\$ 1,980,971</u>	<u>100</u>	<u>\$ 1,956,718</u>	<u>100</u>

(Continued)



**BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term loans	6(9) and 8	\$ 16,000	1	\$ 89,377	5
2170	Accounts payable		15,945	1	25,747	1
2180	Accounts payable - related parties	7	167,275	8	163,076	8
2200	Other payables	6(10)	93,841	5	94,484	5
2220	Other payables - related parties	6(10) and 7	1,464	-	4,707	-
2280	Current lease liabilities		3,520	-	-	-
2300	Other current liabilities	6(15)	519	-	169	-
21XX	<b>Total current liabilities</b>		<u>298,564</u>	<u>15</u>	<u>377,560</u>	<u>19</u>
<b>Non-current liabilities</b>						
2580	Non-current lease liabilities		753	-	-	-
2600	Other non-current liabilities	6(11)	9,643	1	27,831	2
25XX	<b>Total non-current liabilities</b>		<u>10,396</u>	<u>1</u>	<u>27,831</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>308,960</u>	<u>16</u>	<u>405,391</u>	<u>21</u>
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Share capital - common stock	6(12)	1,948,940	98	1,948,940	99
<b>Retained earnings</b>						
3350	Accumulated deficit		( 224,669)	( 11)	( 338,032)	( 17)
<b>Other equity interest</b>						
3400	Other equity interest	6(14)	( 52,260)	( 3)	( 59,581)	( 3)
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,672,011</u>	<u>84</u>	<u>1,551,327</u>	<u>79</u>
3XXX	<b>Total equity</b>		<u>1,672,011</u>	<u>84</u>	<u>1,551,327</u>	<u>79</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,980,971</u>	<u>100</u>	<u>\$ 1,956,718</u>	<u>100</u>

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

**BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(15) and 7	\$ 1,479,692	100	\$ 1,625,912	100
5000 <b>Operating costs</b>	6(6)(19)(20) and 7	( 1,277,714)	( 86)	( 1,374,266)	( 84)
5900 <b>Net operating margin</b>		<u>201,978</u>	<u>14</u>	<u>251,646</u>	<u>16</u>
<b>Operating expenses</b>	6(19)(20) and 7				
6100 Selling expenses		( 29,437)	( 2)	( 30,422)	( 2)
6200 General and administrative expenses		( 56,611)	( 4)	( 62,836)	( 4)
6300 Research and development expenses		( 10,401)	( 1)	( 7,664)	-
6000 <b>Total operating expenses</b>		<u>( 96,449)</u>	<u>( 7)</u>	<u>( 100,922)</u>	<u>( 6)</u>
6900 <b>Operating profit</b>		<u>105,529</u>	<u>7</u>	<u>150,724</u>	<u>10</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(16)	8,244	1	8,679	-
7020 Other gains and losses	6(17) and 7	( 12,073)	( 1)	12,653	1
7050 Finance costs	6(18)	( 708)	-	( 3,198)	-
7000 <b>Total non-operating income and expenses</b>		<u>( 4,537)</u>	<u>-</u>	<u>18,134</u>	<u>1</u>
7900 <b>Profit before income tax</b>		100,992	7	168,858	11
7950 Income tax expense (benefit)	6(21)	12,818	1	( 855)	-
8200 <b>Profit for the year</b>		<u>\$ 113,810</u>	<u>8</u>	<u>\$ 168,003</u>	<u>11</u>
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 (Loss) gain on defined benefit plans	6(11)	( \$ 559)	-	\$ 238	-
8316 Unrealized valuation losses on equity instruments at fair value through other comprehensive income	6(3)(14)	7,321	-	( 11,466)	( 1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	112	-	38	-
8310 <b>Other comprehensive (loss) income(loss) that will not be reclassified to profit or loss</b>		<u>6,874</u>	<u>-</u>	<u>( 11,190)</u>	<u>( 1)</u>
8300 <b>Total other comprehensive income (loss) for the year</b>		<u>\$ 6,874</u>	<u>-</u>	<u>( \$ 11,190)</u>	<u>( 1)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 120,684</u>	<u>8</u>	<u>\$ 156,813</u>	<u>10</u>
<b>Profit attributable to:</b>					
8610 Owners of the parent		<u>\$ 113,810</u>	<u>8</u>	<u>\$ 168,003</u>	<u>11</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of the parent		<u>\$ 120,684</u>	<u>8</u>	<u>\$ 156,813</u>	<u>10</u>
<b>Earnings per share (in dollars)</b>					
9750 <b>Basic and diluted earnings per share</b>	6(22)	<u>\$ 0.58</u>	<u>0.58</u>	<u>\$ 0.86</u>	<u>0.86</u>

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

BAOTEK INDUSTRIAL MATERIALS Ltd. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent				Total equity
		Share capital - common stock	Accumulated deficit	Other equity interest		
				Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	
<u>2018</u>						
Balance at January 1, 2018		\$ 1,948,940	(\$ 507,509)	\$ -	(\$ 46,603)	\$ 1,394,828
Effects of retrospective application and retrospective restatement		-	1,512	(48,115)	46,603	-
Balance at January 1, 2018 after adjustments		<u>1,948,940</u>	<u>(505,997)</u>	<u>(48,115)</u>	<u>-</u>	<u>1,394,828</u>
Net income		-	168,003	-	-	168,003
Other comprehensive income (loss)	6(3)(11)(14)	-	276	(11,466)	-	(11,190)
Total comprehensive income		-	168,279	(11,466)	-	156,813
Disposal of financial asset at fair value through other comprehensive income		-	(314)	-	-	(314)
Balance at December 31, 2018		<u>\$ 1,948,940</u>	<u>(\$ 338,032)</u>	<u>(\$ 59,581)</u>	<u>\$ -</u>	<u>\$ 1,551,327</u>
<u>2019</u>						
Balance at January 1, 2019		<u>\$ 1,948,940</u>	<u>(\$ 338,032)</u>	<u>(\$ 59,581)</u>	<u>\$ -</u>	<u>\$ 1,551,327</u>
Net income		-	113,810	-	-	113,810
Other comprehensive income	6(3)(11)(14)	-	(447)	7,321	-	6,874
Total comprehensive income		-	113,363	7,321	-	120,684
Balance at December 31, 2019		<u>\$ 1,948,940</u>	<u>(\$ 224,669)</u>	<u>(\$ 52,260)</u>	<u>\$ -</u>	<u>\$ 1,672,011</u>

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

**BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 100,992	\$ 168,858
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(17)	213	( 213 )
Depreciation	6(7)(8)(19)	94,753	81,151
Expected credit losses	12(2)	148	-
Gain on disposal of property, plant and equipment	6(17)	( 380 )	( 288 )
Gain on disposal of investments	6(17)	-	( 1,770 )
Interest income	6(16)	( 302 )	( 192 )
Interest expense	6(18)	708	3,198
Dividend income	6(16)	( 3,993 )	( 4,948 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		-	3,665
Accounts receivable		( 12,869 )	88,595
Accounts receivable - related parties		560	( 91,832 )
Other receivables		1,592	( 8,984 )
Other receivables - related parties		( 74 )	-
Inventories		35,265	( 36,362 )
Prepayments		5,553	( 1,025 )
Other current assets		( 7,281 )	( 614 )
Other non-current assets		586	( 929 )
Changes in operating liabilities			
Notes payable		-	( 6,774 )
Accounts payable		( 9,802 )	( 199,871 )
Accounts payable - related parties		4,199	163,076
Other payables		( 6,731 )	11,847
Other payables - related parties		91	-
Other current liabilities		350	25
Accrued pension liabilities		( 18,746 )	( 1,497 )
Cash inflow generated from operations		184,832	165,116
Interest received		302	192
Interest paid		( 733 )	( 3,331 )
Dividends received		3,993	4,948
Net cash flows from operating activities		<u>188,394</u>	<u>166,925</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Return of capital from current financial assets at fair value through other comprehensive income		218	-
Increase in financial assets at amortized cost	6(4)	( 5,096 )	-
Acquisition of property, plant and equipment	6(24)	( 114,762 )	( 52,824 )
Proceeds from disposal of property, plant and equipment		380	288
(Increase) decrease in refundable deposits		402	( 158 )
Disposal of subsidiaries recognised as cash outflow	6(24)	-	( 22,390 )
Proceeds from disposal of financial assets	7	-	146,571
Net cash flows (used in) from investing activities		<u>( 118,858 )</u>	<u>71,487</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term loans	6(25)	899,384	1,096,169
Decrease in short-term loans	6(25)	( 972,761 )	( 1,389,249 )
Payment of lease liability	6(25)	( 3,683 )	-
Net cash flows used in financing activities		<u>( 77,060 )</u>	<u>( 293,080 )</u>
Net decrease in cash and cash equivalents		( 7,524 )	( 54,668 )
Cash and cash equivalents at beginning of year	6(1)	30,757	85,425
Cash and cash equivalents at end of year	6(1)	<u>\$ 23,233</u>	<u>\$ 30,757</u>

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

**BAOTEK INDUSTRIAL MATERIALS LTD.**

**Table of Annual Deficit Compensation in 2019**

Unit : New Taiwan Dollar

Item	Sum
Accumulated losses at the beginning of the period	(338,032,242)
Net profit after tax in 2019	113,810,539
Other comprehensive profit and loss (to determine the actuarial loss of the welfare plan)	(446,863)
Losses to be made up at the end of the period	(224,668,566)

Chairman : Alan Chiang

Manager : Yoshida, Kohichi

Accounting Supervisor : Liu, Chun-Chen

**BAOTEK INDUSTRIAL MATERIALS LTD.**  
**Comparison Table of Amendment of charter of The Company**

Article	Current Article	Revised Article	Explanation
Article 6	The company's stocks are issued in a registered form <u>by the signature or seal of three or more directors according to law.</u>	The company's stocks are issued in a registered form, <u>signed or stamped by the directors representing the company, and issued after obtaining a bank visa as a stock issuing visa holder according to law.</u>	Amended in accordance with Article 162 of the Company Act.
Chapter 4	Director <u>and supervisor</u>	Director	Since the Company has established an audit committee to replace the supervisor, the supervisor requirement has been deleted
Article 20	In case no election of new director <u>and supervisor</u> is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.	In case no election of new director is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.	Since the Company has established an audit committee to replace the supervisor, the supervisor requirement has been deleted.
Paragraph 2 of article 25	The remuneration of the directors <u>and supervisors</u> of the company may be determined by the Remuneration/Compensation committee of the company reported to the board of directors according to the level of participation in the company's operations, the value of the contribution, and the industry standard.	The remuneration of the directors of the company may be determined by the Remuneration/Compensation committee of the company reported to the board of directors according to the level of participation in the company's operations, the value of the contribution, and the industry standard.	Since the Company has established an audit committee to replace the supervisor, the supervisor requirement has been deleted.
Paragraph 1 of article 30	If there is a surplus in the final accounts of the Company every year, the tax shall be paid to make up for the losses first, and second, 10 percent shall be reserved as statutory surplus reserve. The remaining amount shall be added to the undistributed surplus of the previous year after making or turning over the special surplus reserve according to actual needs or the regulations of the competent authority. Proposals for accumulating surpluses and making surplus distributions are approved by the resolutions of the shareholders' meeting. Dividends and shareholder bonus are prepared by the board of directors for distribution and submitted to the shareholders' meeting for distribution.	If there is a surplus in the final accounts of the Company of the year, the tax shall be paid to make up for the losses first, and second, 10 percent shall be reserved as statutory surplus reserve, <u>but this is no longer longer necessary when the statutory surplus reserve has reached the total amount of capital of the Company.</u> The remaining amount shall be added to the undistributed surplus of the previous year after making or turning over the special surplus reserve according to actual needs or the regulations of the competent authority. The BOD shall prepare the Surplus distribution <u>case to present in the shareholders' meeting for resolution of distribution by issuing new</u>	1. According to Article 240, Paragraph 5 of the Company Law, and Article 241, Paragraph 1, the second paragraph is added, and the second paragraph of the original article is moved to the third paragraph. 2. Correct the text according to the actual operation.

	<p>The company is currently at a growth stage, the surplus allocation should take into account the future funding needs of the Company and meeting shareholders' needs for cash inflows. If the company distributes its surplus after the annual final accounts, the annual cash dividends paid shall not be less than 20% of the total cash and stock dividends issued in the current year. The shareholders' dividends shall be allocated from the cumulative distributable surplus, and shall not be lower than 10 percent of the annual distributable surplus. However, when the Company has more surplus or sufficient funds, it can increase the cash dividend payment ratio.</p>	<p><u>shares.</u>  <u>The company authorizes the board of directors to attend with more than two-thirds of the directors in accordance with Article 240 of the Company Act, and attended the resolution of more than half of the directors.</u>  <u>Dividends and bonus or all or part of the statutory surplus reserve and capital reserve required by Article 241 of the Company Act shall be paid in cash and shall be reported to the shareholders' meeting.</u>  The company is currently at a growth stage, the surplus allocation should take into account the future funding needs of the Company and meeting shareholders' needs for cash inflows. If the company distributes its surplus after the annual final accounts, the annual cash dividends paid shall not be less than 20% of the total cash and stock dividends issued in the current year. The shareholders' dividends shall be allocated from the cumulative distributable surplus, and shall not be lower than 10 percent of the annual distributable surplus. However, when the Company has more surplus or sufficient funds, it can increase the cash dividend payment ratio.</p>	
Article 30	<p>This charter was established on July 25, 1992. The first amendment was on June 23, 1994. .... The twentieth amendment was made on June 21, 2019.</p>	<p>This charter was established on July 25, 1992. The first amendment was on June 23, 1994. .... The twentieth amendment was made on June 21, 2019. <u>The twenty-first amendment was made on June 9, 2020.</u></p>	<p>Add the date of this amendment.</p>

## Annex 7

**BAOTEK INDUSTRIAL MATERIALS LTD.****Job list of directors who belong to the company's business scope for themselves or others**

Job title	Name	Job title concurrently hold of the company
Representative of corporate director	Kajita, Akimasa	Nitto Boseki Co., Ltd. Director of Production and Technology Nitto Boseki Co., Ltd. Corporate Officer
Representative of corporate director	Tada, Hiroyuki	Nitto Boseki Co., Ltd. Corporate Officer
Representative of corporate director	Hayashi, Hisanobu	NITTOBO ASIA Glass Fiber Co.,Ltd. Chairman Nitto Boseki Co., Ltd. Corporate Officer Director of Nittobo Taiwan Co., Ltd.
Representative of corporate director	Ko, Charng Chyi	Director of Formosan Union Chemical Corp.
Independent Director	Chang, Chih-Liang	Independent Director of Redhorse Group Co. Ltd.



# **8. Appendix**

## Appendix 1

### **BAOTEK INDUSTRIAL MATERIALS LTD. Rules of Procedure for Shareholders Meetings**

1. The rules of procedures for this Corporation's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
2. This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in.
3. Attendance and voting at shareholders meetings shall be calculated based on the number of shares.
4. The venue for the shareholders' meeting shall be within the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
5. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.

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

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

7. This Corporation shall make an audio and video recording of the shareholders' meeting procedures. The recorded materials shall be retained for at least 1 year.
8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made.

If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.

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

9. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. After the meeting adjourns, shareholders shall not elect another chairman to continue the meeting at the original location or find another venue.
10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
12. When a juristic person is appointed to attend as proxy, only one person may be designated to represent in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
13. After an attending shareholder has spoken, the Chair may respond in person or direct relevant personnel to respond.
14. About the discussion of proposals, when the Chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chair may announce the discussion closed and call for a vote.
15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of this Corporation. The result of the vote under the preceding paragraph shall be made known immediately and recorded in writing.
16. When a meeting is in progress, the Chair may announce a break based on time considerations.
17. Except as otherwise provided in the Company Act and in this Corporation's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of voting, if upon inquiry

by the meeting Chair no member voices an objection, the matter will be deemed approved, with the same effect as approval by vote.

18. When there is an amendment or an alternative to a proposal, the Chair shall decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
19. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
20. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.
21. This rule was established at the shareholders' meeting on May 29, 1995.  
The first amendment was approved by the shareholders meeting on May 27, 1998.  
The second amendment was approved by the shareholders' meeting on June 26, 2002.

## Appendix 2

### **BAOTEK INDUSTRIAL MATERIALS LTD. Rules of Procedure for Board of Directors Meetings (Before Amendment)**

#### Article 1 :

To establish a strong governance system and sound supervisory capabilities for this Corporation's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

#### Article 2 :

The board of directors shall meet at least quarterly.

The board of directors of the company shall notify the directors seven days before the meeting, and specify the meeting time, place, and reason for the convening; however, in case of emergency, they may be convened at any time without written notice, and the directors shall not raise objections because the convening notice does not exceed seven days.

The convocation notice in the preceding paragraph shall specify the reasons for it in writing, e-mail or fax.

All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.

#### Article 3 :

Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or directors shall select one person from among themselves to serve as chair.

The designated unit responsible for the board meetings of this Corporation shall be the Accounting Department.

The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.

A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that

materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.

Article 4 :

When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.

Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with this Corporation's articles of incorporation; the director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

The proxy referred to in the preceding paragraph may be the appointed proxy of only one person.

Article 5 :

During the board meeting, attendance by videoconference will be deemed attendance in person.

A board meeting shall be held at the premises and during the business hours of this Corporation, or at a place and time convenient for all directors to attend and suitable for holding board meetings.

Article 6 :

When a board meeting is held, the management (or the designated unit responsible for the board meetings) shall furnish the attending directors with relevant materials for ready reference.

As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants.

When necessary, certified public accountants, attorneys, or other professionals retained by this Corporation may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.

If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 2, paragraph 2.

The number of "all directors," as used in the preceding paragraph and in Article 13, paragraph 25, subparagraph 2, shall be counted as the number of directors then actually in office.

Article 6-1 :

Agenda items for regular board meetings of this Corporation shall include at least the following:

1. Matters to be reported:

- (1) Minutes of the last meeting and action taken.
- (2) Important financial and business matters.
- (3) Internal audit activities.
- (4) Other important matters to be reported.

2.Matters for discussion:

- (1) Items for continued discussion from the last meeting.
- (2) Items for discussion at this meeting.

3.Extraordinary motions.

Article 7 :

A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 6, paragraph 3 shall apply mutatis mutandis.

Article 8 :

When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

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

- 1.A show of hands or a vote by voting machine.
- 2.A roll call vote.
- 3.A vote by ballot.
- 4.A vote by a method selected at this Corporation's discretion

Article 9 :

Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors.

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

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

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

Article 10 :

If a director or a juristic person that the director represents is an interested party in relation to an

agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 2 of the same Act.

#### Article 11 :

For the voting of the board of directors, the chairman may designate the counting staff, and all the directors present shall be the counting staff.

#### Article 12 :

The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting:

- 1.The Corporation's business plan.
- 2.Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).
- 3.Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
- 4.Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
- 5.The offering, issuance, or private placement of equity-type securities.
- 6.The appointment or discharge of a financial, accounting, or internal audit officer.
- 7.A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
- 8.Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts



already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

If the company has independent directors, at least one independent director of this Corporation shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

#### Article 13 :

Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained and does not apply to the preceding paragraph.

Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained permanently.

Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

- 1.The meeting session (or year) and the time and place of the meeting.
- 2.The name of the chair.
- 3.The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
- 4.The names and titles of those attending the meeting as non-voting participants.
- 5.The name of the minute taker.
- 6.The matters reported at the meeting.
- 7.Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 4.
- 8.Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, expert, or other person; and their objections or reservations and any recorded or written statements.
- 9.Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission of Executive Yuan, within 2 days from the date of the meeting:

1. Any objection or expression of reservations by an independent director expresses of which there is a record or written statement.
2. A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the audit committee of this Corporation.

The attendance book constitutes part of the minutes for each board meeting and shall be retained permanently.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation.

The meeting minutes of paragraph 4 may produce and distribute in electronic form.

#### Article 14 :

With respect to this Corporation, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.

#### Article 15 :

When the board of directors authorizes the chairman to exercise the functions and powers of the board of directors during the recess of the board of directors in accordance with the provisions of the articles of association of the company. In addition to the matters that should be discussed by the board of directors in accordance with laws and regulations or related regulations, and still subject to the resolution of the board of directors, the authorized content or matters are as follows:

1. Depending on the company's working capital, it shall fully handle matters related to the loan amount and conditions of various financial institutions, and report the implementation to the board of directors.
2. Depending on the company's working capital, conduct endorsement guarantee processing within the amount specified in the endorsement guarantee operation procedures and conduct transactions in accordance with the amount specified in the acquisition or disposition of asset handling procedures, and report the implementation to the board of directors.
3. The company's organizational adjustment and revision of organizational rules or articles of association.

#### Article 16 :

The provisions of Article 2, paragraph 2, Articles 3 to 10, and Articles 13 to 14 apply, mutatis mutandis, to this Corporation's meetings of the board of managing directors, provided that when meetings of the board of managing directors are held at regular intervals of 7 days or less, notices of such meetings may be given to each managing director before 2 days before the meeting.

Article 17 :

These Rules of Procedure shall be adopted and revised by the approval of meeting of the board of directors and shall be reported to the shareholders meeting.

Article 18 :

This rule was formulated by the board of directors on February 23, 2005 and reported to the shareholders' meeting on May 23, 2005.

The first revision was approved by the board of directors on March 19, 2007, and reported to the shareholders' meeting on June 13, 2007.

The second amendment was approved by the board of directors on March 12, 2008, and reported to the shareholders' meeting on May 30, 2008.

The third amendment was approved by the board of directors on March 18, 2012, and reported to the shareholders' meeting on June 13, 2012.

The fourth amendment was approved by the board of directors on March 29, 2013, and reported to the shareholders' meeting on June 18, 2013.

The fifth amendment was approved by the board of directors on November 9, 2017, and reported to the shareholders' meeting on June 18, 2018.

The sixth amendment was approved by the board of directors on March 14, 2019, and reported to the shareholders' meeting on June 21, 2019

## Appendix 3

### **BAOTEK INDUSTRIAL MATERIALS LTD. Articles of the company (Before Amendment)**

#### **Chapter 1 General Provisions**

Article 1 : The Company is incorporated in accordance with the Company Act and registered under the business name of BAOTEK INDUSTRIAL MATERIALS LTD.

Article 2 : The Company's scope of services is set out hereunder:

- 1.C901020 Glass and glass made products manufacturing
- 2.CC01080 Electronic Parts and Components Manufacturing
- 3.F401010 International Trade
- 4.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1 : The Company may provide external guarantees for related businesses in respect of business.

Article 3 : The Company has its head office in Taoyuan City, and the Company may establish branches in and out of this country.

Article 4 : Public announcements of the Corporation shall be made in accordance with the article 28 of the Company Act.

#### **Chapter 2 Shares**

Article 5 : The total amount of the Company's capital is NT\$2.5 billion, which is further divided into 250 million Shares, with the value per share NT\$10, and issue shares in installments. A total of 15 million shares with the value of NT\$150 million is preserved and with the value per share NT\$10, which will be used for reserved for issuing employee stock options, and the Board is further authorized to issue them in installments thereof. When the company's shares are bought back by the company according to law, the board of directors is authorized to do so in accordance with the law.

Article 6 : The Company shall issue nominal shares after the signing or stamping of seal by three or more directors in accordance with the law.

Article 6-1 : When the Company issues shares, those shares shall be printed together with other shares or otherwise not be printed. The shares not printed shall be kept and recorded by the centralized securities depository enterprise

Article 7 : The company's stock may be merged and reissued in large denomination stocks at the request of Taiwan Securities Central Depository Co., Ltd.

Article 8 : The company's registered stocks are transferred by the endorsement of the stockholders, and the transfer does not record the name of the transferee in the stock, and the transferee's name and address are recorded in the company's shareholder register, it cannot be transferred against the company.

- Article 9 : The handling of the company's stock affairs is handled in accordance with the regulations of "Regulations Governing the Administration of Shareholder Services of Public Companies".
- Article 10 : The total foreign investment of the company can exceed 40% of the paid-up share capital.
- Article 11 : Within 60 days before each regular shareholders' meeting, within 30 days before the shareholders' special meeting, or within 5 days before the company's decision to distribute dividends and bonus or other benefits, the transfer of shares shall be suspended.

### **Chapter 3 Shareholders' Meeting**

- Article 12: There are two types of shareholders' meeting, namely, regular meeting and special meeting. The regular meeting shall be convened within six months after the close of each fiscal year, and the board of directors notifies shareholders 30 days before convening. Whereas, special meetings are held in accordance with the law, when necessary.
- Article 13 : When a shareholder is unable to attend the shareholders' meeting for whatever reason, that shareholder shall appoint a proxy to attend by offering solicitation document in accordance with the provisions of Article 177 of the Company Act.
- Article 14 : When the shareholders' meeting is held, the director shall be the chairman. When the director is absent, the director shall appoint one person to act as the proxy.
- Article 15 : A shareholder, unless otherwise stipulated in Article 179 of the Company Act relating to the circumstances of certain shares as having no voting right, shall have one voting right in respect of each share in his/her/its possession.
- Article 16 : A resolution is passed at the shareholders' meeting by a majority of the shareholders present who represent more than half of the total number of its outstanding shares.
- Article 17 : Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, signed or sealed by the Chairman of the shareholders' meeting and distributed to the shareholders within 20 days after the meeting. The distribution of the proceedings in the preceding paragraph shall be handled in accordance with the provisions of the Company Act. The proceedings shall record the essentials of the proceedings and their results. The proceedings shall be kept with the company's signature book and the solicitation document of proxy.

### **Chapter 4 Director & Supervisor**

- Article 18 : The Company shall appoint 7 to 12 directors for a three-year term and may be re-elected after the term. The election of the directors is done using the candidates nomination system, and the shareholders shall elect the directors from among the nominees for director. The relevant matters of acceptance and announcement of candidates shall be operated according to the Company Act, Securities and Exchange Act and related laws and regulations. The number of appointed directors earlier mentioned shall have no less than 3 independent directors and the same shall not be less than one fifth of the total number of directors of the Company.
- Article 19 : When the director's shortfall reaches one third, the board of directors shall convene a

special shareholders' by-election within sixty days, and the term of office shall be limited to the period for making up the original office.

Article 20 : When the term of the supervisor of the directors expires and cannot be re-elected, the executive duties shall be extended until the re-elected director takes office.

Article 21 : The Board of Directors is composed of all directors. The Management Director is elected by two-thirds of the directors present at the meeting and representing one-half or more of the number of directors present at the meeting. And carry out all affairs of the company in accordance with laws, regulations, resolutions of the shareholders' meeting and the board of directors.

Article 22 : The company's management policy and other important matters are decided by the board of directors. The board of directors shall be convened by the chairman and appointed as the chairman except the first meeting of the board of directors in accordance with the provisions of Article 203 of the Company Act. When the Chairperson of the Board is unable to exercise the powers of the Chairperson, the Chairperson shall appoint one of the directors to act as Chair. Where the Chairperson does not make such a designation, the directors shall select from among themselves one person to serve as Chair.

Article 23 : Unless otherwise stipulated by the Company Act, the board of directors must have more than half of the directors present, with the consent of more than half of the directors. When the director can't attend the BOD meeting, he/she shall present the solicitation document, list the scope of authorization relevant to the subject of the meeting and assign another director to attend the BOD meeting in his/her behalf. The director that is assigned to represent another director can only accept one such assignment.

The participants are deemed present by taking part in the meeting of the Board of Directors using video conference facility when the meeting is conducted by way of video conference. The reason for convening of the Board of Directors shall be stated and the directors are notified of such seven days in advance, but may be convened at any time when there is an emergency. The above notice in respect of convening the meeting shall be done in writing, by electronic email, or by facsimile.

Article 24 : The proceedings of the Board of Directors meeting shall be summarized, signed or sealed by the Chairman, and shall be circulated to the directors within 20 days after the meeting. The minutes should record the essentials of the proceedings and their results. The minutes should be kept in the company together with the signature book of the directors present and the solicitation document of proxy.

Article 25 : In accordance with Article 14.4 of the Securities and Exchange Act, the Company sets up the Audit Committee, which is responsible for the execution of the Company Act, the Securities and Exchange Act and other ordinances of the Audit Committee.

Article 25-1 : During the term of office of the Directors, the company may purchase liability insurance for the scope of the business involved and the liability in accordance with the law for the directors.

Article 25-2 : The remuneration of the company's directors and supervisors may be determined by the company's Remuneration/Compensation committee in accordance with the level of participation in the company's operations, the value of its contribution and the reference to the industry level.

### **Chapter 5 Manager and Staff**

Article 26 : The company may have several managers whose appointment and removal and remuneration shall be determined by the board of directors with the consent of more than half of the directors present and more than half of the directors present.

Article 27 : (Deleted)

Article 28 : (Deleted)

### **Chapter 6 Final Account**

Article 29 : The Company shall, at the end of each fiscal year, submit to its shareholders for their ratification (i) the annual business report, (ii) the financial statements, and (iii) the appropriation of profit and remedy in the event of loss proposal.

Article 30 : If the company makes a profit in the year, no less than 5% should be allocated for employees' compensation and no more than 3% for directors' reward. However, when the company still has accumulated losses, it should reserve the compensation amount in advance.

The current year's profit status referred to in the preceding paragraph refers to the current year's pre-tax benefits after deducting the distribution of employees 'compensation and directors' compensation.

Article 30-1 : If there is a surplus in the final accounts of the Company every year, the tax shall be paid to make up for the losses first, and second, 10 percent shall be reserved as statutory surplus reserve. The remaining amount shall be added to the undistributed surplus of the previous year after making or turning over the special surplus reserve according to actual needs or the regulations of the competent authority. Proposals for accumulating surpluses and making surplus distributions are approved by the resolutions of the shareholders 'meeting. Dividends and shareholder bonus are prepared by the board of directors for distribution and submitted to the shareholders' meeting for distribution.

The company is currently at a growth stage, the surplus allocation should take into account the future funding needs of the Company and meeting shareholders 'needs for cash inflows. If the company distributes its surplus after the annual final accounts, the annual cash dividends paid shall not be less than 20% of the total cash and stock dividends issued in the current year. However, when the Company has more surplus or sufficient funds, it can increase the cash dividend payment ratio.

### **Chapter 7 Supplementary Provisions**

Article 31 : The company's organizational rules and working rules shall be determined by the board of directors.

Article 32 : Any unspecified matters in this Articles of Incorporation shall be dealt in accordance with the Company Act.

Article 33 : This Article of company was established on July 25, 1992.

The first amendment was on June 23, 1994.

The second amendment was on May 29, 1995.

The third amendment was on April 25, 1997.

The fourth amendment was on June 29, 1997.

The fifth amendment was made on May 27, 1998.

The sixth amendment was on May 28, 1999.

The seventh amendment was made on June 13, 2000.

The eighth amendment was made on April 6, 2001.

The ninth amendment was on June 26, 2002.

The tenth amendment was on April 30, 2003.

The eleventh amendment was on March 29, 2004.

The twelfth amendment was on May 23, 2005.

The thirteenth amendment was on June 14, 2006.

The fourteenth amendment was on June 13, 2007.

The fifteenth amendment was on June 17, 2011.

The sixteenth amendment was on June 13, 2012.

The seventeenth amendment was on June 10, 2015.

The eighteenth amendment was on June 8, 2016.

The nineteenth amendment was on June 20, 2017.

The twentieth amendment was on June 21, 2019



## Appendix 4

### **BAOTEK INDUSTRIAL MATERIALS LTD. Shareholding of Directors**

The company's paid-in capital is NT \$ 1,948,939,640. A total of 194,893,964 shares have been issued, in accordance with the second paragraph of Article 26 of the "Securities Exchange Act" and "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the minimum number of shares that all directors should hold is 11,693,637 shares.

As of April 11, 2020, the regular shareholders' meeting had closed. The number of shares held by all directors of the company was 95,172,199 shares. Individual directors held shares as follows:

Position	Name	Date of election	Numbers of shares held at the time of election			Numbers of shares held now			Note
			Type	Shares	Percentage of issued shares	Type	Shares	Percentage of issued shares	
Chairman	Nitto Boseki Co., Ltd. Representative: Alan Chiang	2019.06.21	Common stock	92,865,791	47.65%	Common stock	92,865,791	47.65%	
Director	Nitto Boseki Co., Ltd. Representative: Igarashi, Kazuhiko								
Director	Nitto Boseki Co., Ltd. Representative: Kajita, Akimasa								
Director	Nitto Boseki Co., Ltd. Representative: Yoshida, Kohichi								
Director	Nitto Boseki Co., Ltd. Representative: Shigeoka So								
Director	Nitto Boseki Co., Ltd. Representative: Tada, Hiroyuki								
Director	Nitto Boseki Co., Ltd. Representative: Hayashi, Hisanobu								
Director	Wecktech Biotech Co., Ltd. Representative: Ko, Charng-Chyi	2019.06.21	Common stock	600,000	0.31%	Common stock	555,000	0.28%	
Director	Wang, Cheng-Hsiung	2019.06.21	Common stock	1,751,408	0.90%	Common stock	1,751,408	0.90%	
Independent Director	Chang, Chih-Liang	2019.06.21	Common stock	0	0.00%	Common stock	0	0.00%	
Independent Director	Yang, Yan-Shou	2019.06.21	Common stock	0	0.00%	Common stock	0	0.00%	
Independent Director	Wang, Chia-Nan	2019.06.21	Common stock	0	0.00%	Common stock	0	0.00%	
Total			Common stock	95,217,199	48.86%	Common stock	95,172,199	48.83%	

Note1 : Total shares issued on 21 June, 2019: 194,893,964 shares ; Total shares issued on 11 April, 2020: 194,893,964 shares

Note2 : The company has established an Audit Committee ; therefore, the Supervisors' shareholdings requirement is not applicable.

## Appendix 5

Effect upon business performance, earnings per share and ROE of any stock dividend distribution :

The company has no surplus in the year of 108 for any stock dividend distribution, so it is not applicable.