

Stock Code 3518
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**Paragon Technologies Co., Ltd.**

**2020 Annual Meeting of Shareholders**

# **Meeting Handbook**

Date: June 16, 2020

Place: No.68, Wen 21st St., Guishan Dist., Taoyuan City 333,  
Taiwan (R.O.C.) (Lotus Hall, 2nd Floor, Fullon Hotel Linkou)

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# **Paragon Technologies Co., Ltd.**

## **Procedure for the 2020 Annual Meeting of Shareholders**

- I. Call the Meeting to Order
- II. Chairperson's Remarks
- III. Report Items
- IV. Proposals
- V. Discussions
- VI. Questions and Motions
- VII. Adjournment

# Paragon Technologies Co., Ltd.

## Agenda for the 2020 Annual Meeting of Shareholders

Time: 9:00 a.m., Tuesday, June 16, 2020

Place: No.68, Wen 21st St., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)  
(Lotus Hall, 2nd Floor, Fullon Hotel Linkou)

- I. Call the Meeting to Order (Number of shares reported on attendance)
- II. Chairman's Remarks
- III. Report Items
  - (I) 2019 Business Report
  - (II) Audit Committee's Review Report on the 2019 Financial Statements
  - (III) Amendment to the company's 2017 Regulations for transferring treasury stock to employees.
  - (IV) Report on the Amendment of the Company's "Procedures for Ethical Management and Guidelines for Conduct"
  - (V) 2019 Status Report on Endorsement and Guarantee for Examination
  - (VI) Implementation Report on Treasury Stock Buyback
- IV. Proposals
  - (I) 2019 Business Report and Financial Statements
  - (II) 2019 Deficit Compensation
- V. Discussions
  - (I) Amendment to the Company's Corporate Chartes
  - (II) Amendment to the Procedures for the Election of Directors
  - (III) Amendment to the Rules of Procedure for Shareholder Meetings
- VI. Questions and Motions
- VII. Adjournment

## Report Items

- I. 2019 Business Report for Examination  
Explanation: The 2019 business report is attached on p.7 of the handbook.
- II. Audit Committee's Review Report on the 2019 Financial Statements for Examination  
Explanation: The 2018 Audit Committee's review report is attached on p.9 of the handbook.
- III. Amendment of the Company's Measures for Transferring 2017 Treasury Stock to Employees for Examination  
Explanation: 1. The contrast table for the amended articles of the Company's Measures for Transferring 2017 Treasury Stock to Employees is attached on p.29 of the handbook.  
2. Articles before the amendment are attached on p.46-47 of the handbook.
- IV. Amendment of the Company's Procedures for Ethical Management and Guidelines for Conduct for Examination  
Explanation: 1. The contrast table for the amended articles of the Company's Procedures for Ethical Management and Guidelines for Conduct is attached on p.30-35 of the handbook.  
2. Articles before the amendment are attached on p.48-52 of the handbook.
- V. 2019 Status Report on Endorsement and Guarantees for Examination  
Explanation: The Company's status of Endorsements and Guarantees by December 31, 2019 is attached on p.10 of the handbook.
- VI. Implementation Report on Treasury Stock Buyback for Examination  
Explanation: 1. The buyback was conducted pursuant to "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" issued by the Financial Supervisory Commission.  
2. The Company's implementation report on shares buyback is as follows:

Issue of Buyback	The Seventh Time
Purpose of the Buyback	Shares Transferred to Employees
Buyback Period	106.5.16~106.7.10
Buyback Range Price	NT\$13.37 to NT\$31.74
Type and Number of Buyback Shares	1,610,000 shares
Amount of Buyback Shares	NT\$34,650,781
The ratio of the quantity bought back to the predetermined quantity (%)	53.67%
Number of Cancelled and Transferred Shares	0
Cumulative Number of the Company's Shares	1,610,000 shares
Ratio of Cumulative Number of the Company's Shares of the Total Issued Shares (%)	1.99%

# Proposals

Case 1: (Proposed by the Board)

Proposal: Adoption of the 2019 Business Report and Financial Statements

Explanation: 1. The Company's 2019 financial statements were audited by CPA Chen Hui-Ming and CPA Chi Jui-Chuan of Deloitte Touche Tohmatsu Limited and an audit report of unqualified opinion was provided.  
2. The above-mentioned financial statements along with the business report were audited by Audit Committee, and then resolved and approved by the Board; they are attached on p.7-8 and p.11-28 of the handbook.

Resolution:

Case 2: (Proposed by the Board)

Proposal: Adoption of the Proposal for 2019 Deficit Compensation

Explanation: 1. The Company's accumulated loss at the beginning of the period was NT\$0. After deducting the net loss after tax of NT\$197,483,911 in 2019 and the increase of amount of retained earnings due to the addition of the actuarial losses and gains of NT\$225,557, the accumulated loss to be compensated is NT\$197,258,354. The Company intends to use the capital reserve-capital stock premium of NT\$197,258,354 to compensate the loss, and the accumulated loss at the end of the period will be NT\$0.  
2. The Company's 2019 Deficit Compensation Statement is as follows:

**Paragon Technologies Co., Ltd.**  
**Deficit Compensation Statement**  
**2019**

**Unit: NTD**

Items	Amount
Beginning Accumulated Deficit	0
Less: 2019 After-tax Net Loss	(197,483,911)
Add: Adjustments of Actuarial Gains and Losses to Retained Earnings	225,557
2019 Net Loss Adding Adjusted Amount of Retained Earnings	(197,258,354)
Closing Accumulated Deficit Yet to Be Compensated	(197,258,354)
Compensated Items:	
Add: Capital Reserve-Capital Stock Premium to Compensate for the Deficit	197,258,354
Closing Accumulated Deficit	0

Chairman:                      Manager:                      Accounting Supervisor:

Chen Zai Pu                      Wang Hsiao Long                      Liu Ming Yi

Resolution:

## Discussions

Case 1: (Proposed by the Board)

Proposal: Amendment to Certain Articles of the Company's Articles of Association

Explanation: 1. In order to comply with the amendments of relevant laws and regulations and to meet the demands of internal management, amendment to certain articles of the Company's "Articles of Association" is hereby made. For the contrast table of the provisions before and after the amendment, please refer to p.36-39 of the handbook.  
2. Please refer to p.53-56 of the handbook for the "Articles of Association" before amendment.

Resolution:

Case 2: (Proposed by the Board)

Proposal: Amendment to Certain Articles of the Company's Procedures for Election of Directors

Explanation: 1. In order to comply with the amendments of relevant laws and regulations and to meet the demands of internal management, amendment to certain articles of the Company's "Procedures for Election of Directors" is hereby made. For the contrast table of the provisions before and after the amendment, please refer to p.40 of the handbook.  
2. Please refer to p.57-58 of the handbook for the "Procedures for Election of Directors" before amendment.

Resolution:

Case 3: (Proposed by the Board)

Proposal: Amendment to Certain Articles of the Company's Rules of Procedure for Shareholder Meetings

Explanation: 1. In order to comply with the amendments of relevant laws and regulations and to meet the demands of internal management, amendment to certain articles of the Company's "Rules of Procedure for Shareholder Meetings" is hereby made. For the contrast table of the provisions before and after the amendment, please refer to p.41-45 of the handbook.  
2. Please refer to p.59-61 of the handbook for the "Rules of Procedure for Shareholder Meetings" before amendment.

Resolution:

## Questions and Motions Adjournment Attachment 1

## **Attachment 1**

### **Business Report**

Although Paragon's revenue in 2019 declined by about 5.1% compared to that in 2018, its operation net loss decreased by NT\$177,749 thousand compared with that of last year, and its gross profit margin increased by 13%. Both the management of expenses and costs have been significantly improved. The reason is that (1) NB EMI-coating business is affected by the increase in upstream orders, which resulted in a revenue of NT\$531,201 thousand in 2019, an increase of about 2.3% than that in 2018. Thanks to the Company's proactive merge of capacity, which increases the capacity utilization to more than 80%, the operating performance of EMI in 2019 has thus been greatly improved under the influence of both the reduction of management costs and increase of operation rate. (2) Wheel rim surface coating business is still declining due to the decreasing orders from the U.S. aftermarket (AM) resulted from the continued US-China trade war. The newly explored markets of China and Japan are still in the stage of product verification. 2019 is still in the period of market adjustment, which causes the revenue of wheel rim surface products to decrease significantly comparing with that in 2018.

The report on the operations in 2019 is as follows:

The consolidated revenue of the Company for the year of 2019 is NT\$546,881 thousand; the net loss is NT\$104,536 thousand; net loss after tax is NT\$197,485 thousand; shareholders' equity is NT\$1,416,238 thousand, and the book value per share is NT\$17.89.

For NB EMI-coating, the research institution expects that the compound annual growth rate (CAGR) of the global shipments of NB will be 0.6% from 2018 to 2023, and the overall shipments of NB will remain at a scale of over 150 million units by 2023. According to preliminary statistics released by market research agency Gartner, global PC shipments in the first quarter of this year fell by 12.3% to 51.6 million units from the same period last year due to the coronavirus pandemic. Orders in Q2 2020 see great performance thanks to the demands from remote working/learning, but the whole year may still be affected by the uncertain factors of the pandemic. In the second half of 2020, we must pay close attention to the market supply and demand. In addition, business development of new 3C product surfaces has seen the beginning of their small-scale production this year. In accordance with the development schedule of new models for customers, in the future, idle equipment of EMI will be gradually adjusted to 3C surface coating production lines based on the demand of the NB metal surface coating. On the basis of the NB EMI-coating coating business, the Company will increase the revenue of surface coating products, continue to improve its operating performance, increase future growth, and provide customers with the most environmentally friendly, innovative and cost-effective new metal surface processing techniques.

In terms of wheel rim surface products, the year of 2019 was also affected by the US-China trade war that started in 2018, and orders from the North American aftermarket (AM) continued to decline. Although we have been cultivating the Chinese and Japanese markets since 2017, due to the threshold of car manufacturers is higher, and product verification usually takes about 3 to 5 years at least. Currently, due to the impact of the coronavirus pandemic, countries begin to restrict the entry of foreigners and companies ban employees from traveling, etc., which may delay the original introduction plan for 1 to 2 quarters. Hopefully, after the pandemic, business momentum can be swiftly restored, and the original schedule will be accelerated to reduce the impact on operations in 2020. We continue to strengthen Paragon's prowess in techniques, products, quality and cost during the first half of 2020, when the business is impacted by the pandemic. Paragon aims to meet the target customers' highest quality standards to enhance the Company's product competitiveness.

In terms of research and development, after many major industrial safety and pollution incidents, the Chinese government has strict requirements for higher emission standards and fire safety regulations for industries with high pollution or high environmental safety risks such as electroplating, chemical industry, anodes, coating, and CNC. If any factory is found to have breached the law, the government will immediately shut down the said factory until improvement is



made. "Emission reduction" is an important indicator for local governments in China. In the future, high-pollution industries will face a more difficult operating environment. Paragon adheres to the core value of "environmental protection, innovation, and professionalism", focusing on the development of environmentally friendly materials, the improvement of sputtering technology and the integration of the surface processing. In 2018, the Company developed the D-PVD (penetrating sputtering) processing. In 2019, for 3C product surface techniques, the Company has also successfully developed multicolor coating on NB magnesium and aluminum metal parts to improve product appearance value and visual effect. In 2020, Paragon will continue to improve PVD surface techniques and innovative surface aesthetics.

In 2020, both NB metal surface coating technology and MST technology will enter the all-important verification stage for the introduction of new techniques for the customers. In the future, the Company will continue to develop other materials for metal surface PVD processing, and widely apply PVD surface techniques on 3C products and automotive interior and exterior parts.

"Green Processing. Unique and Innovative. Aesthetically pleasing." is an inevitable trend of the techniques in cosmetic coating, and the way forward for Paragon Technologies Co., Ltd. On behalf of the Company, I would like to express my sincere gratitude to our shareholders for their long-term support and trust and their continuous encouragement.

Chairman:  
Chen Zai Pu

General Manager:  
Wang Hsiao Long

Accounting Supervisor:  
Liu Ming Yi

## **Attachment II**

### **Paragon Technologies Co., Ltd. Audit Committee's Review Report**

The Board of Directors has prepared (1) the 2019 Consolidated and Individual Financial Statements of Paragon Technologies Company Limited. The CPA firm Deloitte & Touche was retained to audit the Financial Statements, and CPA Chen Hui-Ming and CPA Chi Jui-Chuan of Deloitte & Touche has issued an audit report of unqualified opinion relating to the said Financial Statements; (2) the Business Report and deficit compensation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Paragon Technologies Company Limited. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To  
2020 Annual Meeting of Shareholders

Paragon Technologies Company Limited  
Chairman of the Audit Committee: Chang Tzuh Sin

March 25, 2020

Attachment III

Paragon Technologies Co., Ltd.  
Endorsements/Guarantees Provided  
For the Year Ended December 31, 2019

Unit: In Thousands of New Taiwan Dollars unless Specified Otherwise

No. (Note 1)	Endorsement/Guarantee Provider	Endorsed/Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for this Period	Balance of Outstanding Guarantee by the End of this Period	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable (Note 3)	Guarantee Provided by the Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Company Name	Relationship (Note 2)											
0	Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD.	(2)	\$ 708,119	\$ 161,160 USD 5,100	\$ 152,898 USD 5,100	\$ 33,590	\$ -	10.80%	\$ 708,119	Y	N	N	
1	Paragon (Kunshan) Technology Co., Ltd.	Zhejiang Junsheng Optoelectronics Technologies Company Limited	(4)	218,565 RMB 50,770	92,060 RMB 20,000	- RMB -	- RMB -	- RMB -	-	218,565 RMB 50,770	N	N	Y	
2	Bo Ting Optoelectronics Technologies Company Limited (Suzhou)	Zhejiang Junsheng Optoelectronics Technologies Company Limited	(4)	366,623 RMB 85,162	359,034 RMB 78,000	86,100 RMB 20,000	73,185 RMB 17,000	86,100 RMB 20,000	6.08%	366,623 RMB 85,162	N	N	Y	
2	Bo Ting Optoelectronics Technologies Company Limited (Suzhou)	Bo Ting Optoelectronics Technologies Company Limited (Jiangsu)	(4)	366,623 RMB 85,162	90,420 RMB 20,000	86,100 RMB 20,000	86,100 RMB 20,000	86,100 RMB 20,000	6.08%	366,623 RMB 85,162	N	N	Y	
3	Paragon (Chongqing) Optoelectronics Technologies Company Limited	Paragon (Neijiang) Optoelectronics Technologies Company Limited	(4)	44,122 RMB 10,249	43,380 RMB 10,000	43,050 RMB 10,000	43,050 RMB 10,000	43,050 RMB 10,000	3.04%	44,122 RMB 10,249	N	N	Y	

Note 1: Explanations are as follows:

- (1) For the issuer, fill in 0.
- (2) Starting with number 1, investee companies are numbered and listed in ascending order.

Note 2: Listed below are the 7 types of companies to which the Company may provide endorsement/guarantee:

- (1) Companies with which the Company does business.
- (2) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (3) Companies that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- (4) Between the Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- (5) Companies in same type of business or providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- (6) Companies with all capital contributing shareholders making endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The total amount of guarantee provided by the Company shall not exceed 50% of the Company's net worth as stated in its latest financial statements. The aggregate amount of endorsement/guarantee provided by the Company to any single entity shall not exceed 20% of the Company's net worth as stated in its latest financial statements; for overseas single affiliate, the threshold shall be 50%. As for endorsement/guarantee arising from business dealings with the entity, its amount shall not exceed the amount of either purchase or sales (whichever is greater) with the entity during the most recent year.

## Attachment IV

### CPA's Audit Report

To Paragon Technologies Co., Ltd.

#### Opinion

We have audited the consolidated financial statements of Paragon Technologies Co., Ltd. and its subsidiaries (collectively referred as "the Group" hereafter), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flow for the years then ended, as well as notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view in all material aspects of the consolidated financial position of the Group as of December 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as IFRS, IAS and their interpretations endorsed and issued by Financial Supervisory Committee.

#### Basis for opinion

We conducted our audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Official Letter No. 1090360805 issued by Financial Supervisory Committee on February 25, 2020, and Generally Accepted Auditing Standards (GAAS) for the year of 2019. We conducted our audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and GAAS for the year of 2018. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China ("The Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 Group for the year ended December 31, 2019. These items have been covered in the verification process of the overall consolidated financial statements and the audit opinions; hence, we shall not express separate opinions on these items.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are as follows:

#### Impairment of property, plant and equipment

##### Explanation

As of December 31, 2019, the carrying amount of the property, plant and equipment of the Group was NT\$507,045 thousand (after deducting NT\$117,564 thousand of accumulated depreciation), which represented 24% of the total assets and was hence considered to be material. For details of the account policies governing the valuation of impairment of assets and its disclosures, please see Notes 4, 5 and 13.

The Group's main businesses include sputtering services for EMI-related electronic components, manufacturing of wheel coating products and the research, development and trading of machinery equipment and parts. In 2019, the Group undertook to expand the market for their wheel coating products. However, sales faltered during the early stages of the expansion and some EMI equipment was idle as operation adjustment, causing the management to anticipate that the property, plant and equipment shall generate less future cash flow - to such an extent that their recoverable amount

exceeds their carrying amount. Because of that, the Group recognized impairment loss of NT\$16,850 thousand during the year of 2019.

As the income from the wheel coating business remained unstable, the management was unable to reasonably measure the value-in-use of the property, plant and equipment when determining the recoverable amount of same; instead, the fair value less costs to sell was adopted, with highly professional third-party expert's opinion being the basis of the future cash flow estimates. For such reasons, we identified the valuation of impairment on the property, plant and equipment as one of the key audit matters.

The audit procedures performed included:

1. Understanding how management evaluates and approves the valuation of impairment on property, plant and equipment.
2. Evaluating the education background of the third party expert and determining whether appropriate assumptions and techniques were used by the third party expert in estimating the fair value of the property, plant and equipment, with the help of our in-house consultants.
3. Testing the sample of the input value information with the assistance of the financial adviser of the firm to verify the correctness of the input value in the expert report.

### **Other Items**

We have audited the individual financial statements of the Group as of and for the years 2019 and 2018, and have issued the auditor's report with unqualified opinion.

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

The responsibilities of the management are to prepare the consolidated financial statements that give a true and fair view in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission with effective dates, as well as to maintain necessary internal controls that 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, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Material misstatements may result from fraud or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they shall be deemed as material.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement within the consolidated financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence 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 controls 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 controls.
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 are of the opinion 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 relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of the group audit, and for forming the audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including significant deficiencies identified in the 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 the key audit matters of the 2019 consolidated financial statements of the Group. We have described these matters in our auditor's report unless law or regulation precludes public 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.

Deloitte Touche Tohmatsu

CPA CHEN HUI-MING

CPA CHIH JUI-CHUAN

Securities and Futures Bureau Approval  
Document No.

Tai-Cai-Zheng-6 No. 0920123784

Financial Supervisory Commission Approval  
Document No.

FSC Approval No. 1060023872

March 25, 2020

Paragon Technologies Co., Ltd. and Its Subsidiaries  
CONSOLIDATED BALANCE SHEETS  
For the Years Ended December 31, 2019 and 2018

Unit: Thousand NTD

Code	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents (Notes 4, 6 and 32)	\$ 634,041	30	\$ 539,130	23
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	-	-	31,304	1
1136	Financial assets at amortized cost - current (Notes 4, 8, 32 and 34)	-	-	335,094	14
1150	Notes receivable, net (Notes 4, 9, 24 and 32)	269	-	9,168	-
1170	Accounts receivable, net (Notes 4, 9, 24 and 32)	313,267	15	280,420	12
1200	Other receivables (Notes 4, 9 and 32)	14,893	1	11,986	1
1220	Current income tax assets (Notes 4 and 26)	255	-	362	-
130X	Inventories (Notes 4 and 10)	9,140	-	8,298	-
1429	Prepayments (Note 17)	15,532	1	11,815	1
1412	Prepaid rent (Notes 4 and 16)	-	-	1,555	-
1470	Other current assets (Note 17)	1,852	-	1,816	-
11XX	Total current assets	<u>989,249</u>	<u>47</u>	<u>1,230,948</u>	<u>52</u>
<b>Non-current assets</b>					
1535	Financial assets at amortized cost - non-current (Notes 4, 8, 33 and 34)	249,690	12	259,376	11
1550	Investments accounted for using equity method (Notes 4 and 12)	3,307	-	4,599	-
1600	Property, plant and equipment (Notes 4, 5 and 13)	507,045	24	683,627	29
1755	Right-of-use assets (Notes 3, 4 and 14)	112,205	6	-	-
1780	Intangible assets (Notes 4 and 15)	603	-	773	-
1840	Deferred tax assets (Notes 4 and 26)	88,481	4	88,986	4
1915	Prepayments for equipment (Note 17)	1,005	-	2,126	-
1920	Refundable deposits (Notes 17, 32, 34 and 35)	146,102	7	13,535	1
1985	Long-term prepaid rent (Notes 4 and 16)	-	-	75,394	3
1990	Other non-current assets (Note 17)	3,450	-	3,450	-
15XX	Total non-current assets	<u>1,111,888</u>	<u>53</u>	<u>1,131,866</u>	<u>48</u>
1XXX	<b>TOTAL</b>	<u>\$ 2,101,137</u>	<u>100</u>	<u>\$ 2,362,814</u>	<u>100</u>
<b>Liabilities and equities</b>					
<b>Current liabilities</b>					
2100	Short-term loans (Notes 4, 18, 32, and 34)	\$ 361,811	17	\$ 473,562	20
2170	Accounts payable (Notes 19 and 32)	6,513	-	7,911	-
2200	Other payable (Note 20 and 32)	118,909	6	116,595	5
2230	Current income tax liabilities (Notes 4 and 26)	4,836	-	10,600	1
2250	Provisions – current (Notes 4 and 21)	11,261	1	70,719	3
2280	Lease liabilities - current (Notes 3, 4, 14 and 32)	13,883	1	-	-
2320	Current portion of long-term loans payable (Notes 17, 18, 32 and 34)	8,568	-	-	-
2399	Other current liabilities (Note 20)	884	-	423	-
21XX	Total current liabilities	<u>526,665</u>	<u>25</u>	<u>679,810</u>	<u>29</u>
<b>Non-current liabilities</b>					
2540	Long-term loans (Notes 17, 18, 32 and 34)	118,429	6	-	-
2550	Provisions – non-current (Notes 4 and 21)	2,677	-	11,105	1
2580	Lease liabilities - non-current (Notes 3, 4, 14 and 32)	26,781	1	-	-
2630	Long-term deferred income (Notes 20 and 29)	8,481	1	9,069	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 22)	1,774	-	2,073	-
2670	Other non-current liabilities (Notes 20 and 32)	86	-	89	-
25XX	Total non-current liabilities	<u>158,228</u>	<u>8</u>	<u>22,336</u>	<u>1</u>
2XXX	Total liabilities	<u>684,893</u>	<u>33</u>	<u>702,146</u>	<u>30</u>
<b>Equity attributable to owners of the Company (Notes 4, 23 and 28)</b>					
<b>Capital Stock</b>					
3110	Common stocks	807,522	38	807,522	34
3200	Capital surplus	1,007,800	48	1,437,214	61
<b>Retained earnings</b>					
3320	Special reserve	-	-	60,379	3
3350	Unappropriated retained earnings	(197,258)	(9)	(489,793)	(21)
3300	Total retained earnings	(197,258)	(9)	(429,414)	(18)
3500	Treasury stock	(34,651)	(2)	(34,651)	(2)
3400	Other equities	(167,175)	(8)	(120,010)	(5)
31XX	Equity attributable to shareholders of the parent	1,416,238	67	1,660,661	70
36XX	Non-controlling interests	6	-	7	-
3XXX	Total equity	<u>1,416,244</u>	<u>67</u>	<u>1,660,668</u>	<u>70</u>
<b>Total Liabilities and Equity</b>					
		<u>\$ 2,101,137</u>	<u>100</u>	<u>\$ 2,362,814</u>	<u>100</u>

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

Chairman: Chen Zai Pu

Manager: Wang Hsiao Long

Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2019 and 2018

Unit: Thousand NTD, except for loss per share in NTD

Code		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4, 24, 33 and 39)	\$ 546,881	100	\$ 576,456	100
5000	Operating costs (Note 10 and 25)	( 461,069)	( 84)	( 561,454)	( 97)
5950	Gross profit	<u>85,812</u>	<u>16</u>	<u>15,002</u>	<u>3</u>
	Operating expenses (Note 22, 25 and 33)				
6100	Marketing	20,219	3	( 52,031)	( 9)
6200	Management and general expenses	( 170,774)	( 31)	( 201,380)	( 35)
6300	Research and development	( 39,793)	( 7)	( 43,876)	( 8)
6000	Total operating expenses	( 190,348)	( 35)	( 297,287)	( 52)
6900	Loss from operations (Net operation loss)	( 104,536)	( 19)	( 282,285)	( 49)
	Non-operating income and expenses (Notes 4, 12, 13, 14, 17, 25, 29, 35, and 37)				
7010	Other income	32,694	6	22,381	4
7020	Other gains and losses	( 64,031)	( 12)	( 25,609)	( 5)
7050	Financial costs	( 24,551)	( 5)	( 13,244)	( 2)
7060	Recognized share of the profit and loss of the affiliated enterprises and joint ventures using equity method	( 1,292)	-	( 401)	-
7000	Total non-operating income and expenses	( 57,180)	( 11)	( 16,873)	( 3)
7900	Net loss before tax	( 161,716)	( 30)	( 299,158)	( 52)
7950	Income tax expense (Notes 4 and 26)	( 35,769)	( 6)	( 39,150)	( 7)
8200	Net loss	( 197,485)	( 36)	( 338,308)	( 59)
	Other comprehensive income (loss)				

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Code		2019		2018	
		Amount	%	Amount	%
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Notes 4, 22 and 26)	282	-	( 196)	-
8349	Income tax benefit related to items that will not be reclassified subsequently (Notes 4 and 26)	( 56)	-	76	-
	Subtotal	<u>226</u>	<u>-</u>	<u>( 120)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences arising from translation of foreign operations (Notes 4 and 23)	( 58,956)	( 11)	( 39,041)	( 7)
8399	Income tax expense related to items that may be reclassified subsequently (Notes 4, 23 and 26)	<u>11,791</u>	<u>2</u>	<u>11,137</u>	<u>2</u>
	Subtotal	<u>( 47,165)</u>	<u>( 9)</u>	<u>( 27,904)</u>	<u>( 5)</u>
8300	Other comprehensive loss for the year, net of income tax	<u>( 46,939)</u>	<u>( 9)</u>	<u>( 28,024)</u>	<u>( 5)</u>
8500	Total comprehensive income (loss) for the year	<u>(\$ 244,424)</u>	<u>( 45)</u>	<u>(\$ 366,332)</u>	<u>( 64)</u>
	Net loss attributable to:				
8610	Shareholders of the parent	(\$ 197,484)	( 36)	(\$ 338,307)	( 59)
8620	Non-controlling interests	<u>( 1)</u>	<u>-</u>	<u>( 1)</u>	<u>-</u>
8600		<u>(\$ 197,485)</u>	<u>( 36)</u>	<u>(\$ 338,308)</u>	<u>( 59)</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the parent	(\$ 244,423)	( 45)	(\$ 366,331)	( 64)
8720	Non-controlling interests	<u>( 1)</u>	<u>-</u>	<u>( 1)</u>	<u>-</u>
8700		<u>(\$ 244,424)</u>	<u>( 45)</u>	<u>(\$ 366,332)</u>	<u>( 64)</u>
	Loss per share (Note 27) from continuing business				
9710	Basic	<u>(\$ 2.50)</u>		<u>(\$ 4.27)</u>	
9810	Diluted	<u>(\$ 2.50)</u>		<u>(\$ 4.27)</u>	

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

Chairman:  
Chen Zai Pu

Manager:  
Wang Hsiao Long

Accounting Supervisor:  
Liu Ming Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
January 1 to December 31, 2019 and 2018

Unit: Thousand NTD, unless otherwise stated

		Equity Attributable to Shareholders of the Parent										
Code		Capital stock		Retained earnings			Exchange differences arising from translation of foreign operations	Treasury stock	Total	Non-controlling interests (Note 21)	Total equity	
		Stocks (In Thousands)	Amount	Capital surplus	Legal surplus	Special reserve						Accumulated deficit
A1	Balance as of January 1, 2018	80,752	\$ 807,522	\$ 1,437,214	\$ 92,118	\$ 60,379	(\$ 243,484)	(\$ 92,106)	(\$ 34,651)	\$ 2,026,992	\$ 8	\$ 2,027,000
B13	Loss offset by legal reserve	-	-	-	( 92,118)	-	92,118	-	-	-	-	-
D1	Total net loss in 2018	-	-	-	-	-	( 338,307)	-	-	( 338,307)	( 1)	( 338,308)
D3	Other comprehensive income (loss) in 2018	-	-	-	-	-	( 120)	( 27,904)	-	( 28,024)	-	( 28,024)
D5	Total comprehensive income (loss) in 2018	-	-	-	-	-	( 338,427)	( 27,904)	-	( 366,331)	( 1)	( 366,332)
Z1	Balance as of December 31, 2018	80,752	807,522	1,437,214	-	60,379	( 489,793)	( 120,010)	( 34,651)	1,660,661	7	1,660,668
B15	Loss offset by appropriated retained earnings	-	-	-	-	( 60,379)	60,379	-	-	-	-	-
C11	Compensation for deficit from paid-in capital reserve	-	-	( 429,414)	-	-	429,414	-	-	-	-	-
D1	Total net loss in 2019	-	-	-	-	-	( 197,484)	-	-	( 197,484)	( 1)	( 197,485)
D3	Other comprehensive income (loss) in 2019	-	-	-	-	-	226	( 47,165)	-	( 46,939)	-	( 46,939)
D5	Total comprehensive income (loss) in 2019	-	-	-	-	-	( 197,258)	( 47,165)	-	( 244,423)	( 1)	( 244,424)
Z1	Balance as of December 31, 2019	80,752	\$ 807,522	\$ 1,007,800	\$ -	\$ -	(\$ 197,258)	(\$ 167,175)	(\$ 34,651)	\$ 1,416,238	\$ 6	\$ 1,416,244

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

Chairman: Chen Zai Pu

Manager: Wang Hsiao Long

Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2019 and 2018

Code		Unit: Thousand NTD	
		2019	2018
	Cash flows from operating activities		
A10000	Loss before income tax	(\$ 161,716)	(\$ 299,158)
A20010	Adjustments for:		
A20300	Expected reversal gain on credit	( 2,503)	( 4,130)
A20100	Depreciation expense	164,798	185,023
A20200	Amortization expense	620	757
A29900	Amortization for prepaid rents	-	1,744
A20900	Financial costs	24,551	13,244
A29900	Reversal or allocation for provisions	( 46,651)	24,818
A29900	Amortization on realized long-term deferred income	( 349)	( 356)
A22300	Share of profits (losses) of associates accounted for using equity method	1,292	401
A21200	Interest income	( 32,694)	( 22,381)
A23500	Impairment (reversal) loss of refundable deposits	( 1,457)	21,101
A23700	Allowance for inventories	726	-
A23800	Gain on reversal of allowance for inventories	-	( 186)
A22500	Gain (loss) from disposal of property, plant and equipment	( 9)	4,262
A23700	Impairment loss recognized on property, plant and equipment	16,850	12,543
A20400	Net gain recognized on financial assets and liabilities measured at fair value through profit or loss	( 7,151)	( 9,274)
A24100	Foreign currency (gains) losses	( 563)	3,343
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	8,899	( 1,934)
A31150	Accounts receivable	( 30,234)	49,726
A31180	Other receivables	( 143)	706
A31200	Inventory	( 1,460)	6,221
A31230	Prepayments	( 3,909)	28,077
A31240	Other current assets	( 36)	683
A32130	Notes payable	-	( 25)
A32150	Accounts payable	( 1,398)	( 6,886)
A32180	Other Payables	1,696	( 23,110)
A32200	Provisions	( 20,748)	( 38)
A32230	Other current liabilities	461	59
A32240	Net defined benefit liabilities	( 17)	( 37)
A33000	Cash outflow from operations	( 91,145)	( 14,807)

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<u>Code</u>		<u>2019</u>	<u>2018</u>
A33100	Interest received	29,930	16,516
A33300	Interest paid	( 23,491 )	( 13,220 )
A33500	Income tax paid	( 29,251 )	( 7,575 )
AAAA	Net cash outflow from operating activities	( 113,957 )	( 19,086 )
	Cash flow from investment activities		
B00100	Acquisition of financial assets at fair value through profit or loss	( 271,215 )	( 775,892 )
B00200	Sale of financial assets at fair value through profit or loss	308,501	1,106,432
B00040	Acquisition of financial assets at amortized cost	( 1,013,253 )	( 1,026,465 )
B00050	Disposal of financial assets at amortized cost	1,335,833	610,875
B01800	Acquisition of long-term investment in shares through equity method	-	( 5,000 )
B02700	Acquisition of property, plant and equipment	( 9,620 )	( 22,879 )
B02800	Disposal of property, plant and equipment	275	3,796
B03700	Refundable deposits paid	( 131,110 )	-
B03800	Refundable deposits refunded	-	2,126
B04500	Acquisition of intangible assets	( 463 )	( 363 )
B07100	Increase in prepaid expenses for equipment	-	( 14,937 )
BBBB	Net cash inflows (outflows) from investing activities	218,948	( 122,307 )
	Cash flow from financing activities		
C00100	Increase in short-term loans	-	176,795
C00200	Decrease in short-term loans	( 111,301 )	-
C01600	Increase in long-term borrowings	126,997	-
C03100	Deposit deposit refund	( 3 )	( 2 )
C04020	Repayment of the principal amount of lease liabilities	( 14,492 )	-
CCCC	Net cash provided by financing activities	1,201	176,793
DDDD	Effect of exchange rate changes on cash and cash equivalents	( 11,281 )	( 14,458 )
EEEE	Increases in cash and cash equivalents	94,911	20,942
E00100	Balance of cash and cash equivalents at beginning of year	539,130	518,188
E00200	Balance of cash and cash equivalents at end of year	\$ 634,041	\$ 539,130

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

Chairman:  
Chen Zai Pu

Manager:  
Wang Hsiao Long

Accounting Supervisor:  
Liu Ming Yi

## CPA's Audit Report

To Paragon Technologies Co., Ltd.

### Opinion

We have audited the parent company only financial statements of Paragon Technologies Company Limited (“the Company”), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, the parent company only statements of comprehensive income, changes in equity and cash flow for the years then ended, as well as notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the parent company only financial statements above give a true and fair view in all material aspects of the financial position of Paragon Technologies Co., Ltd. as at December 31, 2019 and 2018, and of its financial performance and its cash flows from January 1 to December 31, 2019 and 2018 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for opinion

We conducted our audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Official Letter No. 1090360805 issued by Financial Supervisory Committee on February 25, 2020, and Generally Accepted Auditing Standards (GAAS) for the year of 2019. We conducted our audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and GAAS for the year of 2018. Our responsibilities under those standards are further described in the Auditors’ 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China (“The Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 Paragon Technologies Co., Ltd. for the year ended December 31, 2019. These items have been covered in the verification process of the overall parent company only financial statements and the audit opinions; hence, the CPA shall not express separate opinions on these items.

Key audit matters for the parent company only financial statements of Paragon Technologies Co., Ltd. in 2019 are as follows:

Key Audit Matters relating to the Subsidiaries' financial statements

Explanation

As of December 31, 2019, Paragon Technologies Co., Ltd.'s investments accounted for using equity method were NT\$1,299,846 thousand, accounting for 83% of the total assets. We have also taken into account the key audit matters identified in the Subsidiaries' financial statements when dealing with those identified in the parent company only financial statements of Paragon Technologies Co., Ltd. For details, please see notes 4 and 9 of the parent company only financial statements.

As the amount is substantial on the consolidated level, any misstatements in the Subsidiaries' financial statements that fail to reflect the Subsidiaries' operations for the year, or any miscalculations of their profits and loss, shall lead to an inaccurate amount of investments accounted for using equity method.

Corresponding audit procedures performed

We have understood the Company's controls over the operations and financial performances of its Subsidiaries, and have performed the following audit procedures on the key audit matters regarding the Subsidiaries' financial statements:

Impairment of Subsidiaries' property, plant and equipment

The main businesses of its subsidiaries include sputtering services for EMI-related electronic components, manufacturing of wheel coating products and the research, development and trading of

machinery equipment and parts. In 2018, the sales faltered during the early stages of the expansion of manufacturing of wheel coating and some EMI equipment was idle as operation adjustment, causing the management to anticipate that the property, plant and equipment shall generate less future cash flow to such an extent that their recoverable amount is less than their book value. Because of that, its subsidiaries recognized impairment loss of NT\$16,850 thousand during the year of 2019.

As the income from the wheel coating business remained unstable, the management was unable to reasonably measure the value-in-use of the property, plant and equipment when determining the recoverable amount of same; instead, the fair value less costs to sell was adopted, with highly professional third-party expert's opinion being the basis of the future cash flow estimates. For such reasons, we identified the valuation of impairment on the property, plant and equipment as one of the key audit matters.

The audit procedures performed included:

1. Understanding how management of its subsidiaries evaluates and approves the valuation of impairment on property, plant and equipment.
2. Evaluating the education background of the third party expert and determining whether appropriate assumptions and techniques were used by the third party expert in estimating the fair value of the property, plant and equipment, with the help of our in-house consultants.
3. Testing the sample of the input value information with the assistance of the financial adviser of the firm to verify the correctness of the input value in the expert report.

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

The responsibilities of the management are to prepare the parent company only financial statements that give a true and fair view in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission with effective dates, as well as to maintain necessary internal controls that 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 the Audit Committee) are responsible for overseeing the Company's financial reporting process.

#### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Material misstatements may result from fraud or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the parent financial statements, they shall be deemed as material.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement within the parent company only financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence 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 controls 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 controls.
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 are of the opinion 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 relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and execution of the parent company only audit, and for forming the audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including significant deficiencies identified in the 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 the key audit matters of the 2019 parent company only financial statements of Paragon Technologies Co., Ltd. We have described these matters in our auditor's report unless law or regulation precludes public 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.

Deloitte Touche Tohmatsu

CPA CHEN HUI-MING

CPA CHIH JUI-CHUAN

Securities and Futures Bureau Approval  
Document No.

Tai-Cai-Zheng-6 No. 0920123784

Financial Supervisory Commission Approval  
Document No.

FSC Approval No. 1060023872

March 25, 2020

Paragon Technologies Co., Ltd.  
Parent Company Only Balance Sheets  
For the Years Ended December 31, 2019 and 2018

Unit: Thousand NTD

Code	Assets	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Notes 4, 6 and 27)	\$ 58,074	4	\$ 83,774	5
1150	Net notes receivable (Notes 4, 7, 20 and 27)	147	-	-	-
1170	Accounts receivables (Notes 4, 7, 20 and 27)	154	-	254	-
1210	Other Receivables - Related Parties (Notes 4, 7, 27 and 28)	50,508	3	48,173	3
1200	Other receivables (Notes 4, 7 and 27)	80	-	107	-
1220	Current tax assets (Notes 4 and 22)	185	-	362	-
130X	Inventories (Notes 4 and 8)	1,517	-	453	-
1410	Prepaid expenses (Note 13)	3,835	-	4,278	-
1470	Other current assets (Note 13)	457	-	317	-
11XX	Total current assets	<u>114,957</u>	<u>7</u>	<u>137,718</u>	<u>8</u>
	<b>Non-current assets</b>				
1550	Investment accounted for using equity method (Notes 4, 9 and 28)	1,299,846	83	1,531,623	85
1600	Property, plant and equipment (Notes 4, 10, 21 and 28)	42,463	3	49,429	3
1755	Right-of-use asset (Notes 4 and 11)	16,148	1	-	-
1780	Intangible assets (Notes 4 and 12)	236	-	127	-
1840	Deferred tax assets (Notes 4 and 22)	78,629	5	75,903	4
1915	Prepayments for equipment (Note 13)	518	-	1,080	-
1920	Refundable deposits (Notes 13 and 27)	5,122	1	4,162	-
1990	Other noncurrent assets (Note 13)	3,450	-	3,450	-
15XX	Total non-current assets	<u>1,446,412</u>	<u>93</u>	<u>1,665,774</u>	<u>92</u>
1XXX	<b>TOTAL</b>	<u>\$ 1,561,369</u>	<u>100</u>	<u>\$ 1,803,492</u>	<u>100</u>
	<b>Liabilities and equities</b>				
	<b>Current liabilities</b>				
2100	Short-term loans (Notes 14 and 27)	\$ 100,000	6	\$ 110,000	6
2170	Accounts payable (Notes 15 and 27)	750	-	1,456	-
2219	Other payables (Notes 16 and 27)	23,378	2	27,778	2
2220	Other payables - related parties (Notes 16, 27 and 28)	1,176	-	-	-
2280	Lease liabilities - current (Notes 3, 4, 11 and 27)	6,216	-	-	-
2399	Other current liabilities (Note 16)	364	-	364	-
21XX	Total current liabilities	<u>131,884</u>	<u>8</u>	<u>139,598</u>	<u>8</u>
	<b>Non-current liabilities</b>				
2550	Provisions - non-current (Notes 4 and 17)	1,418	-	1,160	-
2580	Lease liabilities - non-current (Notes 3, 4, 11 and 27)	10,055	1	-	-
2640	Net defined benefit liability - non-current (Notes 4 and 18)	1,774	-	2,073	-
25XX	Total non-current liabilities	<u>13,247</u>	<u>1</u>	<u>3,233</u>	<u>-</u>
2XXX	Total liabilities	<u>145,131</u>	<u>9</u>	<u>142,831</u>	<u>8</u>
	<b>Equity (Notes 4, 18, 19 and 24)</b>				
	<b>Capital Stock</b>				
3110	Common stocks	807,522	52	807,522	45
3200	Capital surplus	1,007,800	65	1,437,214	80
	<b>Retained earnings</b>				
3310	Legal surplus	-	-	-	-
3320	Special reserve	-	-	60,379	3
3350	Unappropriated retained earnings	(197,258)	(13)	(489,793)	(27)
3300	Total retained earnings	<u>(197,258)</u>	<u>(13)</u>	<u>(429,414)</u>	<u>(24)</u>
3400	Other equities	(167,175)	(11)	(120,010)	(7)
3500	Treasury stock	(34,651)	(2)	(34,651)	(2)
3XXX	Total equity	<u>1,416,238</u>	<u>91</u>	<u>1,660,661</u>	<u>92</u>
	<b>Total Liabilities and Equity</b>	<u>\$ 1,561,369</u>	<u>100</u>	<u>\$ 1,803,492</u>	<u>100</u>

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

Chairman: Chen Zai Pu

Manager: Wang Hsiao Long

Accounting Supervisor: Liu Ming Yi



Paragon Technologies Co., Ltd.  
Parent Company Only Statements of Comprehensive Income  
January 1 to December 31, 2019 and 2018

Unit: Thousand NTD, except for loss per share in NTD

Code		2019		2018	
		Amount	%	Amount	%
4000	Revenue (Notes 4, 20 and 28)	\$ 6,143	100	\$ 4,146	100
5000	Operating costs (Notes 4, 8 and 21)	( 3,098)	( 50)	( 1,209)	( 29)
5900	Gross profit	3,045	50	2,937	71
5920	Realized profits on subsidiaries, affiliated companies and joint ventures (Note 28)	<u>47,304</u>	<u>770</u>	<u>71,713</u>	<u>1,730</u>
5950	Realized gross profit	<u>50,349</u>	<u>820</u>	<u>74,650</u>	<u>1,801</u>
	Operating expenses (Notes 18, 21 and 28)				
6100	Marketing	( 194)	( 3)	( 68)	( 2)
6200	General and administrative	( 63,056)	(1,027)	( 77,658)	(1,873)
6300	Research and development	( <u>33,811</u> )	( <u>550</u> )	( <u>34,531</u> )	( <u>833</u> )
6000	Total operating expenses	( <u>97,061</u> )	( <u>1,580</u> )	( <u>112,257</u> )	( <u>2,708</u> )
6900	Loss from operations (Net operation loss)	( <u>46,712</u> )	( <u>760</u> )	( <u>37,607</u> )	( <u>907</u> )
	Non-operating income and expenses (Notes 9, 21 and 28)				
7010	Other income	26,668	434	28,854	696
7020	Other gains and losses	( 3,527)	( 58)	( 695)	( 17)
7050	Financial costs	( 1,923)	( 31)	( 1,558)	( 37)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	( <u>156,209</u> )	( <u>2,543</u> )	( <u>315,330</u> )	( <u>7,606</u> )
7000	Total non-operating income and expenses	( <u>134,991</u> )	( <u>2,198</u> )	( <u>288,729</u> )	( <u>6,964</u> )

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Code		2019		2018	
		Amount	%	Amount	%
7900	Continuing Operating Loss before Tax	( 181,703 )	( 2,958 )	( 326,336 )	( 7,871 )
7950	Income tax expense (Notes 4 and 22)	( 15,781 )	( 257 )	( 11,971 )	( 289 )
8200	Net loss	( 197,484 )	( 3,215 )	( 338,307 )	( 8,160 )
	Other comprehensive income (loss) (Notes 4, 18, 19 and 22)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	282	5	( 196 )	( 5 )
8349	Income tax benefit related to items that will not be reclassified subsequently	( 56 )	( 1 )	76	2
8310		<u>226</u>	<u>4</u>	( <u>120</u> )	( <u>3</u> )
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences arising from translation of foreign operations	( 58,956 )	( 960 )	( 39,041 )	( 942 )
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	-
8399	Income tax expense related to items that may be reclassified subsequently	<u>11,791</u>	<u>192</u>	<u>11,137</u>	<u>269</u>
8360		( <u>47,165</u> )	( <u>768</u> )	( <u>27,904</u> )	( <u>673</u> )
8300	Other comprehensive loss for the year, net of income tax	( 46,939 )	( 764 )	( 28,024 )	( 676 )
8500	Total comprehensive income (loss) for the year	( \$ 244,423 )	( 3,979 )	( \$ 366,331 )	( 8,836 )
	Loss per share (Note 23) from continuing business				
9710	Basic	( \$ 2.50 )		( \$ 4.27 )	
9810	Diluted	( \$ 2.50 )		( \$ 4.27 )	

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

Chairman:  
Chen Zai Pu

Manager:  
Wang Hsiao Long

Accounting Supervisor:  
Liu Ming Yi

Paragon Technologies Co., Ltd.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
January 1 to December 31, 2019 and 2018

Unit: Thousand NTD

Code		Capital stock		Retained earnings			Other equities	Treasury stock	Total equity	
		Stocks (In Thousands)	Amount	Capital surplus	Legal surplus	Special reserve	Accumulated deficit			Exchange differences arising from translation of foreign operations
A1	Balance as of January 1, 2018	80,752	\$ 807,522	\$ 1,437,214	\$ 92,118	\$ 60,379	(\$ 243,484)	(\$ 92,106)	(\$ 34,651)	\$ 2,026,992
B13	Loss offset by legal reserve	-	-	-	( 92,118)	-	92,118	-	-	-
D1	Total net loss in 2018	-	-	-	-	-	( 338,307)	-	-	( 338,307)
D3	Other comprehensive income (loss) in 2018	-	-	-	-	-	( 120)	( 27,904)	-	( 28,024)
D5	Total comprehensive income (loss) in 2018	-	-	-	-	-	( 338,427)	( 27,904)	-	( 366,331)
Z1	Balance as of December 31, 2018	80,752	807,522	1,437,214	-	60,379	( 489,793)	( 120,010)	( 34,651)	1,660,661
B15	Loss offset by appropriated retained earnings	-	-	-	-	( 60,379)	60,379	-	-	-
C11	Compensation for deficit from paid-in capital reserve	-	-	( 429,414)	-	-	429,414	-	-	-
D1	Total net loss in 2019	-	-	-	-	-	( 197,484)	-	-	( 197,484)
D3	Other comprehensive income (loss) in 2019	-	-	-	-	-	226	( 47,165)	-	( 46,939)
D5	Total comprehensive income (loss) in 2019	-	-	-	-	-	( 197,258)	( 47,165)	-	( 244,423)
Z1	Balance as of December 31, 2019	<u>80,752</u>	<u>\$ 807,522</u>	<u>\$ 1,007,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 197,258)</u>	<u>(\$ 167,175)</u>	<u>(\$ 34,651)</u>	<u>\$ 1,416,238</u>

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

Chairman: Chen Zai Pu

Manager: Wang Hsiao Long

Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.  
PARENT ONLY COMPANY STATEMENTS OF CASH FLOWS  
January 1 to December 31, 2019 and 2018

Unit: Thousand NTD

Code		2019	2018
	Cash flows from operating activities		
A10000	Loss before income tax	(\$ 181,703)	(\$ 326,336)
A20010	Adjustments for:		
A20100	Depreciation expense	17,296	16,796
A20200	Amortization expense	354	309
A20900	Financial costs	1,923	1,558
A22400	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	156,209	315,330
A21200	Interest income	( 838)	( 1,157)
A23800	Loss from price decline in inventories	201	113
A24000	Realized gross profit on sales to subsidiaries, associates and joint ventures	( 47,304)	( 71,713)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	( 147)	-
A31150	Accounts receivable	100	( 254)
A31180	Other receivables	( 16)	( 54)
A31190	Other receivables - related parties	1,813	2,030
A31200	Inventory	( 1,265)	293
A31230	Prepayments	443	( 1,384)
A31240	Other current assets	( 140)	( 9)
A32130	Notes payable	-	( 25)
A32150	Accounts payable	( 706)	1,152
A32180	Other payables	( 2,970)	1,104
A32200	Provisions	258	235
A32230	Other current liabilities	-	13
A32240	Net defined benefit liabilities - non-current	( 17)	( 37)
A33000	Cash outflow from operations	( 56,509)	( 62,036)
A33100	Interest received	881	1,187
A33300	Interest paid	( 1,621)	( 1,582)
A33500	Income tax paid	( 6,595)	( 1,181)
AAAA	Net cash outflow from operating activities	( 63,844)	( 63,612)
	Cash flow from investment activities		
B01800	Acquisition of long-term investment in shares through equity method	-	( 5,000)

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Code		2019	2018
B07600	Dividends received from subsidiaries, joint ventures and associates	59,768	51,385
B02700	Acquisition of property, plant and equipment	( 2,954)	( 15,567)
B04500	Acquisition of intangible assets	( 463)	( 340)
B03700	Refundable deposits paid	( 960)	-
B03800	Refundable deposits refunded	-	2,019
B07100	Increase in prepaid expenses for equipment	( 518)	( 12,635)
BBBB	Net cash used in (generated by) investing activities	<u>54,873</u>	<u>19,862</u>
	Cash flow from financing activities		
C00100	Increase in short-term loans	-	30,000
C00200	Decrease in short-term loans	( 10,000)	-
C04020	Repayment of the principal amount of lease liabilities	( 6,729)	-
CCCC	Net cash inflow (outflow) from financing activities	<u>( 16,729)</u>	<u>30,000</u>
EEEE	Decrease in cash and cash equivalents	( 25,700)	( 13,750)
E00100	Balance of Cash and Cash Equivalents, Beginning of Year	<u>83,774</u>	<u>97,524</u>
E00200	Balance of Cash and Cash Equivalents, Beginning of Year	<u>\$ 58,074</u>	<u>\$ 83,774</u>

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

Chairman:  
Chen Zai Pu

Manager:  
Wang Hsiao Long

Accounting Supervisor:  
Liu Ming Yi

**Attachment V**

**Paragon Technologies Co., Ltd.**  
**Contrast Table for the Amended Articles of the Measures for**  
**Transferring 2017 Treasury Stock to Employees**

Original Article	Articles after the amendment	Articles before the amendment	Explanation
Article 3	Transfer period Buyback stocks shall be, in one or multiple times, transferred to employees within five years after the execution of the buyback, as required by the Measures.	Transfer period Buyback stocks shall be, in one or multiple times, transferred to employees within three years after the execution of the buyback, as required by the Measures.	Amended in accordance with Article 28-2, Paragraph 4 of the Securities and Exchange Act

## Attachment VI

### **Paragon Technologies Co., Ltd.** **Contrast Table for the Amended Articles of the Procedures for Ethical Management and Guidelines for Conduct**

Articles	Articles after the amendment	Articles before the amendment	Explanation
Article 5	<p>The Company shall designate the Finance Department as the sole responsible unit (hereinafter known as the "responsible unit") and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports (at least once a year) to the Board of Directors:</p> <p>I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</p> <p>III. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>V. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>VI. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of</p>	<p>The Company shall designate the Auditing Office, the subordinate of the Board of Directors, as the sole responsible unit (hereinafter known as the "responsible unit") and in charge of the amendment, implementation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the Board of Directors:</p> <p>Legal affairs personnel is responsible for the interpretation and consulting services of these Procedure and Guidelines.</p>	Amended in accordance with the relevant regulations of the competent authority.

Articles	Articles after the amendment	Articles before the amendment	Explanation
	<p>implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p> <p>VII. Producing and properly preserving the ethical management policy and its compliance statement, implementing the commitments and executions as well as other relevant documented information.</p> <p>Legal affairs personnel is responsible for the interpretation and consulting services of these Procedure and Guidelines.</p>		
Article 11	<p>When a director, manager, or other stakeholder of the Company attending or being present at a board meeting, or the juristic person represented thereby, has a stake in any item discussed at the meeting, the said director, manager, or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. Directors shall also exercise self-discipline and must not support one another in improper dealings. Where the spouse, a relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, the director shall be deemed to have a personal interest in the matter. If the Company's personnel discover that they themselves or parties they represent have a conflict of interest while implementing company business, or if they themselves, their spouse, parents, offspring, or other stakeholders obtain improper interests, the situation shall be reported to their direct supervisors and the Company's dedicated unit. Direct</p>	<p>When a director, manager, or other stakeholder of the Company attending or being present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, the said director, manager, or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. Directors shall also exercise self-discipline and must not support one another in improper dealings. If the Company's personnel discover that they themselves or parties they represent have a conflict of interest while implementing company business, or if they themselves, their spouse, parents, offspring, or other stakeholders obtain improper interests, the situation shall be reported to their direct</p>	Amended in accordance with the relevant regulations of the competent authority.



Articles	Articles after the amendment	Articles before the amendment	Explanation
	<p>supervisors shall provide appropriate guidance.</p> <p>No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.</p>	<p>supervisors and the Company's dedicated unit. Direct supervisors shall provide appropriate guidance. No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.</p>	
Article 16	<p>The Company shall require directors and senior executives to issue a statement of compliance with the ethical management policy, and require the employees to abide by the ethical management policy in terms of employment conditions.</p> <p>The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p>	<p>The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p>	Amended in accordance with the relevant regulations of the competent authority.

Articles	Articles after the amendment	Articles before the amendment	Explanation
Article 21	<p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, the Company will grant a monetary reward depending the seriousness of the circumstance concerned. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</p> <p>The Company shall internally establish and publicly announce on its website and the intranet, or provide, through an independent external institution, an independent mailbox or hotline, for insiders and outsiders of the Company to submit reports. A whistleblower shall at least furnish the following information:</p> <p>I. The whistleblower's name and I.D. number, and an address, telephone number and e-mail address where he or she can be reached. The whistleblower may report unethical acts anonymously.</p> <p>II. The informed party's name or other information sufficient to distinguish its identifying features.</p> <p>III. Specific facts available for investigation.</p> <p>The Company's personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. the Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p> <p>The responsible unit of the Company shall observe the following procedure:</p> <p>I. The information shall be reported to the department head if involving the rank and file and to an independent director or supervisor if involving a director or a senior executive.</p> <p>II. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal</p>	<p>As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, this Corporation will grant a monetary reward depending the seriousness of the circumstance concerned. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</p> <p>The company shall instruct the relevant units to discuss the unethical behaviors that have occurred, and propose improvement measures to prevent the same behavior from happening again.</p>	<p>Amended in accordance with the relevant regulations of the competent authority.</p>

Articles	Articles after the amendment	Articles before the amendment	Explanation
	<p>compliance or other related department.</p> <p>III. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.</p> <p>IV. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a lawsuit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.</p> <p>V. With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.</p> <p>VI. The responsible unit of the Company shall submit to the Board of Directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.</p> <p>The company shall instruct the relevant units to discuss the unethical behaviors that have occurred, and propose improvement measures to prevent the same behavior from happening again.</p>		

Articles	Articles after the amendment	Articles before the amendment	Explanation
Article 24	<p>These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors, and shall be reported to the meeting of shareholders.</p> <p>When submitting the operating procedures and behavior guidelines to the board of directors for discussion, the opinions of each independent director should be fully considered, and the opinions of their objections or reservations should be stated in the minutes of the board meeting; if the independent directors cannot attend the board of directors in person to express their objections or reservations In addition to having justified reasons, a written opinion should be issued in advance and set out in the minutes of the board meeting.</p>	<p>These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.</p> <p>When submitting the operating procedures and behavior guidelines to the board of directors for discussion, the opinions of each independent director should be fully considered, and the opinions of their objections or reservations should be stated in the minutes of the board meeting; if the independent directors cannot attend the board of directors in person to express their objections or reservations In addition to having justified reasons, a written opinion should be issued in advance and set out in the minutes of the board meeting.</p>	Amended in accordance with the relevant regulations of the competent authority.

## Attachment VII

### Paragon Technologies Co., Ltd.

#### Contrast Table for the Amended Articles of the Articles of Association

Original Article	Articles after the amendment	Articles before the amendment	Explanation
Article 1	The Company is organized in accordance with the provisions of the Company Act and is named Paragon Technologies Co., Ltd; the English name of the Company is Paragon Technologies Co., Ltd.	The Company is organized in accordance with the provisions of the Company Act and is named Paragon Technologies Co., Ltd.	Amended in accordance with Articles 18 and 392-1 of the Company Act
Article 7-1	The Company's employee treasury stocks, employee stock warrants, employee compensation, employee subscription of new stocks, and restricted stock for employees and other payees may include employees of subordinate companies that meet certain conditions, and the Board of Directors is authorized to resolve on the conditions and distribution methods.		Added in accordance with Articles 167-1, 167-2, 235-1 and 267 of the Company Act
Article 8	Shares of the Company are name-bearing certificates, signed or stamped by Directors representing the Company and numbered, and then issued after being attested by banks which are competent to serve as attesters in compliance with relevant laws and regulations. When the Company issues new shares, it may merge and print the total number of such issues, and may also issue shares by way of exemption from printing stocks, provided that the Company shall register or keep the shares with the securities central custody institution. Its stock issuance procedures are governed by the Company Act and related laws and regulations.	Shares of the Company are name-bearing certificates, signed or stamped by three or more Directors and numbered, and then issued in compliance with relevant laws and regulations after attestation. When the Company issues new shares, it may merge and print the total number of such issues, and may also issue shares by way of exemption from printing stocks, provided that the Company shall register or keep the shares with the securities central custody institution. Its stock issuance procedures are governed by the Company Act and related laws and regulations.	Amended in accordance with Articles 161-2 and 162 of the Company Act
Article 16	The Company has nine to eleven directors. The number of directors elected at the time is authorized by the Board of Directors and the term of office is three years. Those who have the capability to act shall be elected by the shareholders' meeting and may be re-elected. The Company's directors shall be elected by adopting candidate	The Company has nine to eleven directors. The number of directors elected at the time is authorized by the Board of Directors and the term of office is three years. Those who have the capability to act shall be elected by the shareholders' meeting and may be re-elected. During the Directors' terms, the Company may delegate the Board	Amended in accordance with Articles 192 and 192-1 of the Company Act

Original Article	Articles after the amendment	Articles before the amendment	Explanation
	<p>nomination system. Shareholders shall elect the directors among the list of director candidates.</p> <p>During the directors' terms, the Company may delegate the Board of Directors to purchase liability insurance for any legal indemnities they are liable to pay within the scope of its business.</p>	<p>of Directors to purchase liability insurance for any legal indemnities they are liable to pay within the scope of its business.</p>	
Article 16-1	<p>In accordance with the provisions of Article 14-2 of the Securities and Exchange Act, among the aforementioned directors, the number of independent directors of the Company shall not be less than three. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority of the securities.</p>	<p>In accordance with the provisions of Article 14-2 of the Securities and Exchange Act, among the aforementioned directors, the number of independent directors of the Company shall not be less than three, and the method of selection and appointment shall be based on the candidate nomination system. They shall be elected by the meeting of shareholders from the list of candidates for independent directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority of the securities.</p>	Amended in accordance with Articles 192 and 192-1 of the Company Act
Article 23	<p>If there is profit at the end of a fiscal year, the Company shall appropriate 1% to 10% of the profit to be employee remuneration and no more than 3% to be the director remuneration. But the Company shall reserve a portion of profit to make up for accumulated losses, if any. The decision of allocation ratio of employee remuneration, director remuneration and employee's remuneration in stock or cash shall be decided by the Board of Directors and reported to the shareholder meeting. The counterparty to whom stocks or cash are distributed to as employee's compensation in the preceding paragraph includes the employees of its subordinate companies that meet</p>	<p>If there is profit at the end of a fiscal year, the Company shall appropriate 1% to 10% of the profit to be employee remuneration and no more than 3% to be the director remuneration. But the Company shall reserve a portion of profit to make up for accumulated losses, if any. The decision of allocation ratio of employee remuneration, director remuneration and employee's remuneration in stock or cash shall be decided by the Board of Directors and reported to the shareholder meeting. The counterparty to whom stocks or cash are distributed to as employee's compensation in the preceding paragraph includes the</p>	Amended in accordance with Articles 240 and 241 of the Company Act

Original Article	Articles after the amendment	Articles before the amendment	Explanation
	<p>certain criteria.</p> <p>If there is a surplus in the Company's total final account for the year, it shall, after first paying taxes and making up for the losses of previous years, advance 10% of its balance to be the legal surplus reserve, provided that it is exempted from further appropriation when the legal surplus reserve has reached the paid-in capital. In accordance with the business needs, decrees or regulations of the competent authority, the special surplus reserve may be allocated or reversed, and the accumulated undistributed surplus shall be added to the balance thereof, and the board of directors shall draw up a motion for the allocation of the surplus, which shall be submitted to the shareholders' meeting for decision. Where dividends and bonuses are distributed in whole or in part in cash, the Board of Directors shall adopt a resolution by a majority vote at a meeting attended by over two thirds of the Directors and report such distribution to the shareholders' meeting.</p> <p>The policy of dividend distribution shall be based on the most consideration of shareholders' rights and interests, taking into account the current and future domestic and foreign industry competition, investment environment and capital demand of the Company, and in the form of stock dividends or cash dividends. As the Company is currently in a growth stage, in order to consider the Company's long-term financial planning, the total amount of dividends distributed each year shall not be less than 30% of the net profit after tax for the current year. The percentage of cash dividends distributed shall not be less than 20% of total dividends.</p>	<p>employees of its subordinate companies that meet certain criteria.</p> <p>If there is a surplus in the Company's total final account for the year, it shall, after first paying taxes and making up for the losses of previous years, advance 10% of its balance to be the legal surplus reserve, provided that it is exempted from further appropriation when the legal surplus reserve has reached the paid-in capital. In accordance with the business needs, decrees or regulations of the competent authority, the special surplus reserve may be allocated or reversed, and the accumulated undistributed surplus shall be added to the balance thereof, and the board of directors shall draw up a motion for the allocation of the surplus, which shall be submitted to the shareholders' meeting for decision.</p> <p>The policy of dividend distribution shall be based on the most consideration of shareholders' rights and interests, taking into account the current and future domestic and foreign industry competition, investment environment and capital demand of the Company, and in the form of stock dividends or cash dividends. As the Company is currently in a growth stage, in order to consider the Company's long-term financial planning, the total amount of dividends distributed each year shall not be less than 30% of the net profit after tax for the current year. The percentage of cash dividends distributed shall not be less than 20% of total dividends.</p>	
	The Articles of Association were established on October 17, 1995.	The Articles of Association were established on October 17, 1995.	Addition of revision date

Original Article	Articles after the amendment	Articles before the amendment	Explanation
Article 26	<p>The 1st amendment was made on August 5, 1996.</p> <p>.....</p> <p><u>The 26th amendment was made on June 16, 2020.</u></p>	<p>The 1st amendment was made on August 5, 1996.</p> <p>.....</p> <p>The 25th amendment was made on June 21, 2016.</p>	



## Attachment VIII

### Paragon Technologies Co., Ltd. Contrast Table for the Amended Articles of the Procedures for Election of Directors

Article	Articles after the amendment	Articles before the amendment	Explanation
Article 1	To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Article 21 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.	To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 21 and 41 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.	Amended in accordance with the actual operation of the company
Article 5	Elections of the Company's directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.	Elections of the Company's independent directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.	Amended in accordance with Article 192-1 of the Company Act.
Article 6	The cumulative voting system is adopted for the election of directors. Each share shall have the same voting rights as the number of directors to be elected. One person may be collectively elected, or several persons may be allocated for election.	The cumulative voting system is adopted for the election of directors. Each share shall have the same voting rights as the number of directors to be elected. One person may be collectively elected, or several persons may be allocated for election.	Amended in accordance with the actual operation of the company
Article 12	The counting of votes for the resolution of the shareholders' meeting shall be publicly disclosed in the shareholders' meeting room. After counting of votes is finished, the results shall be revealed on the spot. The result of the election shall be presented by the chairperson declaring the list of elected directors and their elected weights.	The counting of votes for the resolution of the shareholders' meeting shall be publicly disclosed in the shareholders' meeting room. After the counting of the votes has been completed, the scrutineers shall check the total amount of the valid and invalid tickets, and then count the numbers of valid votes, invalid votes and their voting rights, and then enter in the record table and submit to the chairperson on the spot to declare the list of elected directors and their elected weights.	Amended in accordance with the actual operation of the company

## Attachment IX

### Paragon Technologies Co., Ltd.

#### Contrast Table for the Amended Articles of the Rules of Procedure for Shareholder Meetings

Articles	Articles after the amendment	Articles before the amendment	Explanation
Article 9	<p>If a shareholders' meeting is convened by the Board of Director, the agenda shall be determined by the Board of Directors. The relevant proposals (including motions and amendment to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall be convened according to the scheduled agenda. The agenda shall not be altered without a resolution adopted at the shareholders' meeting.</p> <p>The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.</p> <p>The chairperson shall not adjourn the meeting without a resolution before the conclusion of the proceedings (including provisional motions) for the first two items. If the chairperson violates meeting rules and announces the meeting adjourned, the attending shareholders can vote on choosing another chairperson and continue the meeting if the vote passes majority pursuant to Article 182-1 of the Company Act.</p> <p>The chairperson shall give the opportunity to fully explain and discuss the proposals, as well as the amendments or motions proposed by the shareholders. When the chairperson is of the opinion that a proposal has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the</p>	<p>If a shareholders' meeting is convened by the Board of Director, the agenda shall be determined by the Board of Directors. The meeting shall be convened according to the scheduled agenda. The agenda shall not be altered without a resolution adopted at the shareholders' meeting.</p> <p>The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. The chairperson shall not adjourn the meeting without a resolution before the conclusion of the proceedings (including provisional motions) for the first two items. If the chairperson violates meeting rules and announces the meeting adjourned, the attending shareholders can vote on choosing another chairperson and continue the meeting if the vote passes majority pursuant to Article 182-1 of the Company Act. After the meeting has adjourned, the shareholders may not appoint another chairperson and continue the meeting either at the same or a different venue.</p>	Amended in accordance with the relevant regulations of the competent authority.

Articles	Articles after the amendment	Articles before the amendment	Explanation
	<p>proposal to vote. The Chairman shall also allocate sufficient time for voting.</p> <p>After the meeting has adjourned, the shareholders may not appoint another chairperson and continue the meeting either at the same or a different venue.</p>		
Article 17	<p>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted or deemed non-voting shares under Paragraph 2, Article 179 of the Company Act.</p> <p>When the Company convenes a shareholders' meeting, shareholders shall exercise their voting rights by electronic means and may exercise their voting rights in writing. The method for exercising voting rights in writing or by electronic means shall be indicated in the notice of shareholders' meeting. A shareholder exercising voting rights by correspondence or electronic means shall be regarded as having personally attended the meeting. However, the extempore motions and the amendments of the original proposals in the said shareholders' meeting will be deemed to have waived his/her rights. Therefore, the Company is best to avoid proposing extempore motions and the amendments of the original proposals.</p>	<p>Shareholders shall be entitled to one vote for each share held, except where shareholders are restricted or prohibited from exercising voting rights.</p> <p>Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.</p> <p>At the time of a vote, for each proposal, the chairperson or a person designated by the chairperson shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</p>	Amended in accordance with the relevant regulations of the competent authority.
	<p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail.</p>		Amended in accordance with the relevant regulations of the competent authority.

Articles	Articles after the amendment	Articles before the amendment	Explanation
	<p>However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.</p> <p>If a shareholder (who has exercised his/her voting rights in correspondence or electronically) intends to attend the meeting in person, he/she shall cancel the voting rights in the same manner stated in the preceding paragraph 2 days before the date of a shareholders' meeting. If the deadline is not met, the voting right exercised by correspondence or electronically shall prevail.</p> <p>When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p> <p>Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairperson or a person designated by the chairperson shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</p> <p>When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they</p>		

Articles	Articles after the amendment	Articles before the amendment	Explanation
	<p>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.</p> <p>Scrutineers and vote counting personnel for the voting on a proposal shall be appointed by the chairperson, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record is made for the vote.</p>		

Articles	Articles after the amendment	Articles before the amendment	Explanation
Article 20	<p>Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairperson of the meeting and a copy distributed to each shareholder within 20 days after the termination of the meeting. The production and distribution of the meeting minutes may be effected by electronic means.</p> <p>The distribution of the meeting minutes as described in the preceding paragraph can be done through a public announcement on the Market Observation Post System.</p> <p>The meeting minutes shall contain the faithful record of the year, month, day of the meeting, venue, name of the chairperson, resolution method, method of discussion and voting results (including counted weights). When there are elections of directors and supervisors, the weights won by each candidate shall also be disclosed. The meeting minutes shall be kept permanently during the existence of the Company.</p>	<p>Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairperson of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after the close of the meeting. Such distribution may be effected by means of a public notice.</p>	<p>Amended in accordance with the relevant regulations of the competent authority.</p>

## **Attachment X**

### **Paragon Technologies Co., Ltd. Measures for Transferring 2017 Treasury Stock to Employees**

- Article 1: Objective**  
2017 Treasury Stock to Employees are set forth in accordance with subparagraph 1 of paragraph 1 of Article 28-2 of the Securities and Exchange Act and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies issued by Financial Supervisory Commission. The Company shall buy back and transfer the stocks to employees in such a way that is specified by the Measures, except as other relevant laws and regulations say otherwise.
- Article 2: Types of stocks to be transferred; details on the rights and restrictions attached to those stocks**  
The stocks to be transferred to employees are common stocks, which carry the same rights and obligations as do those currently traded in the open market, except as the Measures or other relevant laws and regulations say otherwise.
- Article 3: Transfer period**  
Buyback stocks shall be, in one or multiple times, transferred to employees within three years after the execution of the buyback, as required by the Measures.
- Article 4: Eligible persons**  
This transfer targets employees of the Company or any of its Subsidiaries, provided that their employment begins before the Offering Day. Employee whose employment terminates before the end of the Offering Period loses his or her right to subscribe.  
A "Subsidiary" (as mentioned in the Measures) shall be defined as any company in which the Company holds more than 50% of voting shares, whether directly or indirectly.  
In determining the proportion and number of stocks to be awarded to an employee, such factors as the employee's position, duties, salary, years of service, performance, contribution to the company, etc. shall be considered. The eligibility of the employee and the number of stocks to be awarded to him/her shall be reviewed and approved by the Company's Chairman, after considering the prevailing regulations of the time, as well as the Company's operational needs and its plans and strategies for business development.
- Article 5: Methodology for calculating the number of stocks to be transferred**  
Besides the employee's position, performance, years of service and salary, other factors including the total amount of buyback stocks held by the Company on the Offering Day; the ceiling on the number of stocks that can be subscribed by an individual employee, etc., shall also be considered by when determining the actual number of stocks to be awarded.
- Article 6: Procedures on transferring the buyback stocks to employees include:**
1. Acquiring treasury stocks according to the Board's resolutions, announcements and declarations.
  2. Deciding on such matters as the number of stocks to be transferred each time; date of the Offering Day; payment period; rights and restrictions attached to the stocks, etc. Board authorizes the Chairman to make and subsequently announce such decisions.
  3. Registering the transfer of the stocks after verifying the actual number of stocks subscribed.
  4. Employee who fails to pay for the subscription within the payment period is deemed to have given up his/her claims on the subscription; and In the event of under-subscription the Chairman shall invite other employees to subscribe.

Article 7: Price per share transferred

In every transfer the price of the stocks being transferred shall equal to the stocks' average buyback price. However, if the value of the Company's issued common stocks happens to increase before the transfer, the price of the stocks to be transferred shall be adjusted in proportion to the increase.

Article 8: Rights and obligations after the transfer

The buyback stocks, unless otherwise specified, shall carry the same rights and obligations as do the original stocks after the registration of the transfer is completed other matters relating to the rights and obligations of the Company and its employees

Article 9: Employees eligible to the transfer shall become ineligible in any one of the following situations:

1. They are on leave without pay and fail to resume work within the transfer period.
2. Their employments terminate after the Measures are set forth, whether due to death or other reasons.
3. They fail to enroll for the transfer within the transfer period.

Article 10: The Measures shall be effective after being resolved and approved by the Board. Any revisions on the Measures shall also be resolved and approved by the Board.

Article 11: The Measures, as well as any changes made thereto, shall be reported at Annual Meeting of Shareholders.



**Attachment XI**

**Paragon Technologies Co., Ltd.**

<b>Document No.</b>	<b>M0-2-028</b>	<b>Document Name</b>	<b>Procedures for Ethical Management and Guidelines for Conduct</b>				
<b>Formulating Department</b>	<b>Auditing Office</b>	<b>Date of Formulation</b>	<b>2016.01.30</b>	<b>Version</b>	<b>A</b>	<b>Page Number</b>	<b>1/4</b>
Article 1:	<p>The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter as the "Procedures and Guidelines") are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the applicable laws and regulations of the places where this Corporation and its business groups and organizations operate, with a view to providing all personnel of this Corporation with clear directions for the performance of their duties.</p> <p>The scope of application of these Procedures and Guidelines includes the subsidiaries of this Corporation, any incorporated foundation in which this Corporation's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Corporation.</p>						
Article 2:	<p>For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, managerial officer, employee, mandatory or person having substantial control of the Company or its group enterprises and organizations.</p> <p>Any provision, promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.</p>						
Article 3:	<p>For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.</p> <p>The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staff members, and any government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other stakeholders.</p>						
Article 4:	<p>For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.</p>						
Article 5:	<p>The Company shall designate the Auditing Office, the subordinate of the Board of Directors, as the sole responsible unit (hereinafter known as the "responsible unit") and in charge of the amendment, implementation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the Board of Directors: Legal affairs personnel is responsible for the interpretation and consulting services of these Procedure and Guidelines.</p>						

## Paragon Technologies Co., Ltd.

Document No.	M0-2-028	Document Name	Procedures for Ethical Management and Guidelines for Conduct				
Formulating Department	Auditing Office	Date of Formulation	2016.01.30	Version	A	Page Number	2/4
<p>Article 6: When providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out.</p>							
<p>Article 7: When any personnel of this Corporation are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.</p>							
<p>Article 8: The Company shall neither provide nor promise any facilitating payment. If any personnel of the Company provides or promises a facilitating payment under threat or intimidation, the matter shall be handled in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies.</p>							
<p>Article 9: Article 9 The Company does not provide political contributions.</p>							
<p>Article 10: Article 10 Charitable donations or sponsorship by the Company shall be provided in accordance with the following provisions and reported to the supervisor in charge for approval, and a proposal of discussion or acknowledgement shall be proposed at Board of Directors meetings.</p> <ol style="list-style-type: none"> <li>1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company is doing business.</li> <li>2. A written record of the decision making process shall be kept.</li> <li>3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.</li> <li>4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.</li> <li>5. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.</li> </ol>							
<p>Article 11: When a director, manager, or other stakeholder of the Company attending or being present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, the said director, manager, or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. Directors shall also exercise self-discipline and must not support one another in improper dealings.</p>							

## Paragon Technologies Co., Ltd.

Document No.	M0-2-028	Document Name	Procedures for Ethical Management and Guidelines for Conduct				
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<p>If the Company’s personnel discover that they themselves or parties they represent have a conflict of interest while implementing company business, or if they themselves, their spouse, parents, offspring, or other stakeholders obtain improper interests, the situation shall be reported to their direct supervisors and the Company’s dedicated unit. Direct supervisors shall provide appropriate guidance.</p> <p>No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.</p>							
<p>Article 12: The Company shall set up a special unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.</p> <p>All personnel of the Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of the Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of the Company unrelated to their individual duties.</p>							
<p>Article 13: The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities and shall not be subject to unfair competition.</p>							
<p>Article 14: The Company shall collect and understand the applicable laws and regulations and international standards governing its products and services to cause personnel of the Company to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.</p>							
<p>Article 15: All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.</p> <p>Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.</p>							

## Paragon Technologies Co., Ltd.

Document No.	M0-2-028	Document Name	Procedures for Ethical Management and Guidelines for Conduct				
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<p>Article 16: The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.</p>							
<p>Article 17: Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.</p>							
<p>Article 18: Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.</p>							
<p>Article 19: All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.</p>							
<p>Article 20: Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policy of the Company part of the terms and conditions of the contract, stipulating at the least the following matters:</p> <ol style="list-style-type: none"> <li>1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim damages and may also deduct the full amount of the damages from the contract price payable.</li> <li>2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.</li> <li>3. Specific and reasonable payment terms shall be established, including the place and method of payment and the requirement for compliance with related tax laws and regulations.</li> </ol>							

## Paragon Technologies Co., Ltd.

Document No.	M0-2-028	Document Name	Procedures for Ethical Management and Guidelines for Conduct				
Formulating Department	Auditing Office	Date of Formulation	2016.01.30	Version	A	Page Number	4/4
<p>Article 21: As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, the Company will grant a monetary reward depending the seriousness of the circumstance concerned. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.</p> <p>The company shall instruct the relevant units to discuss the unethical behaviors that have occurred, and propose improvement measures to prevent the same behavior from happening again.</p>							
<p>Article 22: If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.</p>							
<p>Article 23: The Company shall organize internal and external training sessions each year or encourage all personnel of the Company to participate in such sessions to communicate the importance of ethics.</p> <p>The Company shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.</p> <p>If any personnel of the Company seriously violate ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.</p> <p>The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.</p>							
<p>Article 24: These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.</p> <p>When submitting the operating procedures and behavior guidelines to the board of directors for discussion, the opinions of each independent director should be fully considered, and the opinions of their objections or reservations should be stated in the minutes of the board meeting; if the independent directors cannot attend the board of directors in person to express their objections or reservations In addition to having justified reasons, a written opinion should be issued in advance and set out in the minutes of the board meeting.</p>							

## **Attachment XII Articles of Association of Paragon Technologies Co., Ltd.**

### **Chapter I**

### **General Provisions**

- Article 1 The Company is organized in accordance with the provisions of the Company Act and is named Paragon Technologies Co., Ltd.
- Article 2 The scope of the Company business is as follows:
- I. CA04010 Metal Surface Treating.
  - II. CB01010 Machinery Manufacturing.
  - III. CB01990 Other Machinery Manufacturing.
  - IV. CC01080 Electronic Components Manufacturing.
  - V. F113010 Wholesale Machinery Business.
  - VI. F119010 Electronic Materials Wholesale.
  - VII. F401010 International Trade.
  - VIII. CC01040 Lighting Equipment Manufacturing.
  - IX. ZZ99999 The Company may operate any business not prohibited or restricted by laws or regulations, except for those that require special permission.
- Article 3 The Company set up its headquarters in Taoyuan City. If necessary, it may set up branch offices domestically or abroad with a resolution by the board of directors.
- Article 4 The Company may, as necessary in its business, invest outside the Company, and may, by resolution of the board of directors, be a shareholder of limited liabilities of other companies. The total amount of its investment may not be restricted by the amount of investment specified in Article 13 of the Company Act.
- Article 5 The Company may endorse or guarantee other companies for its business or investment relations.
- Article 6 The Company makes public announcements in accordance with Article 28 of the Company Act.

### **Chapter II**

### **Shares**

- Article 7 The total capital of the Company is set at NT\$2 billion, divided into 200 million shares, and the amount per share is NT\$10. For those unissued shares, the board of directors is authorized to issue shares on a separate basis.
- The amount of NT\$200 million was retained in the total amount of capital in the preceding paragraph. It is divided into 20 million shares, and the amount of NT\$10 per share is retained for the use of exercise of warrants. They may be issued on a separate basis according to the resolutions of the board of directors.
- Article 8 Shares of the Company are name-bearing certificates, signed or stamped by three or more Directors and numbered, and then issued in compliance with relevant laws and regulations after attestation. When the Company issues new shares, it may merge and print the total number of such issues, and may also issue shares by way of exemption from printing stocks, provided that the Company shall register or keep the shares with the securities central custody institution. Its stock issuance procedures are governed by the Company Act and related laws and regulations.
- Article 9 All changes made to the list of shareholders shall be halted sixty days prior to an upcoming Annual Shareholders' Meeting, thirty days prior to an Extraordinary Shareholders' Meeting, or five days prior to the base date before the Company issues dividends, bonuses, or other interests.
- Article 10 Except as otherwise provided in the decree, the Company shall handle the relevant stock affairs in accordance with the provisions of "Guidance of Handling Stock Affairs by Public Offering Companies" approved and issued by the competent authority.

### **Chapter III**

### **Shareholders' Meeting**

- Article 11 Shareholders' Meeting can be classified into general or provisional meeting. The general meeting is held at least once per year, convened by the board of directors according to the law and commenced within six months from the end of a fiscal year. The provisional meeting is held whenever necessary in accordance with the relevant

laws and regulations. The convening procedure is handled according to the Company Act.

The Chairman of the Board of Directors shall serve as the chairman when a Shareholders' Meeting is convened by the Board of Directors. If the Chairman is absent or cannot perform his duty for any reason, the delegation process shall be carried out in accordance with Article 208 of the Company Act. If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 12 Shareholder may appoint a proxy to attend the shareholders' meeting on behalf by providing a signed and stamped letter of appointment of representation in the format provided by the Company, stating the scope of authorization. Method of attendance by proxy, besides abiding by the conditions stated in Article 177 of the Company Act, shall also follow the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" from the regulatory authority.

Article 13 Other than situations of no voting rights stipulated under Article 179-2 of the Company Act, each shareholder of the Company shall enjoy the right to one vote.

Article 14 Unless otherwise stipulated for in the Company Act, resolutions at a shareholders' meeting shall be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares. When the shareholders' meeting is held, with the exception of the Company Act and the Articles of Association, the Company shall follow the rules of the shareholders' meeting of the Company.

Article 15 The resolutions of shareholders' meetings shall be made into minutes and shall be handled in accordance with Article 183 of the Company Act.

Article 15-1 If the Company intends to transfer the shares of the Company to the employees at an average price lower than the actual price of shares bought back, it shall follow the regulations of the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" and obtain the approval from a shareholders' meeting representing the majority of the total number of shares issued by the shareholders, with more than two-thirds of the voting rights of the attending shareholders, and may not be filed on a provisional motion.

#### Chapter IV Board of Directors

Article 16 The Company has nine to eleven directors. The number of directors elected at the time is authorized by the board of directors and the term of office is three years. Those who have the capability to act shall be elected by the shareholders' meeting and may be re-elected.

During the directors' terms, the Company may delegate the Board of Directors to purchase liability insurance for any legal indemnities they are liable to pay within the scope of its business.

Article 16-1 In accordance with the provisions of Article 14-2 of the Securities and Exchange Act, among the aforementioned directors, the number of independent directors of the Company shall not be less than three, and the method of selection and appointment shall be based on the candidate nomination system. They shall be elected by the shareholders' meeting from the list of candidates for independent directors. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination and election, and other matters for compliance with respect to independent directors shall be prescribed by the competent authority of the securities.

Article 16-2 The total shareholding of all directors of the Company shall be in accordance with the provisions of the securities regulatory authority.

Article 17 The board of directors shall be organized by directors. The attendance of more than two-thirds of the directors and the consent of more than half of the directors present shall be used to elect one chairman of the board of directors. In the same manner, one

vice chairman shall be elected. The chairman of the board shall represent the Company externally.

Article 18 Unless otherwise provided, resolutions of a Board of Directors meeting requires presence of over half of the directors and agreed upon by over half of the directors present. Directors may appoint proxies with a letter of appointment of representation, stating the scope of authorization to entrust other directors to attend the Board of Directors. However, one proxy can only be appointed by one director. Matters related to the board of directors shall be handled in accordance with the Rules of Procedure for the Board of Directors of the Company except as otherwise provided in the Company Act and this Articles of Association.

Article 18-1 The convening of the board of directors of the Company shall notify the directors of the convening matters in writing, by e-mail or by fax seven days before the meeting. The Company may convene a Board of Directors meeting at any time in case of an emergency by written notice, e-mail or fax.

Article 19 In case the Chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, his representative shall be selected according to Article 208(3) of the Company Act.

Article 20 When the directors of the Company perform the duties of the Company, regardless of the operating profit and loss of the Company, the Company may pay compensation to them. The remuneration authorized to the board of directors shall be based on the value of the directors' participation and contribution to the Company's operations, and shall refer to the usual standards of the same companies. It shall be agreed upon within the maximum salary level stipulated in the Company's measures for the payroll approach. If the Company has a surplus, it shall distribute the remuneration according to Article 23 of the Articles of Association.

Article 20-1 The board of directors of the Company may be required to set up auditing, salary compensation committees or other functional committees for the needs of business operations. The above audit committee is composed of all independent directors and is responsible for the enforcement of supervisory powers stipulated in the Company Act, Securities Exchanges Act and other laws.

#### Chapter V Managerial Officer

Article 21 The Company shall have one Chief Executive Officer, one General Manager and several Deputy General Managers and Assistant Vice Presidents. The employment, dismissal and remuneration shall be done in accordance with Article 29 of the Company Act.

#### Chapter VI Accounting

Article 22 The Company shall, at the end of each fiscal year, make the following reports by the Board of Directors and submit them to the shareholders' regular meeting for recognition:

(I) Business report.

(II) Financial statements.

(III) Proposals of profit distribution or deficit compensation.

Article 23 If there is profit at the end of a fiscal year, the Company shall appropriate 1% to 10% of the profit to be employee remuneration and no more than 3% to be director remuneration. But the Company shall reserve a portion of profit to make up for accumulated losses, if any. The decision of allocation ratio of employee remuneration, director remuneration and employee's remuneration in stock or cash shall be decided by the Board of Directors and reported to the shareholder meeting. The counterparty to whom stocks or cash are distributed to as employee's compensation in the preceding paragraph includes the employees of its subordinate companies that meet certain criteria.

If there is a surplus in the Company's total final account for the year, it shall, after first paying taxes and making up for the losses of previous years, advance 10% of its balance to be the legal surplus reserve, provided that it is exempted from further



appropriation when the legal surplus reserve has reached the paid-in capital. In accordance with the business needs, decrees or regulations of the competent authority, the special surplus reserve may be allocated or reversed, and the accumulated undistributed surplus shall be added to the balance thereof, and the board of directors shall draw up a motion for the allocation of the surplus, which shall be submitted to the shareholders' meeting for decision.

The policy of dividend distribution shall be based on the most consideration of shareholders' rights and interests, taking into account the current and future domestic and foreign industry competition, investment environment and capital demand of the Company, and in the form of stock dividends or cash dividends. As the Company is currently in a growth stage, in order to consider the Company's long-term financial planning, the total amount of dividends distributed each year shall not be less than 30% of the net profit after tax for the current year. The percentage of cash dividends distributed shall not be less than 20% of total dividends.

#### Supplementary Articles

- Article 24 When the shares of the Company are intended to be retired for public offering, a special resolution of the shareholders' meeting shall be submitted, and this clause shall not be changed during the listing period.
- Article 25 The matters not specified in the Articles of Association shall be handled in accordance with the provisions of the Company Act and relevant laws and regulations.
- Article 26 The Articles of Association was established on October 17, 1995.  
The 1st amendment was made on August 5, 1996.  
The 2nd amendment was made on January 10, 1997.  
The 3rd amendment was made on May 16, 1997.  
The 4th amendment was made on June 15, 1997.  
The 5th amendment was made on June 26, 1998.  
The 6th amendment was made on March 5, 1999.  
The 7th amendment was made on April 3, 1999.  
The 8th amendment was made on March 15, 2000.  
The 9th amendment was made on August 21, 2000.  
The 10th amendment was made on April 4, 2001.  
The 11th amendment was made on May 10, 2001.  
The 12th amendment was made on November 20, 2002.  
The 13th amendment was made on December 24, 2002.  
The 14th amendment was made on June 30, 2004.  
The 15th amendment was made on June 24, 2005.  
The 16th amendment was made on March 31, 2006.  
The 17th amendment was made on March 31, 2006.  
The 18th amendment was made on December 22, 2006  
The 19th amendment was made on May 5, 2008.  
The 20th amendment was made on April 30, 2009.  
The 21st amendment was made on May 20, 2010.  
The 22nd amendment was made on June 17, 2011.  
The 23rd amendment was made on June 19, 2012.  
The 24th amendment was made on June 18, 2015.  
The 25th amendment was made on June 21, 2016.

Paragon Technologies Co., Ltd  
Chairman: Chen Zai Pu

## Attachment XIII Paragon Technologies Co., Ltd.

Document No.	MO-2-023	Document Name	Procedures for the Selection of Directors				
Formulating Department	Auditing Office	Date of Formulation	2015.03.27	Version	B	Page Number	1/2
Article 1:	For the fairness, impartiality and openness in the selection of directors, these procedures are laid down in accordance with the provisions of Articles 21 and 41 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".						
Article 2:	Except as otherwise provided by law or by the Articles of Incorporation, elections of the Company's directors shall be conducted in accordance with these Procedures.						
Article 3:	<p>The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:</p> <ol style="list-style-type: none"> <li>I. The ability to make judgments about operations.</li> <li>II. Accounting and financial analysis ability.</li> <li>III. Business management ability.</li> <li>IV. Crisis management ability.</li> <li>V. Knowledge of the industry.</li> <li>VI. An international market perspective.</li> <li>VII. Leadership ability.</li> <li>VIII. Decision-making ability.</li> </ol>						
Article 4:	The qualifications of independent directors of the Company shall be governed by the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Offering Companies.						
Article 5:	Elections of the Company's independent directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.						
Article 6:	The Company shall adopt a cumulative voting method with open ballots to elect the directors. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates.						
Article 7:	The Board of Directors shall prepare ballots for directors and supervisors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.						

## Attachment XIII Paragon Technologies Co., Ltd.

Document No.	MO-2-023	Document Name	Procedures for the Selection of Directors				
Formulating Department	Auditing Office	Date of Formulation	2015.03.27	Version	B	Page Number	1/2
<p>Article 8: The number of directors will be as specified in the Company's Articles of Incorporation, with voting rights separately calculated for independent and non-independent director positions. In the election of directors of this Company, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the chairperson shall draw lots on behalf of the candidate who is not present.</p>							
<p>Article 9: Before the election begins, the chairperson shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before the voting commences.</p>							
<p>Article 10: If a candidate is a shareholder, the voter shall enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a government organization or corporate shareholder, the name of the government organization or corporate shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the government organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered.</p>							
<p>Article 11: A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>I. The ballot was not prepared by the Board of Directors.</li> <li>II. A blank ballot is placed in the ballot box.</li> <li>III. The writing is unclear and indecipherable or has been altered.</li> <li>IV. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.</li> <li>V. Other words or marks are entered in addition to the candidate's account name (full name) or shareholder account number (or identity card number) and the number of voting rights allotted.</li> <li>VI. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.</li> </ol>							
<p>Article 12: The counting of votes for the resolution of the shareholders' meeting shall be publicly disclosed in the shareholders' meeting room. After the counting of the votes has been completed, the scrutineers shall check the total amount of the valid and invalid tickets, and then count the numbers of valid votes, invalid votes and their voting rights, and then enter in the record table and submit to the chairperson on the spot to declare the list of elected directors and their elected weights.</p>							
<p>Article 13: This rule shall be implemented after approval by the shareholder's meeting. Same for any revisions.</p>							

**Attachment XIV      Paragon Technologies Co., Ltd.**  
**Rules of Procedure for Shareholder Meetings**

- Article 1      The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law and regulation, shall be as provided in these Rules.
- Article 2      The Company shall indicate on the meeting notice the check-in time and location and other things to note.  
The check-in time described in the preceding paragraph shall be at least 30 minutes before the meeting begins. The check-in counter shall be precisely indicated and enough competent personnel shall be assigned to help shareholders check in.  
Shareholders or agents attending the shareholders' meeting shall sign in. The sign-in procedure shall be replaced by the payment of the sign-in card. The number of shares present shall be calculated according to the sign-in card paid, and the number of shares which exercise the voting rights in writing or electronically shall be added.  
Shareholders shall attend Shareholders' Meetings based on attendance cards, sign-in cards, or other certificates of attendance. Attending shareholders or proxies shall bring identification documents for verification.
- Article 3      The attendance and voting of the annual general shareholders' meeting shall be calculated based on the number of shares they represent.
- Article 4      Shareholders' meeting shall convene at the Company's registered office or a place convenient to attend and suitable for meeting; the meeting shall be called no earlier than 9 a.m. and no later than 3 p.m.
- Article 5      Shareholders' meetings that are convened by the Chairman shall be chaired by the Chairman. If the Chairman is unable to perform such duties due to leave of absence or any reason, the Vice Chairman shall act on the Chairman's behalf. If the Vice Chairman is also unavailable or is non-existent, the Chairman may appoint one of the directors to act on the Chairman's behalf. If the Chairman does not appoint a delegate, one shall be elected among the directors to act on the Chairman's behalf.  
When the Vice Chairman acting on behalf of the chair or electing the chair from managing directors or directors, those who have held the positions for six months or longer and understand the financial and business operations of the Company shall be considered with priority. The same shall be true for a representative of a juristic person director that serves as the chairperson. For a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting. However, if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among eligible persons.
- Article 6      The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting.
- Article 7      The Company shall establish uninterrupted audio and video recordings of the entire process of shareholder check-in, meeting proceedings, and voting and ballot counting.  
The aforementioned video shall be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the records shall be retained until the conclusion of the litigation.
- Article 8      At the time of the meeting, the chair shall declare the meeting begins immediately. In the absence of a majority of the shareholders representing the total number of shares issued, the chair may announce postponement of the meeting time, provided that only

two postponements may be made and total delay time shall not exceed 1 hour. When two such postponements are made and the shares in present still cannot represent sufficient outstanding shares but more than one-third of the total issued shares are in attendance, tentative resolutions may be made pursuant to Paragraph 1 of Article 175 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.

- Article 9 If a shareholders' meeting is convened by the board of directors, the board of directors shall decide the proceedings and the meeting shall be conducted accordingly; no changes may be made except with the 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 chairperson shall not adjourn the meeting without a resolution before the conclusion of the proceedings (including provisional motions) for the first two items. If the chairperson violates meeting rules and announces the meeting adjourned, the attending shareholders can vote on choosing another chairperson and continue the meeting if the vote passes majority pursuant to Article 182-1 of the Company Act. After the meeting has adjourned, the shareholders may not appoint another chairperson and continue the meeting either at the same or a different venue.
- Article 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.
- Article 11 Unless the chairman consents, each shareholder shall make no more than two speeches for an agenda item, and each speech shall not exceed five minutes. If a shareholder's speech violates the provisions of the preceding paragraph or goes beyond the scope of the topic, the Chairman may stop him from speaking, and the Chairman may discontinue his speech if the speaker continues to violate.
- Article 12 When appointing a legal person to attend an annual general shareholders' meeting, such legal person may only designate one person as representative. 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.
- Article 13 In the wake of shareholder's speech, the chairperson of the meeting may answer in person or designate relevant personnel to answer.
- Article 14 When the chair at the meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chair may announce the discussion closed and bring the matter to vote. Vote counting for voting on motions or elections shall be conducted at an open space in the shareholder meeting venue and the results, including weights, shall be announced immediately after counting and recorded.

- Article 15 When a proposal comes to a vote, personnel of vote monitoring and counting is appointed by the chair, provided that personnel of vote monitoring shall be shareholders. The result of voting shall be reported on the spot and prepared in the minutes.
- Article 16 During meeting proceedings, the chairman may declare a break according to his or her judgment.
- Article 17 Shareholders shall be entitled to one vote for each share held, except where shareholders are restricted or prohibited from exercising voting rights. Except as otherwise provided in the Company Act and in the Company's Articles of Association, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairperson or a person designated by the chairperson shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
- Article 18 In the event amendments or substitutions are provided for in the same proposal, the meeting chairperson may decide the order of the vote including the original proposal. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- Article 19 The meeting chairperson may command picket (or security personnel) to maintain order of meeting place. The picket (or security personnel) shall wear armbands with "picket" when maintaining order.
- Article 20 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after the close of the meeting. Such distribution may be effected by means of a public notice.
- Article 21 These rules shall take effect after approval by the shareholders' meeting and the same procedure shall apply when they are amended.

## Attachment XV

### Paragon Technologies Co., Ltd. Shareholding Conditions of the Directors

- I. As of the book closure date of this regular shareholders' meeting on April 18, 2020, the paid-in capital of the Company was NT\$807,522,300 and the total number of issued shares was 80,752,230 shares.
- II. According to Article 26 of the Securities and Exchange Act, all directors should hold at least 6,460,178 shares in total as the minimum legal amount. The Company has established an audit committee in accordance with the law, and does not apply the regulation that the number of shares held by relevant supervisors shall not be less than a certain percentage
- III. The Company appoints three independent directors, and shareholding ratio of all directors is lowered to 80% according to regulations except for independent directors.
- IV. The shareholding of all directors recorded in the shareholder list complied with the statutory standards.
- V. The details of the shareholdings of the directors are as follows:

Title	Name	Date elected	Term	Number of shares held at the time of appointment		Shares held as recorded on the shareholder's records on the book closure date	
				Number of Shares	Ratio	Number of Shares	Ratio
Chairman	Chen Zai Pu	2018.6.21	3 years	1,911,810	2.37%	1,911,810	2.37%
Director	Wang Hsiao Lung	2018.6.21	3 years	1,028,053	1.27%	1,028,053	1.27%
Director	Wang Le Qun	2018.6.21	3 years	48,000	0.06%	48,000	0.06%
Director	Lin Chi Yong	2018.6.21	3 years	738,784	0.91%	738,784	0.91%
Director	Kao Wen Hsiang	2018.6.21	3 years	1,894,142	2.35%	1,894,142	2.35%
Director	Chen Wan Te	2018.6.21	3 years	1,177,566	1.46%	1,177,566	1.46%
Director	Union Polymer International Investment Co., Ltd. Representative: Wang Jia Yeh	2018.6.21	3 years	1,505,000	1.86%	1,505,000	1.86%
Director	Union Polymer International Investment Co., Ltd. Representative: Ou Keng Tsuo	2018.6.21	3 years	1,505,000	1.86%	1,505,000	1.86%
Independent Director	Chang Tzuh Sin	2018.6.21	3 years	0	0%	0	0%
Independent Director	Pan Fu Jen	2018.6.21	3 years	0	0%	0	0%
Independent Director	Hsu Jui Tsan	2018.6.21	3 years	0	0%	0	0%
Total of all directors				8,303,355	10.28%	8,303,355	10.28%