

**TAIFLEX SCIENTIFIC CO., LTD.**

**2016 ANNUAL SHAREHOLDERS' MEETING**

**MEETING AGENDA**

Time: 9:00 a.m., May 27, 2016

Place: No.1, Huanqu 3rd Rd., Kaohsiung Export Processing Zone, Qianzhen Dist., Kaohsiung City

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# **TAIFLEX SCIENTIFIC CO., LTD.**

## **Procedure of 2016 Annual Shareholders' Meeting**

- I. Call Meeting to Order
- II. Chairman's Opening Remarks
- III. Discussion Items (1)
- IV. Report Items
- V. Proposed Resolutions
- VI. Discussion Items (2)
- VII. Special Motions
- VIII. Meeting Adjourned

# **TAIFLEX SCIENTIFIC CO., LTD.**

## **Agenda of 2016 Annual Shareholders' Meeting**

Time: 9:00 a.m., May 27, 2016

Place: No.1, Huanqu 3rd Rd., Kaohsiung Export Processing Zone, Qianzhen Dist., Kaohsiung City

- I. Call Meeting to Order
- II. Chairman's Opening Remarks
- III. Discussion Items (1)
  - 1. To amend the Articles of Incorporation
- IV. Report Items
  - 1. Appropriation of remuneration to directors and supervisors and compensation to employees in 2015
  - 2. Business report for 2015
  - 3. Supervisors' review report on the 2015 financial statements
  - 4. Amendments to the Rules of Procedure for the Board of Directors' Meetings
- V. Proposed Resolutions
  - 1. 2015 financial statements
  - 2. Distribution of 2015 earnings
- VI. Discussion Items (2)
  - 1. To capitalize capital surplus for the issuance of new shares
  - 2. To amend the Procedures for Endorsement and Guarantee
  - 3. To amend the Procedures for Lending Funds to Other Parties
- VII. Special Motions
- VIII. Meeting Adjourned**

## **Discussion Items (1)**

Item 1

(Proposed by the Board of Directors)

Subject: To amend the Articles of Incorporation

Explanation: 1. It is proposed to amend some articles within the Company's Articles of Incorporation due to the addition of Article 235-1 in the Company Act and current practice.

2. Please refer to Attachment I on page 13 to 26 of this meeting agenda for the Comparison Table of the Amendments to Articles of Incorporation.

3. The draft amendment is submitted for discussion and approval.

Resolution:

## **Report Items**

Item 1 Appropriation of remuneration to directors and supervisors and compensation to employees in 2015

Explanation: 1. Pursuant to Article 28 of the amended Articles of Incorporation on the appropriation of remuneration to directors and supervisors and compensation to employees approved in the Board of Directors' meeting on October 27, 2015, when the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to the directors and supervisors shall not be higher than four percent of the balance.

2. The Company recognized NT\$ 64,753,881 and NT\$ 19,426,164 as compensation to employees and remuneration to directors and supervisors, respectively, under operating expenses for the year ended December 31, 2015.

3. The amount of remuneration to directors and supervisors has been reviewed by the Compensation Committee and approved by the Board of Directors' meeting.

Item 2 Business report for 2015

**Taiflex Scientific Co., Ltd.**

**Business Report for 2015**

### **1. 2015 Operating Results**

The Company generated net revenue of NT\$ 10.3 billion in 2015, a growth of 1.4% compared to the NT\$ 10.1 billion in 2014. Net income attributable to shareholders of the parent amounted to NT\$ 730 million, a decrease of 17% year-over-year. Earnings per share was NT\$ 3.61.

The division of electronic materials generated net revenue of NT\$ 5.6 billion in 2015, which was flat comparing to 2014. As the economic growth in China slowed down and the smartphone market approached

saturation, the growth momentum slightly declined. Nevertheless, the subsequent demands for mid-range phones from India and Southeast Asia still showed signs of growth. Thus, the Flexible Printed Circuit (FPC) sector managed to maintain a moderate growth rate.

The division of PV backsheet generated net revenue of NT\$ 4.4 billion in 2015, a year-over-year increase of 2.9%, due to the surge of demand in the second half of 2015 when China lifted its PV installation target. As our key products in PV backsheet division met the requirements of power plants, the overall performance maintained a positive growth rate.

(1) Consolidated revenue and net income

(In Thousands of New Taiwan Dollars)

	2015	2014	Change (in Dollar Amount)	Change (in Percentage)
Net revenue	10,267,868	10,127,720	140,148	1.38%
NetGross profit	2,164,720	2,256,436	(91,716)	(4.06%)
Net income	707,308	884,979	(177,671)	(20.08%)

(2) Profitability analysis

	2015	2014
Net profit margin	6.89%	8.74%
Return on assets	6.36%	7.91%
Return on equity	10.42%	13.78%

(3) Directions of research and development

To cope with the increasing demand for lighter, thinner, and more efficient electronic devices, the Company continuously invests resources to develop products with features including high frequency, heat-resistant, anti-electromagnetic interference and fine pitch. We also allocate resources on developing high heat-dissipation PV backsheets to enhance the efficiency of PV modules and consequently the added value of backsheets.

## 2. Overview of 2016 Business Plan

(1) Business policy

The financial market experienced severe volatility in the beginning of 2016 as a result of events such as the slowdown in China's economic growth and the inclusion of yuan in Special Drawing Rights. Those factors led to extreme volatility in RMB which substantially impacted the global financial

market and put enormous pressure on Taiwanese enterprises in Mainland China. As the global economic outlook remains unclear, the Company will focus on preventive measures, such as cost reduction and expense control, to pass this period of uncertainty.

As the global economy lacks obvious growth momentum, the budget-friendly smartphone sector is expected to grow. We will capitalize on our advantages of economies of scale and provide competitive cost structures in meeting the market demands. For flagship models, we will continue our collaboration with international corporations and expand our market share in the high-end market. Both the government subsidy policy and the working capital positions of customers have profound impacts on the PV backsheet industry. The Company will pay close attention to the development of government policies regarding energy and keep track of customers' capital adequacy to provide products that satisfy market demands. We will also tighten our credit management policy in order to find a balance between market share and credit risk, and stabilize our operations.

(2) Sales forecast and its bases

**Electronic materials: the sales in 2016 is expected to grow 1% to 3% comparing to 2015**

Bases:

- (a) As the economic growth in China slows down, we expect the shipment of budget-friendly smartphone to increase. At the same time, FPC plants in China undergo a series of merger and acquisition which will result in survival of the fittest. With our cost advantages stemming from economies of scale and comprehensive distribution channels, we aim to explore opportunities for further collaboration with local leading companies to drive the overall shipment growth.
- (b) The high-end mobile phone market is approaching saturation and the overall growth momentum slows down. As one of the key suppliers of FPC, our market share in the high-end mobile phone market will remain constant.
- (c) Due to those two factors, the Company expects to see shipment growth in 2016 comparing to 2015.

**PV backsheets: the sales volume in 2016 is expected to drop 2% to 5% comparing to 2015**

Bases:

- (a) The demand of PV industry ties closely with government subsidy programs. As China plans to lower the wholesale electricity price by 6% to 11% in the second half of 2016, the surge of demand for installation started in the second half of 2015. Since a large portion of demand has moved forward, the Company expects to see a significant decline in demand this year in comparison to 2015.
- (b) Moreover, measures taken by the Chinese government in cutting down subsidies will affect the capital and operation of our module customers. Thus, the Company shall adopt a more

conservative marketing strategy to lower our operational risk. In summary, the Company expects PV backsheet shipment to decline in 2016 comparing to 2015.

- (3) Key production and marketing policies
  - (a) Continue to discuss the establishment of VMI warehouses with key suppliers to accelerate the inventory flow and avoid stagnation of capital.
  - (b) Establish regional sales centers to broaden the scope of local services (a South China sales center was established in 2015).
  - (c) Build a technical service team for end-customers in order to perceive the end-market requirements and enhance the efficiency of product research and development.
  - (d) Expand the product lines to satisfy customers' needs for high and low-end products and extend our market scope.

### **3. Strategies for Future Developments**

- (1) Broaden the use of polymer and coating technologies to discover new business for the Company to sustain long-term growth.
- (2) Combine end-customers' participation in design and collaboration in material development with the Company's existing technology and advantages in economies of scale to stabilize and strengthen the overall supply chain connectivity and create high barriers to entry for competitors.
- (3) Utilize the advantage of joint purchase to carry out horizontal expansion through the enormous sales network and customer base built by the Company for products requested by customers. The Company can provide lower-cost and one-stop shop services via self- or cooperative development or joint-agency.
- (4) Continue to rationalize workflow and carry out waste reduction measures in order to lower operation costs and increase work efficiency.

### **4. Impacts from external competition, regulatory compliance and macro-environment**

- (1) External competition
  - (a) The massive capacity expansion previously undertaken by the industry pushed market supply to grow at a faster rate than the demand. The Company now faces price war.
  - (b) Quick changes in demand force the Company to identify new technologies and launch new products at a faster rate. This drives up the development cost. At the same time, increasing difference in demands between peak and low seasons brings greater challenge to our capacity flexibility and ability to allocate resources.
  - (c) Being the dominant producer of FPC and PV backsheet in the Greater China Region, the



Company has competitive advantages in supply chain relationships and economies of scale. In addition to the cost competitiveness due to scale, we can also satisfy our customers' demands timely in the peak season. Furthermore, we collaborate with companies in the supply chain to accelerate our progress in developing new products and meet the market demands.

(2) Regulatory compliance

- (a) Our allocation of resources is directly impacted by whether cross-strait bilateral investments are permissible.
- (b) Energy subsidies of each nation and trade wars (e.g. anti-dumping and countervailing investigations by U.S. and Europe) also have enormous impacts on the PV industry. Those factors directly influence the global operation strategies of module plants.

(3) Macro-environment

- (a) The slowdown in China's economic growth and highly volatile RMB raise the exchange rate risk and impact the overall operation structure for both sales and purchases. The relatively higher cost of RMB hedging poses a greater challenge to our operation.
- (b) Our government has less participation in the regional integration agreements than the competing nations. Even though we enjoy some tariff concessions under ECFA with China, we are falling behind in the war of tariffs within the Southeast Asia market.

In 2015, we adopted operating strategies for business units according to their unique market conditions in hope to find the balance between operation and risks and achieved a reasonable result. Though our profits declined in the second half of 2015 due to highly volatile international currency market, our core competitiveness remained intact and steady.

Chairman: Ta-Wen Sun

General Manager: Chun-Yen Chiang

Accounting Manager: Fang-Yi Xie

Item 3 Supervisors' review report on the 2015 financial statements

Supervisors' Review Report

The Board of Directors has prepared the business report, parent company only and consolidated financial statements and earning distribution for the year ended December 31, 2015. Certified Public Accountants of Ernst & Young, Li Fang-Wun and Lin Hong-Guang, were retained by the Board to audit the parent company only and consolidated financial statements and they have issued an audit report.

The above-mentioned business report, parent company only and consolidated financial statements and earning distribution have been reviewed and determined to be in compliance with the Company Act and other relevant laws and regulations by the supervisors. We hereby submit this report in accordance with Article 219 of the Company Act.

To: Taiflex Scientific Co., Ltd. 2016 Annual Shareholders' Meeting

Supervisor: Chuan-Sheng Kao

Supervisor: Pai-Chun Wu

Supervisor: Fiu Ding Trust & Investment Co., Ltd.

Representative: Jui-Chang Lin

February 24, 2016

#### Item 4 Amendments to the Rules of Procedure for the Board of Directors' Meetings

- Explanation:
1. Amendments to the Rules of Procedure for the Board of Directors' Meetings are proposed for regulatory compliance as requested by official letters from the competent authority.
  2. Please refer to Attachment II on page 27 to 28 of this meeting agenda for the Comparison Table of the Amendments to Rules of Procedure for the Board of Directors' Meetings.

### **Proposed Resolutions**

#### Item 1

(Proposed by the Board of Directors)

Subject: To accept the 2015 financial statements

- Explanation:
1. The 2015 business report and consolidated and parent company only financial statements were audited by Certified Public Accountants of Ernst & Young, Li Fang-Wun and Lin Hong-Guang, and reviewed by supervisors.
  2. Please refer to Attachment III on page 29 to 35 and Attachment IV on page 36 to 41 of this meeting agenda for the financial statements.
  3. Please accept the above-mentioned financial statements.

Resolution:

#### Item 2

(Proposed by the Board of Directors)

Subject: To accept the distribution of 2015 earnings

- Explanation:
1. The earnings available for distribution of NT\$ 2,445,421,654 is calculated by adding unappropriated earnings from previous year of NT\$ 1,807,637,318 to net income for 2015 of NT\$ 729,856,410, appropriating 10% for legal capital reserve (i.e. NT\$ 72,985,641) and deducting the remeasurement of defined benefit plan of NT\$ 19,086,433.
  2. Dividends to shareholders:  
Each common share holder will be entitled to receive a cash dividend of NT\$ 2 per share and the overall cash dividend amounts to NT\$ 403,935,670. Earnings available for distribution of NT\$ 2,041,485,984, net of dividends, will be retained for distribution in later years. Earnings from 2015 will be distributed first. Cash dividends to be paid are rounded to the nearest dollar. Dividends to individual shareholder of fractional dollar amount are transferred to the Employee Welfare Committee of the Company.
  3. The earning distribution plan is calculated based on the number of outstanding shares as of the date on which the proposal is approved in the Board meeting. If the number of outstanding

shares changes due to exercise of employee stock options for common shares, capital increase by cash, purchase of the Company's shares, or transfer or cancellation of treasury stocks and the dividend payout ratio is affected, the Chairman is authorized to adjust the cash dividend to be distributed to each share based on the total amount of cash resolved to be distributed and the actual number of outstanding shares on the record date for distribution.

4. When the conditions for this earning distribution are changed due to the changes in laws or decisions of regulators, the Chairman is authorized to take all necessary measures.
5. The 2015 earning distribution table is as follows:

**Taiflex Scientific Co., Ltd.**  
**2015 Earning Distribution Table**

(In Thousands of New Taiwan Dollars)

Item	Subtotal	Total	Note
Unappropriated earnings, beginning balance		1,807,637,318	
Add: net income of 2015	729,856,410		
Less: legal capital reserve (Note1)	(72,985,641)		
Less: other comprehensive income (remeasurement of defined benefit plan) (Note 2)	(19,086,433)		
Distributable earnings		2,445,421,654	
Distribution items: (Note 3)			
Cash dividends to shareholders	403,935,670		Cash dividend of NT\$ 2 per share.
Total distributed earnings		(403,935,670)	
Unappropriated earnings, ending balance		2,041,485,984	

Chairman: Ta-Wen Sun    General Manager: Chun-Yen Chiang    Accounting Manager: Fang-Yi Xie

(Note 1) The amount and percentage of legal capital reserve is calculated as follows:

$$729,856,410 * 10\% = 72,985,641.$$

(Note 2) The remeasurement of defined benefit plan under IAS 19 is transferred to retained earnings directly instead of to profit or loss account.

(Note 3) The distribution item above is calculated pursuant to the Article of Incorporation. The amount and percentage is calculated as follows:

$$\text{Dividends to shareholders: Cash dividend of NT\$ 2 per share} * (204,285,835 \text{ shares} - \text{treasury stocks of } 2,318,000 \text{ shares}) = \text{NT\$ } 403,935,670.$$

6. Please accept the distribution of 2015 earnings.

Resolution:

## Discussion Items (2)

Item 1

(Proposed by the Board of Directors)

Subject: It is proposed to capitalize capital surplus for the issuance of new shares

- Explanation:
1. It is proposed to capitalize share premium under capital surplus of NT\$ 40,393,570 for the issuance of 4,039,357 common shares at the par value of NT\$ 10 pursuant to Article 241 of the Company Act and Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers for business needs. The new shares give their holders the same rights and obligations as the existing shares and are issued in dematerialized form.
  2. For this issuance of new shares from capitalized capital surplus, shareholders recorded in the register of shareholders on the record date are entitled to the stock dividends. It is tentatively set to allot 20 shares per thousand shares (the outstanding shares of 204,285,835 shares less treasury stocks of 2,318,000 shares). For fractional shares, the distribution will be made in the form of cash and the amount is calculated at par value and rounded to the nearest dollar. Alternatively, the existing shareholders may arrange to combine fractional shares within five days starting from the record date. The Chairman is authorized to contact specified person(s) to subscribe fractional shares that are not combined or after being combined still constitute less than one full share at their par value.
  3. This issuance of new share is calculated based on the number of outstanding shares as of the date on which the proposal is approved in the Board meeting. The Board of Directors is authorized to adjust the distribution ratio based on the amount of stock dividends resolved to be distributed and the actual number of outstanding shares on the record date for distribution when the number of outstanding shares is expected to increase before the record date due to the exercise of employee stock options for common shares, capital increase by cash, purchase of the Company's shares, or transfer or cancellation of treasury stocks.
  4. Upon the approval of the Annual Shareholders' Meeting, it is proposed that the Board of Directors be authorized to resolve the ex-date.
  5. When any relevant matters in connection with this capital increase shall be adjusted or changed due to laws and regulations, decisions of regulators, or actual needs, it is proposed for the shareholders' meeting to authorize the Chairman in taking all necessary measures.
  6. Please accept the capitalization of capital surplus for the issuance of new shares

Resolution:

Item 2

(Proposed by the Board of Directors)

Subject: It is proposed to amend the Procedures for Endorsement and Guarantee

Explanation: 1. Amendments are proposed to be in compliance with official letters from the competent authority.

2. Please refer to Attachment V on page 42 to 44 of this meeting agenda for the Comparison Table of the Amendments to Procedures for Endorsement and Guarantee.

3. The draft amendment is submitted for discussion and approval.

Resolution:

Item 3

(Proposed by the Board of Directors)

Subject: It is proposed to amend the Procedures for Lending Funds to Other Parties

Explanation: 1. Amendments are proposed to be in compliance with official letters from the competent authority.

2. Please refer to Attachment VI on page 45 to 46 of this meeting agenda for the Comparison Table of the Amendments to Procedures for Lending Funds to Other Parties.

3. The draft amendment is submitted for discussion and approval.

Resolution:

## **Special Motions**

## **Meeting Adjourned**

## Attachment I

**Comparison Table of the Amendments to Articles of Incorporation**

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 3	<p>The Company has its head office in Kaohsiung <del>Export Processing Zone</del>. The Company may, if necessary, set up branch offices domestically and abroad upon resolution of the Board of Directors and approval of competent authority.</p>	<p>The Company has its head office in Kaohsiung <u>City</u>. The Company may, if necessary, set up branch offices domestically and abroad upon resolution of the Board of Directors and approval of competent authority.</p>	<p>The wording is amended in accordance with the current practice to indicate the location of head office by the city.</p>
Article 6	<p>The total amount of authorized capital stock of the Company is NT\$3,000,000,000, which is divided into 300,000,000 shares (including the technical shares of 3,000,000) at a par value of NT\$10 each. The Board of Directors is authorized to issue the unissued shares by multiple installments. The sum of NT\$150,000,000 may be divided into 15,000,000 shares at a par value of 10 each and issued in a series of employees' stock options, prefer shares with subscription rights, or corporate bonds with subscription rights upon resolution of the Board of Directors.</p> <p><del>The price of employees' stock options issued by the Company may be lower than the closing price on the date of issuance upon the resolution of shareholders' meeting which is agreed by more than two third of votes represented by the attending shareholders who hold the majority of total number of issued shares represented by the shareholders.</del></p> <p><del>The Company may buy back the treasury shares and transfer to the employees at an average price lower than the buyback price upon the resolution of shareholders' meeting which is agreed by more than two third of votes represented by the attending shareholders who hold the majority of</del></p>	<p>The total amount of authorized capital stock of the Company is NT\$3,000,000,000, which is divided into 300,000,000 shares (including the technical shares of 3,000,000) at a par value of NT\$10 each. The Board of Directors is authorized to issue the unissued shares by multiple installments. The sum of NT\$150,000,000 may be divided into 15,000,000 shares at a par value of <u>NT\$10</u> each and issued in a series of employees' stock options, prefer shares with subscription rights, or corporate bonds with subscription rights upon resolution of the Board of Directors.</p>	<p>1. Since a company shall issue stock options and buy back treasury shares in accordance with Articles 167, 167-1, 167-2 and 167-3 of the current Company Act, Paragraphs 2 and 3 of this Article are deleted for explicitness.</p> <p>2. The wording is amended to show that the par value is in New Taiwan Dollars.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<del>total number of issued shares represented by the shareholders.</del>		
Article 8	Unless provided in the laws or regulations, <del>the stock transactions concerning the transfer, loss, inheritance, gift and loss or change of chop or change of address shall</del> be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authority.	Unless <u>otherwise</u> provided in relevant laws or regulations, <u>affairs concerning shareholder services need</u> to be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authority.	The wording is amended to simplify the description of shareholder services.
Article 9	The transfer of shares shall be suspended sixty days before the general meeting of shareholders, thirty days before the special meeting of shareholders or five days before the base date on which the Company decides to distribute the dividend and bonus or other benefits.	The transfer of shares shall be suspended sixty days before the general meeting of shareholders <u>is held</u> , thirty days before the special meeting of shareholders <u>is held</u> or five days before the base date on which the Company decides to distribute the dividend and bonus or other benefits.	The wording is amended.
Article 11	<del>The Chairperson of the Board of Directors shall preside at the shareholders' meeting if the meeting is convened by the Board. When the Chairperson is on leave or unable to exercise power, the Vice Chairperson of the board shall stand proxy. When the Vice Chairperson is also on leave or unable to exercise power, the Chairperson shall appoint a director to stand proxy. If the Chairperson does not appoint a proxy, the directors shall elect a person from among themselves to preside at the meeting. If the shareholders' meeting is convened by a person entitled to convene the meeting, the person shall preside at the meeting. When there are two or more persons entitled to convene, they shall elect a person from among themselves to preside at the meeting.</del>	The Chairperson of the Board of Directors shall preside at the shareholders' meeting if the meeting is convened by the Board. When the Chairperson is on leave or unable to exercise power, <u>the person mentioned below may preside in accordance with Article 208 of the Company Act.</u> If the shareholders' meeting is convened by a person entitled to convene the meeting, the person shall preside at the meeting. When there are two or more persons entitled to convene, they shall elect a person from among themselves to preside at the meeting.	The words "matters shall be handled in accordance with Article 208 of the Company Act" are added to replace the previous wording for simplicity.
Article 12	<del>All shareholders shall be notified of the date, place and reasons to convene thirty days prior to the general meeting and fifteen days prior to the special meeting.</del>	<u>Written notices shall be sent to all shareholders thirty days prior to the general meeting and fifteen days prior to the special meeting. The notice shall specify the date, place and reasons to convene. Pursuant to relevant laws and</u>	The wording from Article 26-2 of the Securities and Exchange Act is quoted



Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
		<u>regulations, the notice served to the shareholder who owns less than 1,000 shares of nominal stocks may be given in the form of a public announcement.</u>	directly for explicitness.
Article 14	Shareholders are entitled to one vote for each share held <del>unless</del> restricted by laws and regulations.	Shareholders are entitled to one vote for each share held. <u>However, this shall not apply to circumstances restricted by laws and regulations nor shares with no voting rights.</u>	In addition to shares with no voting rights pursuant to relevant laws and regulations (e.g. the issuing company holds its own share(s) in accordance with the laws), exceptions to one vote for each share include circumstances restricted by laws and regulations (e.g. when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
			voting power shall not be counted). Thus, the wording is amended.
Article 15	The resolutions of shareholders' meeting, unless otherwise stated in the relevant laws and regulations, shall be agreed by the majority of votes represented by the attending shareholders or proxies who represents the majority of total number of issued shares.	The resolutions of shareholders' meeting, unless otherwise stated in the relevant laws and regulations, shall be agreed by the majority of votes represented by the attending shareholders or proxies who represents the majority of total number of issued shares. <u>The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed or sealed with the chop of the Chairperson of the meeting. The meeting minutes shall be kept within the Company along with the attendance book bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies.</u>	The wording is amended in accordance with Paragraphs 1 and 4 of Article 183 of the Company Act.
Article 16	The Company shall have seven to <del>nine</del> directors and three supervisors who are elected from the shareholders with legal capacity to serve a term of three years. The directors and supervisors may be eligible for re-election. <del>If there is insufficient time to elect the directors and supervisors after the term of office has expired, they may perform their duties and responsibilities until the newly elected directors and supervisor take office. Then,</del> the Company shall purchase liability insurances for compensation which the directors and supervisors shall assume within scope of practice during the term upon resolution of the Board of Directors' meeting.	The Company shall have seven to <u>eleven</u> directors and three supervisors who are elected from the shareholders with legal capacity to serve a term of three years. <u>According to relevant laws and regulations,</u> the directors and supervisors may be eligible for re-election. The Company shall purchase liability insurances for compensation which the directors and supervisors shall assume within scope of practice during the term upon resolution of the Board of Directors' meeting.	1. For future re-elections of directors, the Company proposes to increase the upper limit on the number of directors from 9 to 11. 2. The wording is amended in accordance with Article 195 of the Company Act.
Article 16-1	The number of independent directors within the number of directors in the preceding article shall not be less than two. The Company adopts the candidate nomination system. Directors	The number of independent directors within the number of directors in the preceding article shall not be less than two <u>nor one-fifth of the total number of directors.</u> The Company adopts the	1. Pursuant to Order Jin-Guan-Zheng-Fa-Zi No. 1020053112

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>(including independent directors) and supervisors of the Company shall be elected from the respective candidates of directors (including independent directors) and supervisors nominated at the shareholders' meeting. The professional qualification, shareholding, concurrent serving restrictions, nomination and election methods of independent directors and other compliance issues shall be subject to the relevant regulations stipulated by the competent securities authority.</p> <p>Each share has the same number of voting rights as the number of directors and supervisors to be elected. The voting rights may all go to one candidate or be allocated to several candidates. The candidates with more voting rights shall be elected as directors and supervisors. The election for independent and non-independent directors shall be held at the same time, but the numbers to be elected shall be calculated separately.</p>	<p>candidate nomination system <u>described in Article 192-1 of the Company Act.</u> Directors (including independent directors) and supervisors of the Company shall be elected from the respective candidates of directors (including independent directors) and supervisors nominated at the shareholders' meeting. The professional qualification, shareholding, concurrent serving restrictions, nomination and election methods of independent directors and other compliance issues shall be subject to the relevant regulations stipulated by the competent securities authority.</p> <p>Each share has the same number of voting rights as the number of directors and supervisors to be elected. The voting rights may all go to one candidate or be allocated to several candidates. The candidates with more voting rights shall be elected as directors and supervisors. The election for independent and non-independent directors shall be held at the same time, but the numbers to be elected shall be calculated separately.</p>	<p>issued by Financial Supervisory Committee on December 31, 2013, where "the articles of association of all TWSE/GTSM listed companies shall state that the number of independent directors shall not be less than two nor one-fifth of the total number of directors" and amendment to Article 24 of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", the rule concerning the number of independent directors is amended.</p> <p>2. In accordance with Article 192-1 of the Company Act, the nomination system for candidates in</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
			the Articles of Incorporation are clearly defined.
Article 17	<p>The Board of Directors is composed of directors. Their duties and responsibilities are as follows:</p> <ol style="list-style-type: none"> <li>1. Prepare the business plan</li> <li>2. Submit the profit distribution or deficit compensation proposal</li> <li>3. Set forth the capital increase and reduction proposal</li> <li>4. Formulate important articles and organizational regulations</li> <li>5. Appoint and dismiss the general manager and manager</li> <li>6. Establish and remove the branch offices</li> <li>7. Compile the budget and final accounts</li> <li>8. Perform other duties and responsibilities stipulated by the Company Act or resolved at the shareholders' meeting</li> </ol>	<p>The Board of Directors is composed of directors. Their duties and responsibilities are <u>listed below</u>:</p> <ol style="list-style-type: none"> <li>1. Prepare the business plan</li> <li>2. Submit the profit distribution or deficit compensation proposal</li> <li>3. Set forth the capital increase and reduction proposal</li> <li>4. Formulate important articles and organizational regulations</li> <li>5. Appoint and dismiss the general manager and manager</li> <li>6. Establish and remove the branch offices</li> <li>7. Compile the budget and final accounts</li> <li>8. Perform other duties and responsibilities stipulated by the Company Act or resolved at the shareholders' meeting</li> </ol>	The wording is amended.
Article 18	<p>The directors shall elect a Chairperson <del>and</del> a Vice Chairperson from among themselves in the Board of Directors' meeting with the consent of majority of attending directors which represents more than two-third of all directors. The Chairperson shall represent the company.</p>	<p>The directors shall elect a Chairperson from among themselves in the Board of Directors' meeting with the consent of majority of attending directors which represents more than two-third of all directors. A Vice Chairperson <u>may be elected in the same manner</u>. The Chairperson shall have the authority to represent <u>the Company</u>.</p>	Pursuant to Paragraph 1 of Article 208 of the Company Act, the election method for the Vice Chairperson is amended.
Article 19	<p>Unless otherwise stipulated in the Company Act, the Board of Directors' meeting shall be convened by the Chairperson. All directors and supervisors shall be notified of the meeting seven days in advance via mail, e-mail or fax. In case of emergency, the board meeting can be convened via mail, e-mail or fax at a shorter period. <del>The resolution of board</del></p>	<p>Unless otherwise stipulated in the Company Act, the Board of Directors' meeting shall be convened by the Chairperson. All directors and supervisors shall be notified of the meeting seven days in advance via mail, e-mail or fax. In case of emergency, the Board meeting can be convened via mail, e-mail or fax at a shorter period.</p>	Rules concerning the numbers of attending and voting directors are moved to Article 20-1 for consistency.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<del>meeting, unless otherwise stipulated by the Company Act, shall be adopted by the majority of attending directors which represents the majority of all directors.</del>		
Article 20	<p>The Chairperson shall preside at the Board of Directors' meeting. When the Chairperson is on leave or unable to exercise power, <del>the Vice Chairperson shall stand proxy. When the Vice Chairperson is also on leave or unable to exercise power, the Chairperson shall appoint a director to stand proxy. If the Chairperson does not appoint a proxy, the directors shall elect a person from among themselves to preside over the meeting.</del> The directors shall attend the board meeting in person. If a director is unable to attend the meeting for some reason, he/she shall authorize other director to stand proxy. The abovementioned proxy shall be authorized by one person only. If a director lives abroad, he/she may authorize other shareholders in Taiwan to act as proxy in series of meetings with a written power of attorney. For Board meetings conducted through video-conferencing, a director who is present at the board meeting via videoconference <del>shall be</del> deemed to attend in person.</p>	<p>The Chairperson shall preside at the Board of Directors' meeting. When the Chairperson is on leave or unable to exercise power, the person who may preside the meeting <u>shall be determined in accordance with Article 208 of the Company Act.</u></p> <p>The directors shall attend the board meeting in person. If a director is unable to attend the meeting for some reason, he/she shall authorize other director to stand proxy <u>with a power of attorney indicating the scope of authority with reference to the subjects to be discussed at the meeting.</u> No Director may act as proxy for more than one other director. If a director lives abroad, he/she may authorize other shareholders in Taiwan to act as proxy in series of meetings with a written power of attorney. For Board meetings conducted through video-conferencing, a director who participates through video-conferencing <u>is</u> deemed to attend in person.</p>	The words "matters shall be handled in accordance with Article 208 of the Company Act" are added to replace the previous wording for simplicity.
Article 20-1		<p><u>Resolutions in a board meeting, unless otherwise stipulated in the Company Act, shall be adopted by the majority of attending directors which represents the majority of all directors.</u></p> <p><u>Resolutions adopted at a board meeting shall be recorded in the minutes of the meeting, which shall be signed or sealed by the Chairperson of the meeting and the recorder and filed as an important document of the Company to be retained properly throughout the life of the Company. The preparation and distribution of the minutes may be conducted in electronic</u></p>	This Article is added to stipulate (1) the requirements concerning the numbers of attending and voting directors for the resolutions of board meetings; and (2) that

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
		<u>form.</u>	Article 183 of the Company Act shall apply mutatis mutandis to the preparation, distribution and retention of the board meeting minutes pursuant to Article 207 of the same act.
Article 22	The Board of Directors has been delegated to determine the remuneration of directors and supervisors (including the independent directors <del>and supervisors</del> ) based on <del>their involvement in the business operation of the Company and contributions to the Company</del> with reference to the remuneration standard of the industry.	<u>The Compensation Committee would evaluate the involvement of directors and supervisors (including the independent directors) in the business operation of the Company and their contributions to the Company, and make recommendations to the Board concerning their remuneration. The Board of Directors has been delegated to determine the remuneration based on the recommendations from the Compensation Committee with reference to the remuneration standard of the industry.</u>	The evaluation processes for the remuneration of directors and supervisors are amended in compliance with Article 14-6 of the Securities and Exchange Act and the addition to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 24	The general manager shall carry out the business activities of the Company in accordance with the resolutions of the Board meetings.	<u>Directors shall exercise their powers pursuant to the resolutions adopted in the Board and shareholders' meetings. Moreover, the general manager shall carry out the business activities of the Company in accordance with the resolutions of the Board meetings.</u>	The wording is amended to clearly define the basis for directors in exercising their powers.
Article 25	The fiscal year of the Company shall be from January 1 to December 31 of the same year. <del>Financial statements shall be prepared after the end of each fiscal year.</del>	The fiscal year of the Company shall be from January 1 to December 31 of the same year.	Paragraph 2 is deleted to avoid repetition as the preparation of financial statements after the end of each fiscal year is stipulated in Article 26.
Article 26	After the end of each fiscal year, the Board of Directors shall prepare the following documents and <del>deliver</del> them to the supervisors for auditing thirty days prior to the general meeting of shareholders. <del>The supervisors shall then submit a report at the general meeting of shareholders for approval pursuant to Article 228 of the Company Act.</del> 1. Business report 2. Financial statement 3. Profit distribution or deficit compensation proposal	Pursuant to Article 228 of the Company Act, the Board of Directors shall prepare the following documents after the end of each fiscal year and <u>forward</u> them to the supervisors for auditing thirty days prior to the general meeting of shareholders <u>before submitting them to the general meeting of shareholders for approval.</u> 1. Business report 2. Financial statement 3. Profit distribution or deficit compensation proposal	The wording is amended pursuant to Paragraph 1 of Article 228 of the Company Act.
Article 28	<del>The net profit after the end of fiscal year shall be distributed in the following sequence:- 1. Deficit compensation 2. 10% of net profit as legal reserve 3. Special reserve appropriated or reversed as stipulated by laws or competent securities authority 4. For the remaining profits, if any, the Board of Directors shall appropriate in the following manners depending on the financial and economic conditions of current year:</del>	<u>When the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to the directors and supervisors shall not be higher than four percent of the balance.</u> <u>The compensation can be made in the form of stock or cash based on the Board resolution. Parties eligible to receive the said compensation shall include employees in affiliated companies who met certain conditions</u>	1. In accordance with amendments to Articles 235 and 235-1 of the Company Act, a company shall specify a fixed amount or ratio of profit of the

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p><del>a. Bonus to the employees shall not be lower than 8 percent of the remaining balance after the deductions specified in Paragraphs 1 to 3 of the Article. The bonus to the employees, distributed in cash or shares, shall not exceed 50 percent of current year's net profit when calculated by market price, or 50 percent of current year's net profit combined with the undistributed earnings accumulated during the previous years, whichever is higher. The parties receiving the stock dividends shall include employees in affiliated companies who met certain conditions stipulated by the Board of Directors;</del></p> <p><del>b. Remuneration to the directors and supervisors shall not be higher than 5% of the remaining balance after the deductions specified in Paragraph 1 to 3 of the Article;</del></p> <p><del>c. The shareholders' meeting shall then resolve as to whether the remaining balance combined with the undistributed earnings accumulated during previous years shall be reserved or distributed to the shareholders as dividends.</del></p>	<p><u>set by the Board. The distribution plan of compensation to employees and remuneration to the directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to the directors and supervisors based on the above-mentioned ratios.</u></p>	<p>The basis and reasons of the amendment</p> <p>current year distributable as compensation to employees in the Articles of Incorporation. Thus, the basis and ratio for the distribution of compensation to employees in this Articles of Incorporation is amended.</p> <p>2. Pursuant to Letter Jing-Shang-Zi No. 10402413890 issued by the Ministry of Economic Affairs on June 11, 2015, the earnings distribution table shall not include bonus to employees. This rule shall apply mutatis mutandis to remuneration to the directors and supervisors. However a company can still specify a fixed amount or ratio of profit</p>



Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
			<p>distributable as remuneration to the directors and supervisors in the Articles of Incorporation. Thus, the basis and ratio for the distribution of remuneration to the directors and supervisors in this Articles of Incorporation is amended.</p> <p>3. The same Letter explains that if a company has an accumulated deficit and its Articles of Incorporation set out rules for both compensation to employees and remuneration to the directors and supervisors in accordance with laws and regulations, the amount used for the calculation of compensation to employees and</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
			remuneration to the directors and supervisors shall be profit of the year (i.e. income before tax) net of the accumulated deficit.
Article 28-1		<p><u>Current year's earnings of the Company, if any, shall be distributed in the following order:</u></p> <ol style="list-style-type: none"> <li>1. <u>Taxes and dues</u></li> <li>2. <u>Deficit compensation</u></li> <li>3. <u>10% of net profit as legal capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled the total capital of the Company.</u></li> <li>4. <u>Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or competent securities authority</u></li> <li>5. <u>For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the Shareholders' meeting for resolution</u></li> </ol>	<ol style="list-style-type: none"> <li>1. A new Article.</li> <li>2. Pursuant to Articles 232 and 237 of the Company Act, this article is amended to clarify the method of earnings distribution.</li> </ol>
Article 29	<p>The Company shall take into account the environment and development stage of the Company in meeting the needs of capital in the future and establishing long-term financial planning together with satisfying the shareholders' demand for cash. The Company shall draw up and submit the proposal concerning the distributable earnings specified in Article 28 to the shareholders' meeting for resolution. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100%.</p>	<p>After taking into account the environment and development stage of the Company, the needs of capital in the future, long-term financial planning and shareholders' demand for cash, the <u>Board of Directors shall draw up an earnings distribution proposal according to the distributable earnings calculated pursuant to Article 28-1 and submit it to the shareholders' meeting for approval. At least forty percent of the distributable earnings calculated shall be appropriated as shareholders' dividends.</u> The cash dividend shall not</p>	<p>Pursuant to the addition of Article 28-1, the wording is amended and the dividend distribution policy is clearly defined.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
		be lower than 10 percent of the total dividends and shall be capped at <u>100 percent</u> .	
Article 34	<p>The Articles of Incorporation was established after approval of all promoters on August 5, 1997. It took effect on the date when the competent authority approved the registration.</p> <p>The first amendment was made on October 17, 1997.</p> <p>The second amendment was made on November 1, 1997.</p> <p>The third amendment was made on December 8, 1997.</p> <p>The fourth amendment was made on April 23, 1998.</p> <p>The fifth amendment was made on March 6, 1999.</p> <p>The sixth amendment was made on April 15, 2000.</p> <p>The seventh amendment was made on April 14, 2001.</p> <p>The eighth amendment was made on June 21, 2002.</p> <p>The ninth amendment was made on May 26, 2003.</p> <p>The tenth amendment was made on May 28, 2004.</p> <p>The eleventh amendment was made on May 28, 2004.</p> <p>The twelfth amendment was made on June 17, 2005.</p> <p>The thirteenth amendment was made on June 17, 2005.</p> <p>The fourteenth amendment was made on August 28, 2006.</p> <p>The fifteenth amendment was made on May 9, 2007.</p> <p>The sixteenth amendment was made on June 3, 2008.</p> <p>The seventeenth amendment was made on June 18, 2010.</p> <p>The eighteenth amendment was made on June 9, 2011.</p> <p>The nineteenth amendment was made on June 13, 2012.</p> <p>The twentieth amendment was made on</p>	<p>The Articles of Incorporation was established after approval of all promoters on August 5, 1997. It took effect on the date when the competent authority approved the registration.</p> <p>The first amendment was made on October 17, 1997.</p> <p>The second amendment was made on November 1, 1997.</p> <p>The third amendment was made on December 8, 1997.</p> <p>The fourth amendment was made on April 23, 1998.</p> <p>The fifth amendment was made on March 6, 1999.</p> <p>The sixth amendment was made on April 15, 2000.</p> <p>The seventh amendment was made on April 14, 2001.</p> <p>The eighth amendment was made on June 21, 2002.</p> <p>The ninth amendment was made on May 26, 2003.</p> <p>The tenth amendment was made on May 28, 2004.</p> <p>The eleventh amendment was made on May 28, 2004.</p> <p>The twelfth amendment was made on June 17, 2005.</p> <p>The thirteenth amendment was made on June 17, 2005.</p> <p>The fourteenth amendment was made on August 28, 2006.</p> <p>The fifteenth amendment was made on May 9, 2007.</p> <p>The sixteenth amendment was made on June 3, 2008.</p> <p>The seventeenth amendment was made on June 18, 2010.</p> <p>The eighteenth amendment was made on June 9, 2011.</p> <p>The nineteenth amendment was made on June 13, 2012.</p> <p>The twentieth amendment was made on</p>	To add the date of amendment.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>June 17, 2013.  The twenty-first amendment was made on June 24, 2014.</p>	<p>June 17, 2013.  The twenty-first amendment was made on June 24, 2014.  <u>The twenty-second amendment was made on May 27, 2016.</u></p>	

## Attachment II

### Comparison Table of the Amendments to Rules of Procedure for the Board of Directors' Meetings

Articles	Before the amendment	After the amendment	Note
Article 14	<p>When the chairperson is of the opinion that the proposal in Board meeting has been discussed sufficiently to put it to a vote, he/she shall announce the discussion closed and call for a vote. The proposal shall be deemed adopted if all directors in attendance were solicited by the chairperson and no objection is voiced.</p> <p>The manner of voting for proposals of board meetings <del>shall be clearly defined in the Rules. Except for chairperson soliciting all directors in attendance to pass the resolution, the supervision and counting of ballots shall be clearly specified.</del></p> <p>The term “all directors in attendance” in the preceding two paragraphs exclude directors who shall not exercise voting rights pursuant to paragraph 1 of Article 16.</p>	<p>When the chairperson is of the opinion that the proposal in board meeting has been discussed sufficiently to put it to a vote, he/she shall announce the discussion closed and call for a vote. The resolutions shall be deemed adopted if no objection is voiced by any of the attending directors after solicitation by the chairperson.</p> <p>If objection is voiced after solicitation by the chairperson, such resolution shall be voted. If there is an amendment to or substitute for a proposed resolution, the chairperson shall decide the sequence of voting for such proposed resolution and the amendment or substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is required. The result of voting shall be announced at the meeting and placed on record.</p> <p>The method of voting for proposed resolutions in the board meetings <u>shall be one of the followings as determined by the chairperson:</u></p> <ol style="list-style-type: none"> <li><u>1.By showing of hands;</u></li> <li><u>2.By voicing votes; or</u></li> <li><u>3.By casting ballots. The chairperson shall appoint ballot supervisors to monitor the voting process and ballot counters to count the ballots. The ballot supervisors shall be directors.</u></li> </ol> <p>The term “ any of the attending directors ” in the second paragraph of this Article exclude directors who shall not exercise voting rights pursuant to the first paragraph of Article 16.</p>	To clearly define the manner of voting for proposals.

Articles	Before the amendment	After the amendment	Note
Article 20	<p>The Rules were established on March 7, 2003 and took effect after being approved by the Board of Directors. It was proposed at the shareholders' meeting of that year.</p> <p>The first amendment to the Rules was approved by the Board of Directors on February 27, 2004 and proposed at the shareholders' meeting of that year.</p> <p>The second amendment to the Rules took effect after being approved by the Board of Directors on December 13, 2006. It was then proposed at the shareholders' meeting in the following year.</p> <p>The third amendment to the Rules took effect after being approved by the Board of Directors on March 18, 2008. It was then proposed at the shareholders' meeting.</p> <p>The fourth amendment to the Rules took effect after being approved by the Board of Directors on February 25, 2010. It was then proposed at the shareholders' meeting.</p> <p>The fifth amendment to the Rules took effect after being approved by the Board of Directors on October 24, 2012</p>	<p>The Rules were established on March 7, 2003 and took effect after being approved by the Board of Directors. It was proposed at the shareholders' meeting of that year.</p> <p>The first amendment to the Rules was approved by the Board of Directors on February 27, 2004 and proposed at the shareholders' meeting of that year.</p> <p>The second amendment to the Rules took effect after being approved by the Board of Directors on December 13, 2006. It was then proposed at the shareholders' meeting in the following year.</p> <p>The third amendment to the Rules took effect after being approved by the Board of Directors on March 18, 2008. It was then proposed at the shareholders' meeting.</p> <p>The fourth amendment to the Rules took effect after being approved by the Board of Directors on February 25, 2010. It was then proposed at the shareholders' meeting.</p> <p>The fifth amendment to the Rules took effect after being approved by the Board of Directors on October 24, 2012.</p> <p><u>The sixth amendment to the Rules took effect after being approved by the board of directors on July 28, 2015.</u></p>	To add the date of amendment.

# Attachment III Consolidated Financial Statements for the Years Ended December 31, 2015

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 December 31, 2015 and 2014  
 (In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2015	December 31, 2014
<b>Current assets</b>			
		\$	\$
Cash and cash equivalents	4, 6(1)	2,729,235	3,406,445
Financial assets at fair value through profit or loss, current	4, 6(2)	19,300	21,643
Notes receivable, net	4, 6(3)	858,370	889,499
Accounts receivable, net	4, 6(4)	3,647,625	3,794,721
Other receivables		242,562	173,929
Inventories, net	4, 6(5)	1,116,052	926,417
Prepayments		75,357	112,418
Other current assets	8	<u>168,108</u>	<u>67,567</u>
Total current assets		<u>8,856,609</u>	<u>9,392,639</u>
<b>Non-current assets</b>			
Financial assets carried at cost, non-current	4, 6(6)	-	-
Investments accounted for under the equity method	4, 6(7)	-	5,655
Property, plant and equipment	4, 6(8)	2,694,435	2,422,737
Intangible assets	4, 6(9)	119,480	117,086
Deferred income tax assets	4, 6(21)	125,309	120,157
Other non-current assets	4, 6(10)	<u>82,874</u>	<u>124,510</u>
Total non-current assets		<u>3,022,098</u>	<u>2,790,145</u>
<b>Total assets</b>		<u>\$ 11,878,707</u>	<u>\$ 12,182,784</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS-(Continued)  
December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2015	December 31, 2014
<b>Current liabilities</b>			
Short-term loans	6(12)	\$ 881,178	\$ 1,218,972
Financial liabilities at fair value through profit or loss, current	4, 6(13)	-	5,602
Notes payable		51,896	205,739
Accounts payable		1,901,621	1,640,159
Other payables		624,655	583,839
Current income tax liabilities	4, 6(21)	96,804	144,980
Current portion of long-term loans	6(14)	303,561	22,027
Other current liabilities		6,317	15,981
Total current liabilities		<u>3,866,032</u>	<u>3,837,299</u>
<b>Non-current liabilities</b>			
Long-term loans	6(14)	888,173	1,302,281
Deferred income tax liabilities	4, 6(21)	194,169	205,979
Net defined benefit liabilities, non-current	4, 6(15)	111,009	81,473
Other non-current liabilities	4, 12	47	66
Total non-current liabilities		<u>1,193,398</u>	<u>1,589,799</u>
Total liabilities		<u>5,059,430</u>	<u>5,427,098</u>
<b>Equity attributable to shareholders of the parent</b>			
Capital	6(16)		
Common stock		2,042,858	2,042,608
Capital collected in advance		-	70
Total capital		<u>2,042,858</u>	<u>2,042,678</u>
Capital surplus	6(16)	1,447,952	1,447,619
Retained earnings			
Legal capital reserve		611,177	522,935
Special capital reserve		102,158	102,158
Unappropriated earnings		2,518,408	2,501,729
Total retained earnings		<u>3,231,743</u>	<u>3,126,822</u>
Other components of equity	4	61,375	80,544
Treasury stock	6(16)	(98,744)	(98,744)
Total equity attributable to shareholders of the parent		<u>6,685,184</u>	<u>6,598,919</u>
<b>Non-controlling interests</b>	4, 6(16)	<u>134,093</u>	<u>156,767</u>
Total equity		<u>6,819,277</u>	<u>6,755,686</u>
<b>Total liabilities and equity</b>		<u>\$ 11,878,707</u>	<u>\$ 12,182,784</u>

(Concluded)

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



TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	Notes	2015	2014
		\$	\$
Net revenue	4, 6(18)	10,267,868	10,127,720
Cost of revenue	4, 6(5), 6(19)	<u>(8,103,053)</u>	<u>(7,871,171)</u>
Gross profit		<u>2,164,815</u>	<u>2,256,549</u>
Unrealized sales profit or loss		(442)	(347)
Realized sales profit or loss		<u>347</u>	<u>234</u>
Gross profit, net		<u>2,164,720</u>	<u>2,256,436</u>
Operating expenses	4, 6(19)		
Sales and marketing expenses		(497,436)	(657,652)
General and administrative expenses		(399,605)	(399,638)
Research and development expenses		<u>(218,559)</u>	<u>(189,228)</u>
Total operating expenses		<u>(1,115,600)</u>	<u>(1,246,518)</u>
Operating income		<u>1,049,120</u>	<u>1,009,918</u>
Non-operating income and expenses	6(20)		
Other income		44,983	48,523
Other gains and losses		(152,161)	124,501
Finance costs		(68,999)	(67,252)
Share of profit or loss of associates under the equity method	4, 6(7)	<u>(5,673)</u>	<u>(8,507)</u>
Total non-operating income and expenses		<u>(181,850)</u>	<u>97,265</u>
Income before income tax		867,270	1,107,183
Income tax expense	4, 6(21)	<u>(159,962)</u>	<u>(222,204)</u>
Net income of continuing operations		<u>707,308</u>	<u>884,979</u>
Net income		<u>707,308</u>	<u>884,979</u>
Other comprehensive income (loss)	6(20)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		(22,995)	(2,093)
Income tax benefit (expense) related to items that will not be reclassified subsequently		3,909	356
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(23,246)	76,122
Income tax benefit (expense) related to items that may be reclassified subsequently		<u>3,951</u>	<u>(12,940)</u>
Total other comprehensive income, net of tax		<u>(38,381)</u>	<u>61,445</u>
Total comprehensive income		<u>\$668,927</u>	<u>\$946,424</u>
Net income (loss) attributable to:	4, 6(22)		
Shareholders of the parent		\$729,856	\$882,421
Non-controlling interests		<u>(22,548)</u>	<u>2,558</u>
		<u>\$707,308</u>	<u>\$884,979</u>
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$691,601	\$943,310
Non-controlling interests		<u>(22,674)</u>	<u>3,114</u>
		<u>\$668,927</u>	<u>\$946,424</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME-(Continued)  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	Notes	2015	2014
Earnings per share (NT\$)	4, 6(22)		
		\$	\$
Earnings per share - basic		3.61	4.32
		\$	\$
Earnings per share - diluted		3.58	4.28

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

Equity Attributable to Shareholders of the Parent

	Retained Earnings						Others	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations				
Balance as of January 1, 2014	2,028,762	10,492	1,436,848	422,401	102,158	2,231,520	17,918	-	6,250,099	153,653	6,403,752
Appropriation and distribution of 2013 earnings											
Legal capital reserve				100,534		(100,534)			-		-
Cash dividends for common shares						(509,941)			(509,941)		(509,941)
Changes in other capital surplus											
Changes in associates under the equity method			717						717		717
Share-based payment	13,846	(10,422)	10,054						13,478		13,478
Net income for the year ended December 31, 2014						882,421			882,421	2,558	884,979
Other comprehensive income (loss) for the year ended December 31, 2014						(1,737)	62,626		60,889	556	61,445
Total comprehensive income	-	-	-	-	-	880,684	62,626	-	943,310	3,114	946,424
Repurchase of treasury stock								(98,744)	(98,744)		(98,744)
Balance as of December 31, 2014	2,042,608	70	1,447,619	522,935	102,158	2,501,729	80,544	(98,744)	6,598,919	156,767	6,755,686
Appropriation and distribution of 2014 earnings											
Legal capital reserve				88,242		(88,242)			-		-
Cash dividends for common shares						(605,849)			(605,849)		(605,849)
Changes in other capital surplus											
Share-based payment	250	(70)	333						513		513
Net income for the year ended December 31, 2015						729,856			729,856	(22,548)	707,308
Other comprehensive income (loss) for the year ended December 31, 2015						(19,086)	(19,169)		(38,255)	(126)	(38,381)
Total comprehensive income	-	-	-	-	-	710,770	(19,169)	-	691,601	(22,674)	668,927
Balance as of December 31, 2015	\$2,042,858	\$-	\$1,447,952	\$611,177	\$102,158	\$2,518,408	\$61,375	\$(98,744)	\$6,685,184	\$134,093	\$6,819,277

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from operating activities:		
	\$	\$
Income before income tax	867,270	1,107,183
Adjustments:		
Non-cash income and expense items:		
Depreciation	265,557	242,242
Amortization	38,901	39,911
Bad debt expense	31,230	238,375
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(5,937)	9,033
Interest expense	68,999	67,252
Interest income	(28,117)	(25,230)
Compensation cost of share-based payment	-	548
Share of profit or loss of associates under the equity method	5,673	8,507
(Gain) loss on disposal of property, plant and equipment	(190)	313
Gain on disposal of investments	-	(124)
Gain on reversal of impairment loss for non-financial assets	(5,461)	(5,744)
Others	(68,105)	(5,402)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss, current	2,678	(6,740)
Decrease in notes receivable	31,129	128,853
Decrease (increase) in accounts receivable	181,105	(860,576)
Increase in other receivables	(131,679)	(98,013)
Decrease (increase) in inventories	(121,530)	36,409
Decrease (increase) in prepayments	37,061	(4,874)
Increase in other current assets	(11,627)	(57)
Increase in other non-current assets	(2,232)	(11,965)
Increase (decrease) in notes payable	(153,843)	205,394
Increase in accounts payable	261,462	167,177
Increase (decrease) in other payables	(25,936)	13,063
Increase (decrease) in other current liabilities	(9,682)	11,527
Increase in net defined benefit liabilities	6,540	6,788
Increase (decrease) in other non-current liabilities	(19)	66
Cash generated from operations	<u>1,233,247</u>	<u>1,263,916</u>
Interest received	26,547	27,895
Interest paid	(71,513)	(65,379)
Income tax paid	<u>(217,240)</u>	<u>(217,212)</u>
Net cash generated by operating activities	<u>971,041</u>	<u>1,009,220</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(487,898)	(293,636)
Disposal of property, plant and equipment	1,614	930
Increase in refundable deposits	-	(28,373)
Decrease in refundable deposits	23,424	-
Acquisition of intangible assets	(9,286)	(14,191)
Increase in other current assets - other financial assets, current	(87,480)	(32,210)
Net cash used in investing activities	(559,626)	(367,480)
Cash flows from financing activities:		
Increase in short-term loans	-	168,260
Decrease in short-term loans	(337,794)	-
Repayment of long-term loans	(132,574)	(377,158)
Distribution of cash dividends	(605,849)	(509,941)
Exercise of employee stock options	513	12,930
Costs of repurchase of treasury stock	-	(98,744)
Net cash used in financing activities	(1,075,704)	(804,653)
Effect of exchange rate changes on cash and cash equivalents	(12,921)	40,078
Net decrease in cash and cash equivalents	(677,210)	(122,835)
Cash and cash equivalents at beginning of period	3,406,445	3,529,280
Cash and cash equivalents at end of period	\$ 2,729,235	\$ 3,406,445

(Concluded)

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

## Attachment IV Parent Company Only Financial Statements for the Years Ended December 31, 2015

### TAIFLEX SCIENTIFIC COMPANY LIMITED PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2015	December 31, 2014
<b>Current assets</b>			
		\$	\$
Cash and cash equivalents	4, 6(1)	2,223,777	2,564,018
Financial assets at fair value through profit or loss, current	4, 6(2)	19,300	21,643
Notes receivable, net	4, 6(3)	11,797	10,341
Accounts receivable, net	4, 6(4)	670,834	1,314,431
Accounts receivable – related parties	6(4), 7	1,044,628	809,234
Other receivables		121,529	138,067
Other receivables – related parties	7	1,552,485	1,690,952
Inventories, net	4, 6(5)	609,307	498,377
Prepayments		18,831	36,031
Other current assets	8	37,283	52,804
Total current assets	-	6,309,771	7,135,898
<b>Non-current assets</b>			
Financial assets carried at cost, non-current	4, 6(6)	-	-
Investments accounted for under the equity method	4, 6(7)	2,207,017	2,137,490
Property, plant and equipment	4, 6(8)	1,725,671	1,353,023
Intangible assets	4, 6(9)	32,560	27,916
Deferred income tax assets	4, 6(20)	121,598	116,757
Prepayments for investments		16,260	-
Other non-current assets	4, 6(10)	9,635	5,304
Total non-current assets	-	4,112,741	3,640,490
<b>Total assets</b>		10,422,512	10,776,388

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY BALANCE SHEETS-(Continued)  
December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2015	December 31, 2014
<b>Current liabilities</b>			
		\$	\$
Short-term loans	6(11)	98,367	270,553
Financial liabilities at fair value through profit or loss, current	4, 6(12)	-	5,602
Accounts payable		1,757,623	1,524,488
Accounts payable – related parties	7	107,567	474,080
Other payables		499,931	466,077
Current income tax liabilities	4, 6(20)	85,894	134,450
Current portion of long-term loans		281,061	-
Other current liabilities		2,912	15,863
Total current liabilities		<u>2,833,355</u>	<u>2,891,113</u>
<b>Non-current liabilities</b>			
Long-term loans	6(13)	599,297	999,150
Deferred income tax liabilities	4, 6(20)	193,667	205,733
Net defined benefit liabilities, non-current	4, 6(14)	111,009	81,473
Total non-current liabilities		<u>903,973</u>	<u>1,286,356</u>
Total liabilities		<u>3,737,328</u>	<u>4,177,469</u>
<b>Equity</b>			
Capital	6(15)		
Common stock		2,042,858	2,042,608
Capital collected in advance		-	70
Total capital		<u>2,042,858</u>	<u>2,042,678</u>
Capital surplus	6(15)	1,447,952	1,447,619
Retained earnings			
Legal capital reserve		611,177	522,935
Special capital reserve		102,158	102,158
Unappropriated earnings		2,518,408	2,501,729
Total retained earnings		<u>3,231,743</u>	<u>3,126,822</u>
Others	4	61,375	80,544
Treasury stock		(98,744)	(98,744)
Total equity		<u>6,685,184</u>	<u>6,598,919</u>
		\$	\$
<b>Total liabilities and equity</b>		<u><u>10,422,512</u></u>	<u><u>10,776,388</u></u>

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	Notes	2015	2014
		\$	\$
Net revenue	4, 6(17), 7	6,528,844	7,411,756
Cost of revenue	4, 6(5), 6(18), 7	<u>(5,018,175)</u>	<u>(5,901,433)</u>
Gross profit		<u>1,510,669</u>	<u>1,510,323</u>
Unrealized sales profit or loss		(24,370)	(23,829)
Realized sales profit or loss		<u>23,829</u>	<u>32,675</u>
Gross profit, net		<u>1,510,128</u>	<u>1,519,169</u>
Operating expenses	4, 6(18)		
Sales and marketing expenses		(257,058)	(462,652)
General and administrative expenses		(273,820)	(287,343)
Research and development expenses		<u>(193,531)</u>	<u>(158,473)</u>
Total operating expenses		<u>(724,409)</u>	<u>(908,468)</u>
Operating income		<u>785,719</u>	<u>610,701</u>
Non-operating income and expenses	6(19)		
Other income		253,444	307,809
Other gains and losses		(95,956)	134,492
Finance costs		(27,756)	(33,601)
Share of profit or loss of subsidiaries and associates under the equity method	4, 6(7)	<u>(39,098)</u>	<u>61,207</u>
Total non-operating income and expenses		<u>90,634</u>	<u>469,907</u>
Income before income tax		876,353	1,080,608
Income tax expense	4, 6(20)	<u>(146,497)</u>	<u>(198,187)</u>
Net income of continuing operations		<u>729,856</u>	<u>882,421</u>
Net income		<u>729,856</u>	<u>882,421</u>
Other comprehensive income (loss)	6(19)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		(22,995)	(2,093)
Income tax benefit (expense) related to items that will not be reclassified subsequently		3,909	356
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(23,095)	75,453
Income tax benefit (expense) related to items that may be reclassified subsequently	6(20)	<u>3,926</u>	<u>(12,827)</u>
Total other comprehensive income, net of tax		<u>(38,255)</u>	<u>60,889</u>
		\$	\$
Total comprehensive income		<u>691,601</u>	<u>943,310</u>
Earnings per share (NT\$)	4, 6(21)		
Earnings per share - basic		<u>\$ 3.61</u>	<u>\$ 4.32</u>
Earnings per share - diluted		<u>\$ 3.58</u>	<u>\$ 4.28</u>

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



TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	Retained Earnings						Others		Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Treasury Stock	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as of January 1, 2014	2,028,762	10,492	1,436,848	422,401	102,158	2,231,520	17,918	-	6,250,099
Appropriation and distribution of 2013 earnings									
Legal capital reserve				100,534		(100,534)			-
Cash dividends for common shares						(509,941)			(509,941)
Changes in other capital surplus									
Changes in associates under the equity method			717						717
Share-based payment	13,846	(10,422)	10,054						13,478
Net income for the year ended December 31, 2014						882,421			882,421
Other comprehensive income (loss) for the year ended December 31, 2014						(1,737)	62,626		60,889
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,684</u>	<u>62,626</u>	<u>-</u>	<u>943,310</u>
Repurchase of treasury stock								(98,744)	(98,744)
Balance as of December 31, 2014	<u>2,042,608</u>	<u>70</u>	<u>1,447,619</u>	<u>522,935</u>	<u>102,158</u>	<u>2,501,729</u>	<u>80,544</u>	<u>(98,744)</u>	<u>6,598,919</u>
Appropriation and distribution of 2014 earnings									
Legal capital reserve				88,242		(88,242)			-
Cash dividends for common shares						(605,849)			(605,849)
Changes in other capital surplus									
Share-based payment	250	(70)	333						513
Net income for the year ended December 31, 2015						729,856			729,856
Other comprehensive income (loss) for the year ended December 31, 2015						(19,086)	(19,169)		(38,255)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,770</u>	<u>(19,169)</u>	<u>-</u>	<u>691,601</u>
Balance as of December 31, 2015	<u><u>\$2,042,858</u></u>	<u><u>-</u></u>	<u><u>\$1,447,952</u></u>	<u><u>\$611,177</u></u>	<u><u>\$102,158</u></u>	<u><u>\$2,518,408</u></u>	<u><u>\$61,375</u></u>	<u><u>\$(98,744)</u></u>	<u><u>\$6,685,184</u></u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from operating activities:		
	\$	\$
Income before income tax	876,353	1,080,608
Adjustments:		
Non-cash income and expense items:		
Depreciation	143,703	126,222
Amortization	10,061	10,232
Bad debt expense	8,752	240,833
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(4,417)	6,774
Interest expense	27,756	33,601
Interest income	(52,991)	(38,204)
Compensation cost of share-based payment	-	548
Share of profit or loss of subsidiaries and associates under the equity method	39,098	(61,207)
(Gain) loss on disposal of property, plant and equipment	(86)	430
Others	(53,976)	(1,975)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss, current	1,158	(4,361)
Decrease (increase) in notes receivable	(1,456)	836
Decrease (increase) in accounts receivable	699,461	(136,691)
Decrease (increase) in accounts receivable – related parties	(235,394)	72,129
Increase in other receivables	(46,508)	(69,408)
Decrease in other receivables – related parties	138,467	180,321
Increase in inventories	(56,954)	(94,672)
Decrease (increase) in prepayments	17,200	(1,874)
Decrease (increase) in other current assets	(15,882)	191
Increase in accounts payable	233,135	182,795
Increase (decrease) in accounts payable – related parties	(366,513)	12,066
Decrease in other payables	(40,882)	(14,744)
Increase (decrease) in other current liabilities	(18,277)	7,669
Increase in net defined benefit liabilities	6,540	6,788
Cash generated from operations	<u>1,308,348</u>	<u>1,538,907</u>
Interest received	51,421	40,869
Interest paid	(27,737)	(34,228)
Income tax paid	<u>(204,124)</u>	<u>(189,110)</u>
Net cash generated by operating activities	<u>1,127,908</u>	<u>1,356,438</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS-(Continued)  
For the Years Ended December 31, 2015 and 2014  
(In Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	(126,394)	(79,557)
Increase in prepayments for investments	(16,260)	-
Decrease in prepayments for investments	-	13,294
Acquisition of property, plant and equipment	(441,778)	(253,129)
Disposal of property, plant and equipment	230	30
Increase in refundable deposits	(4,331)	(1,640)
Acquisition of intangible assets	(14,705)	(13,277)
Increase in other current assets - other financial assets, current	-	(31,631)
Decrease in other current assets - other financial assets, current	31,403	-
Net cash used in investing activities	(571,835)	(365,910)
Cash flows from financing activities:		
Decrease in short-term loans	(172,186)	(206,608)
Repayment of long-term loans	(118,792)	(565,938)
Distribution of cash dividends	(605,849)	(509,941)
Exercise of employee stock options	513	12,930
Costs of repurchase of treasury stock	-	(98,744)
Net cash used in financing activities	(896,314)	(1,368,301)
Net decrease in cash and cash equivalents	(340,241)	(377,773)
Cash and cash equivalents at beginning of period	2,564,018	2,941,791
Cash and cash equivalents at end of period	2,223,777	2,564,018

(Concluded)

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

## Attachment V

### Comparison Table of the Amendments to Procedures for Endorsement and Guarantee

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 6	<p>(1)The total amount of endorsement and guarantee provided by the Company for other parties shall not exceed 50 percent of the Company’s net worth in the latest financial statements. The amount of endorsement and guarantee provided by the Company for a single enterprise shall not exceed 20 percent of the Company’s net worth in the latest financial statement. However, the restriction shall not apply to companies in which the Company directly or indirectly holds 100 percent of voting shares.</p> <p>(2) The total amount of endorsement and guarantee provided by the Company and its subsidiaries for other parties shall not exceed 50 percent of the Company’s net worth. The total amount of endorsement and guarantee for a single enterprise shall not exceed 20 percent of the Company’s net worth. However, the restriction shall not apply to companies in which the Company directly or indirectly holds 100 percent of voting shares. When the total amount of endorsement and guarantee provided by the Company and its subsidiaries exceeds 50 percent of the Company’s net worth, its necessity and reasonableness shall be stated at the shareholders’ meeting. (Omitted)</p>	<p>(1)The total amount of endorsement and guarantee provided by the Company for other parties shall not exceed 50 percent of the Company’s net worth in the latest financial statements. The amount of endorsement and guarantee provided by the Company for an individual entity shall not exceed 20 percent of the Company’s net worth in the latest financial statement. However, the restriction shall not apply to companies in which the Company directly or indirectly holds 100 percent of voting shares. <u>Notwithstanding the foregoing, the amount of endorsement and guarantee provided by the Company for the company in which the Company directly or indirectly holds 100 percent of voting shares shall still be subject to the limitation of 50 percent of the Company’s net worth in the latest financial statements as stated above.</u></p> <p>(2) The total amount of endorsement and guarantee provided by the Company and its subsidiaries for other parties shall not exceed 50 percent of the Company’s net worth <u>in the latest financial statements.</u> The total amount of endorsement and guarantee <u>provided by the Company and its subsidiaries</u> for an individual entity shall not exceed 20 percent of the Company’s net worth <u>in the latest financial statements.</u> However, the restriction shall not apply to <u>endorsement and guarantee provided for</u> companies in which the Company directly or indirectly holds 100 percent of voting shares.</p>	<p>1. The paragraph is amended by adding the words “Notwithstanding the foregoing, the amount of endorsement and guarantee provided by the Company for such a company shall be limited to 50 percent of the Company’s net worth in the latest financial statements as stated above.” to avoid questions on whether the amount of endorsement and guarantee provided by the Company for companies in which it directly or indirectly holds 100 percent of voting shares</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
		<p><u>Notwithstanding the foregoing, the amount of endorsement and guarantee provided by Company and its subsidiaries for the company in which the Company directly or indirectly holds 100 percent of voting shares shall still be subject to the limitation of 50 percent of the Company's net worth in the latest financial statements as stated above.</u> When the total amount of endorsement and guarantee provided by the Company and its subsidiaries exceeds 50 percent of the Company's net worth <u>in the latest financial statements</u>, the necessity and reasonableness for the excess portion shall be stated at the <u>Company's</u> shareholders' meeting.</p> <p>(Omitted)</p>	<p>can exceed 50 percent of the Company's net worth in the latest financial statement.</p> <p>2. The second paragraph is amended to state clearly that the total amount of endorsement and guarantee provided by the Company and its subsidiaries for companies in which the Company directly or indirectly holds 100 percent of voting shares and for other parties are both limited to 50 percent of the Company's net worth in the latest financial statements.</p>
Article 18	<p>The Procedures took effect on April 15, 2000 after being approved by the shareholders' meeting.</p> <p>The first amendment was made on May 26, 2003.</p> <p>The second amendment was made on June 8, 2006.</p>	<p>The Procedures took effect on April 15, 2000 after being approved by the shareholders' meeting.</p> <p>The first amendment was made on May 26, 2003.</p> <p>The second amendment was made on June 8, 2006.</p>	<p>To add the date of amendment.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>The third amendment was made on May 9, 2007.</p> <p>The fourth amendment was made on June 16, 2009.</p> <p>The fifth amendment was made on June 18, 2010.</p> <p>The sixth amendment was made on June 17, 2013.</p> <p>The seventh amendment was made on June 24, 2014.</p>	<p>The third amendment was made on May 9, 2007.</p> <p>The fourth amendment was made on June 16, 2009.</p> <p>The fifth amendment was made on June 18, 2010.</p> <p>The sixth amendment was made on June 17, 2013.</p> <p>The seventh amendment was made on June 24, 2014.</p> <p><u>The eighth amendment was made on May 27, 2016.</u></p>	

## Attachment VI

### Comparison Table of the Amendments to Procedures for Lending Funds to Other Parties

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 7	<p>Subsequent control on loan amount and procedures for overdue credit</p> <p>(1) Following loan appropriation, the Company shall frequently evaluate the financial, operating and related credit conditions of the borrower and guarantor. If collateral is provided, the Company shall be aware of the fluctuations in value. In case of significant changes, the Company shall notify the Chairperson of the board immediately and take actions according to instructions.</p> <p>(2) Interest should be calculated when the borrower repays the loan upon or before its due date. Once the principal and interest of the loan are repaid, the Company shall cancel and return the promissory note to the borrower or cancel the pledge.</p> <p>(3) The borrower shall repay the principal and interest when the loan is due. If the borrower fails to repay the loan and requires an extension, the request for extension shall be submitted beforehand and approved by the board of directors. The extension on each loan shall be less than three months and one-time only. In case of violation, the Company shall impose penalties and take legal actions to recover the loan from the collateral provided or the guarantor.</p>	<p>Subsequent control on loan amount and procedures for overdue credit</p> <p>(1) Following loan appropriation, the Company shall frequently evaluate the financial, operating and related credit conditions of the Borrower and its guarantor. If collateral is provided, the Company shall be aware of the fluctuations in collateral's value. In case of significant changes, the Company shall notify the Chairperson of the board immediately and take actions according to instructions of the chairperson.</p> <p>(2) Interest should be calculated when the Borrower repays the loan upon or before its due date. Once the principal and interest of the loan are repaid, the Company shall cancel and return the promissory note to the Borrower or cancel the pledge.</p> <p>(3) The Borrower shall immediately repay the principal and interest when the loan is due. If the Borrower fails to repay the loan and requires an extension, the request for extension shall be submitted beforehand and approved by the board of directors. The extension on each loan shall be less than three months and one-time only. <u>The lending duration of such a loan, including the extension, shall be less than one year or one operating cycle as defined in Paragraph (1) of Article 6.</u> In case of violation, the Company shall be entitled to impose penalties and take legal actions to recover the loan from the collateral provided or from the guarantor.</p>	<p>The paragraph is amended by adding the words "The lending duration of such a loan, including the extension, shall be less than one year or one operation cycle" to specify the restrictions on lending duration.</p>
Article 14	<p>The Procedures come into force after adoption by the shareholders' meeting on April 15, 2000.</p> <p>The first amendment was made on June 21, 2002.</p>	<p>The Procedures come into force after adoption by the shareholders' meeting on April 15, 2000.</p> <p>The first amendment was made on June 21, 2002.</p>	<p>To add the date of amendment .</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>The second amendment was made on March 7, 2003.</p> <p>The third amendment was made on June 16, 2009.</p> <p>The fourth amendment was made on June 18, 2010.</p> <p>The fifth amendment was made on June 13, 2012.</p> <p>The sixth amendment was made on June 17, 2013.</p> <p>The seventh amendment was made on June 24, 2014.</p>	<p>The second amendment was made on March 7, 2003.</p> <p>The third amendment was made on June 16, 2009.</p> <p>The fourth amendment was made on June 18, 2010.</p> <p>The fifth amendment was made on June 13, 2012.</p> <p>The sixth amendment was made on June 17, 2013.</p> <p>The seventh amendment was made on June 24, 2014.</p> <p><u>The eighth amendment was made on May 27, 2016.</u></p>	



## **Appendix I Articles of Incorporation**

### **Taiflex Scientific Co., Ltd.**

#### **Articles of Incorporation**

##### Chapter I General Provisions

- Article 1        The Company is incorporated as a company limited by shares in accordance with the Company Act and is named TAIFLEX Scientific Co., Ltd.
- Article 2        The business scope of the Company is as follows:
1. Lead frame tape
  2. LOC tape
  3. TAB tape
  4. UV-tape
  5. Resin-coated copper clad laminate
  6. Polymer film based copper clad laminate
  7. CC01080 electronic parts and components manufacturing
  8. F119010 wholesale of electronic materials
  9. F219010 retail of electronic materials
  10. ZZ99999 other businesses which are not prohibited or restricted by the laws, in addition to business approved
- Article 3        The Company has its head office in Kaohsiung Export Processing Zone. The Company may, if necessary, set up branch offices domestically and abroad upon resolution of the Board of Directors and approval of competent authority.
- Article 4        The Company may provide endorsement and guarantee for the outside parties due to business or investment needs.
- Article 5        The total reinvestment of the Company shall not be limited to less than forty percent of paid-up capital as provided in Article 13 of the Company Act.

## Chapter II Capital Stocks

- Article 6 The total amount of authorized capital stock of the Company is NT\$3,000,000,000, which is divided into 300,000,000 shares (including the technical shares of 3,000,000) at a par value of NT\$10 each. The Board of Directors is authorized to issue the unissued shares by multiple installments. The sum of NT\$150,000,000 may be divided into 15,000,000 shares at a par value of 10 each and issued in a series of employees' stock options, prefer shares with subscription rights, or corporate bonds with subscription rights upon resolution of the Board of Directors.
- The price of employees' stock options issued by the Company may be lower than the closing price on the date of issuance upon the resolution of shareholders' meeting which is agreed by more than two-third of votes represented by the attending shareholders who hold the majority of total number of issued shares represented by the shareholders.
- The Company may buy back the treasury shares and transfer to the employees at an average price lower than the buyback price upon the resolution of shareholders' meeting which is agreed by more than two-third of votes represented by the attending shareholders who hold the majority of total number of issued shares represented by the shareholders.
- Article 7 The shares of the Company shall be name-bearing certificates. They are issued after signed and sealed by more than three Directors and certified by the competent authority or the approved agency. The shares issued by the Company are exempted from printing, however, they shall be registered in the central securities depository.
- Article 8 Unless provided in the laws or regulations, the stock transactions concerning the transfer, loss, inheritance, gift and loss or change of chop or change of address shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authority.
- Article 9 The transfer of shares shall be suspended sixty days before the general meeting of shareholders, thirty days before the special meeting of shareholders or five days before the base date on which the Company decides to distribute the dividend and

bonus or other benefits.

### Chapter III Shareholders' Meeting

- Article 10 The shareholders' meeting of the Company shall be classified into the following two types:
1. The general meeting shall be annually convened within six months from the end of each fiscal year.
  2. The special meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary.
- Article 11 The Chairperson of the Board of Directors shall preside at the shareholders' meeting if the meeting is convened by the Board. When the Chairperson is on leave or unable to exercise power, the Vice Chairperson of the board shall stand proxy. When the Vice Chairperson is also on leave or unable to exercise power, the Chairperson shall appoint a director to stand proxy. If the Chairperson does not appoint a proxy, the directors shall elect a person from among themselves to preside at the meeting. If the shareholders' meeting is convened by a person entitled to convene the meeting, the person shall preside at the meeting. When there are two or more persons entitled to convene, they shall elect a person from among themselves to preside at the meeting.
- Article 12 All shareholders shall be notified of the date, place and reasons to convene thirty days prior to the general meeting and fifteen days prior to the special meeting.
- Article 13 Shareholders who are unable to attend the shareholders' meeting may designate a proxy to attend the shareholders' meeting with a power of attorney indicating the scope of authority in accordance with Article 177 of the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies.
- Article 13-1 When the Company convenes the shareholders' meeting, the shareholders may exercise their voting rights in writing or by electronic transmission. A shareholder who exercises his/her voting right in writing or by electronic transmission is deemed to have attended the shareholders' meeting in person. However, he/she shall be

deemed to have waived his/her voting right in respect of any extemporary motions and amendments to the original proposals at the shareholders' meeting. The declaration of intention by such shareholders shall be handled according to Article 177-2 of the Company Act.

Article 14 Shareholders are entitled to one vote for each share held unless restricted by laws and regulations.

Article 15 The resolutions of shareholders' meeting, unless otherwise stated in the relevant laws and regulations, shall be agreed by the majority of votes represented by the attending shareholders or proxies who represents the majority of total number of issued shares.

#### Chapter IV Directors, Supervisors and Managers

Article 16 The Company shall have seven to nine directors and three supervisors who are elected from the shareholders with legal capacity to serve a term of three years. The directors and supervisors may be eligible for re-election. If there is insufficient time to elect the directors and supervisors after the term of office has expired, they may perform their duties and responsibilities until the newly-elected directors and supervisor take office. Then, the Company shall purchase liability insurances for compensation which the directors and supervisors shall assume within scope of practice during the term upon resolution of the Board of Directors' meeting.

Article 16-1 The number of independent directors within the number of directors in the preceding article shall not be less than two. The Company adopts the candidate nomination system. Directors (including independent directors) and supervisors of the Company shall be elected from the respective candidates of directors (including independent directors) and supervisors nominated at the shareholders' meeting. The professional qualification, shareholding, concurrent serving restrictions, nomination and election methods of independent directors and other compliance issues shall be subject to the relevant regulations stipulated by the competent securities authority.

Each share has the same number of voting rights as the number of directors and supervisors to be elected. The voting rights may all go to one candidate or be

allocated to several candidates. The candidates with more voting rights shall be elected as directors and supervisors. The election for independent and non-independent directors shall be held at the same time, but the numbers to be elected shall be calculated separately.

Article 17 The Board of Directors is composed of directors. Their duties and responsibilities are as follows:

1. Prepare the business plan
2. Submit the profit distribution or deficit compensation proposal
3. Set forth the capital increase and reduction proposal
4. Formulate important articles and organizational regulations
5. Appoint and dismiss the general manager and manager
6. Establish and remove the branch offices
7. Compile the budget and final accounts
8. Perform other duties and responsibilities stipulated by the Company Act or resolved at the shareholders' meeting

Article 18 The directors shall elect a Chairperson and a Vice Chairperson from among themselves in the Board of Directors' meeting with the consent of majority of attending directors which represents more than two-third of all directors. The Chairperson shall represent the company.

Article 19 Unless otherwise stipulated in the Company Act, the Board of Directors' meeting shall be convened by the Chairperson. All directors and supervisors shall be notified of the meeting seven days in advance via mail, e-mail or fax. In case of emergency, the board meeting can be convened via mail, e-mail or fax at a shorter period. The resolution of board meeting, unless otherwise stipulated by the Company Act, shall be adopted by the majority of attending directors which represents the majority of all directors.

Article 20 The Chairperson shall preside at the Board of Directors' meeting. When the Chairperson is on leave or unable to exercise power, the Vice Chairperson shall stand proxy. When the Vice Chairperson is also on leave or unable to exercise power, the Chairperson shall appoint a director to stand proxy. If the Chairperson does not

appoint a proxy, the directors shall elect a person from among themselves to preside over the meeting. The directors shall attend the board meeting in person. If a director is unable to attend the meeting for some reason, he/she shall authorize other director to stand proxy. The abovementioned proxy shall be authorized by one person only. If a director lives abroad, he/she may authorize other shareholders in Taiwan to act as proxy in series of meetings with a written power of attorney. For Board meetings conducted through video-conferencing, a director who is present at the board meeting via videoconference shall be deemed to attend in person.

Article 21 The duties and responsibilities of supervisors are as follows:

1. Review and audit the financial conditions of the Company
2. Review and audit the accounting statements, books and documents
3. Investigate the business operation of the Company
4. Audit the budget and final accounts
5. Review and audit the profit distribution or deficit compensation proposal
6. Perform other duties and responsibilities stipulated by the Company Act.

Article 22 The Board of Directors has been delegated to determine the remuneration of directors and supervisors (including the independent directors and supervisors) based on their involvement in the business operation of the Company and contributions to the Company with reference to the remuneration standard of the industry.

Article 23 The Company shall have several managers. The appointment, dismissal and remuneration of managers shall be subject to Article 29 of the Company Act.

Article 24 The general manager shall carry out the business activities of the Company in accordance with the resolutions of the Board meetings.

## Chapter V Accounting

Article 25 The fiscal year of the Company shall be from January 1 to December 31 of the same year.

Financial statements shall be prepared after the end of each fiscal year.

Article 26 After the end of each fiscal year, the Board of Directors shall prepare the following documents and deliver them to the supervisors for auditing thirty days prior to the general meeting of shareholders. The supervisors shall then submit a report at the general meeting of shareholders for approval pursuant to Article 228 of the Company Act.

1. Business report
2. Financial statement
3. Profit distribution or deficit compensation proposal

Article 27 The distribution of dividend and bonus shall be based on the shareholding percentage of each shareholder.

Article 28 The net profit after the end of fiscal year shall be distributed in the following sequence:

1. Deficit compensation
2. 10% of net profit as legal reserve
3. Special reserve appropriated or reversed as stipulated by laws or competent securities authority
4. For the remaining profits, if any, the Board of Directors shall appropriate in the following manners depending on the financial and economic conditions of current year:
  - a. Bonus to the employees shall not be lower than 8 percent of the remaining balance after the deductions specified in Paragraphs 1 to 3 of the Article. The bonus to the employees, distributed in cash or shares, shall not exceed 50 percent of current year's net profit when calculated by market price, or 50 percent of current year's net profit combined with the undistributed earnings accumulated during the previous years, whichever is higher. The parties receiving the stock dividends shall include employees in affiliated companies who met certain conditions stipulated by the Board of Directors;
  - b. Remuneration to the directors and supervisors shall not be higher than 5% of the remaining balance after the deductions specified in Paragraph 1 to 3 of the Article;

c. The shareholders' meeting shall then resolve as to whether the remaining balance combined with the undistributed earnings accumulated during previous years shall be reserved or distributed to the shareholders as dividends.

Article 29 The Company shall take into account the environment and development stage of the Company in meeting the needs of capital in the future and establishing long-term financial planning together with satisfying the shareholders' demand for cash. The Company shall draw up and submit the proposal concerning the distributable earnings specified in Article 28 to the shareholders' meeting for resolution. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100%.

Article 30 The distribution of dividends shall be limited to shareholders recorded in the register of shareholders five days prior to the base date on which the dividend and bonus are distributed.

#### Chapter VI Additional Provisions

Article 31 The Company may provide guarantee to external parties in accordance with the regulations stipulated by the government.

Article 32 Rules governing the organization and the procedures of the Company shall be separately stipulated.

Article 33 Matters not set forth in the Articles of Incorporation shall be subject to the Company Act.

Article 34 The Articles of Incorporation was established after approval of all promoters on August 5, 1997. It took effect on the date when the competent authority approved the registration.

The first amendment was made on October 17, 1997.

The second amendment was made on November 1, 1997.

The third amendment was made on December 8, 1997.

The fourth amendment was made on April 23, 1998.



The fifth amendment was made on March 6, 1999.  
The sixth amendment was made on April 15, 2000.  
The seventh amendment was made on April 14, 2001.  
The eighth amendment was made on June 21, 2002.  
The ninth amendment was made on May 26, 2003.  
The tenth amendment was made on May 28, 2004.  
The eleventh amendment was made on May 28, 2004.  
The twelfth amendment was made on June 17, 2005.  
The thirteenth amendment was made on June 17, 2005.  
The fourteenth amendment was made on August 28, 2006.  
The fifteenth amendment was made on May 9, 2007.  
The sixteenth amendment was made on June 3, 2008.  
The seventeenth amendment was made on June 18, 2010.  
The eighteenth amendment was made on June 9, 2011.  
The nineteenth amendment was made on June 13, 2012.  
The twentieth amendment was made on June 17, 2013.  
The twenty-first amendment was made on June 24, 2014.

TAIFLEX SCIENTIFIC CO., LTD.

Chairperson: SUN, TA-WEN

## **Appendix II Rules of Procedure for Shareholders' Meeting**

Taiflex Scientific Co., Ltd.

### Rules of Procedure for Shareholders' Meeting

Article 1: The rules of procedures for shareholders' meeting of the Company shall conform to the provisions of the Rules unless otherwise stipulated in the applicable laws and regulations or Articles of Incorporation.

Article 2: The Company shall prepare the attendance book for the attending shareholders or their appointed proxies (hereinafter referred to as "Shareholders") to sign in, or the attending Shareholders shall hand in the attendance cards in lieu of signing in. The Company shall deliver the meeting agenda, annual report, attendance permit, speaker's slip, voting ballot and other meeting materials to the Shareholders attending the shareholders' meeting. Where directors and supervisors are to be elected, ballots shall also be provided. The Shareholders shall attend the shareholders' meeting with attendance permit, attendance card or other attendance certificates. Solicitors soliciting proxy forms shall also bring identification documents for verification.

When the government or a juristic person is a shareholder, the representative attending the shareholders' meeting is not limited to one person only.

Article 3: The attendance at the shareholders' meeting shall be calculated based on the number of shares. The number of shares in attendance shall be calculated in accordance with the shares indicated by the attendance book or attendance card submitted plus the number of shares with voting rights exercised by correspondence or electronically.

Shares held by Shareholders with no voting rights shall not be included in the total number of issued shares with respect to resolutions of the shareholders' meeting.

Shareholders shall not participate in voting on agenda items of which they have a personal interest and may impair the interest of the Company, and shall not exercise the voting rights as proxy for other Shareholders.

The shares held by Shareholders with no voting rights under the preceding paragraph shall not be included in the calculation of voting rights of attending Shareholders.

With the exception of trust enterprises or shareholder service agents approved by the

competent securities authority, when one person is appointed as proxy by two or more shareholders concurrently, the voting rights represented by such proxy shall not exceed 3 percentage of the voting rights represented by the total number of issues shares. The voting rights in excess of the percentage shall not be calculated.

Article 4: The shareholders' meeting shall be convened at the premises of the Company or an appropriate venue convenient for Shareholders to attend. The meeting shall begin no earlier than 9 a.m. or no later than 3 p.m. Full consideration shall be given to the opinions of independent directors with respect to the venue and time of meeting.

Article 5: The shareholders' meeting is presided by the chairperson of the board of directors if convened by the board. If the chairperson is on leave or unable to exercise power, the vice chairperson of the board shall stand proxy. If there is no vice chairperson of the board or the vice chairperson is also on leave or unable to exercise power, the chairperson may appoint one of managing directors to stand proxy. If there is no managing director, the chairperson may appoint one director to stand proxy. If the chairperson does not appoint a proxy, the managing directors or directors shall elect one person from among themselves to preside at the meeting. If the shareholders' meeting is convened by any other party entitled to convene the meeting, the convening party shall preside at the meeting. When there are two or more convening parties, they shall elect a person from among themselves to preside at the meeting.

Article 6: The Company may appoint designated attorneys, certified public accountants or related persons to attend the shareholders' meeting. The staff involved in the meeting affairs shall wear identification cards or armbands.

Article 7: The process of shareholders' meeting shall be tape-recorded or videotaped and kept for at least one year. If Shareholders file lawsuits pursuant to Article 189 of the Company Act, the recordings shall be kept until the lawsuit is concluded.

Article 8: The chairperson shall call the meeting to order at the scheduled time. When the majority of the total number of issued shares are not represented by the attending Shareholders, the chairperson may announce to postpone the meeting. The postponement is limited to two times with a combined duration of less than one hour. If the quorum is not met after two postponements and the attending Shareholders do

not represent one-third or more of the total number of issued shares, the chairperson shall announce the adjournment of meeting.

If the quorum is not met after two postponements as mentioned in the preceding paragraph, but one-third or more of the total number of issued shares are represented by the attending Shareholders, tentative resolutions may be made pursuant to Paragraph 1 of Article 175 of the Company Act. All Shareholders shall be notified of the tentative resolutions and the shareholders' meeting shall be convened within one month.

If the attending Shareholders represent majority of the total number of issued shares before the conclusion of meeting, the chairperson may resubmit the tentative resolutions for voting at the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 9: The board of directors shall set the meeting agenda if the shareholders' meeting is convened by the board of directors. The meeting shall proceed according to the agenda which shall not be changed without a resolution of the shareholders' meeting.

The above provisions apply mutatis mutandis to the shareholders' meeting convened by a party entitled to convene other than the board of directors.

The chairperson shall not announce adjournment of the meeting before completion of the agenda (including extraordinary motions) referred to in the two preceding paragraphs unless otherwise resolved at the shareholders' meeting. If the chairperson announces the adjournment in violation of the Rules, other members of the board shall promptly assist the attending Shareholders in electing a chairperson pursuant to the statutory procedures with the consent of the majority of voting rights represented by the attending Shareholders to continue the meeting.

After the meeting is adjourned, the Shareholders shall not elect another chairperson to continue the meeting at the original or other venue.

Article 10: Before speaking, the attending Shareholder shall complete the speaker's slip indicating the subject of speech, Shareholder's account number (or the number of attendance permit) and account name. The sequence of speeches shall be determined

by the chairperson.

If the attending Shareholder submits a speaker's slip without speaking, it shall be deemed as making no speeches. If the contents of speech are inconsistent with the contents of speaker's slip, the contents of speech shall prevail.

When the attending Shareholder speaks, other Shareholders shall not interrupt the speech unless they are permitted by the chairperson and the speaking Shareholder. Otherwise, the chairperson shall stop such interruption.

Article 11: The Shareholder shall not make a speech concerning the same proposal for more than two times without the consent of chairperson, and the duration of each speech shall not exceed five minutes. If the Shareholders speaks in violation of the provisions or beyond the scope of agenda item, the chairperson may stop the speech.

Article 12: The attending Shareholders shall be obliged to abide by the meeting rules, obey the resolutions and maintain the order at the meeting place.

Article 13: When a juristic person is appointed to attend the shareholders' meeting, it may designate only one person to attend on its behalf.

If a corporate shareholder appoints two or more representatives to attend the shareholders' meeting, only one representative may speak for each agenda item.

Article 14: After the attending Shareholder has spoken, the chairperson may respond in person or appoint an appropriate person to respond.

Article 15: The chairperson shall give ample opportunity for explanation and discussion of the proposals and amendments or extraordinary motions proposed by the Shareholders. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson shall announce the discussion closed and call for a vote.

The proposal shall be deemed adopted if all attending Shareholders are solicited by the chairperson and no objection is voiced. Its validity is the same as voted by casting ballots.

Article 16: Shareholders are entitled to one vote for each share held, but the case shall not apply to restricted shares and non-voting shares specified in Paragraph 2 of Article 179 of the Company Act.

The ballot supervisors and ballot counters of proposal voting shall be appointed by the chairperson, but the ballot supervisors shall be Shareholders. The ballot counting shall be publicly conducted at the venue of shareholders' meeting. The voting results shall be announced at the meeting and recorded in the minutes.

Article 17: When the meeting is in progress, the chairperson may announce a break at his/her discretion. If force majeure events occur, the chairperson may decide to temporarily suspend the meeting and announce the time to resume the meeting depending on the situation. If the meeting venue becomes unavailable before meeting agenda (including extraordinary motions) has been completed, another venue can be used to resume the meeting upon resolution at the shareholders' meeting.

It may be resolved at the shareholders' meeting to defer or resume the meeting within five days pursuant to Article 182 of the Company Act.

Article 18: Unless otherwise provided in the Company Act and Articles of Incorporation, the adoption of resolution shall be approved by the majority of voting rights represented by the attending Shareholders.

Article 19: When there is an amendment or an alternative to a proposal, the chairperson shall present the amendment or alternative together with the original proposal and decide their voting orders. If one proposal among them has been adopted, the others shall be deemed overruled and no further voting is required.

Article 20: The chairperson shall direct the disciplinary officers (or security guards) to assist with order maintenance depending on meeting conditions. The disciplinary officers or security guards shall wear armbands marked "disciplinary officer" or identification cards while assisting with order maintenance on the site.

If the venue is equipped with public address system, the chairperson may stop Shareholders from making a speech through other devices.

If a Shareholder violates the Rules and defies the chairperson's correction, obstructs the proceedings and refuses to heed calls to stop, the chairperson may direct the disciplinary officers or security guards to escort the Shareholder from the meeting.

Article 21: Any other matters not set forth in the Rules shall be subject to the Company Act, Articles of Incorporation and other applicable rules and regulations.

Article 22: The Rules and any amendment hereto shall take effect after adoption by the shareholders' meeting.

The Rules were established on March 6, 1999.

The first amendment was made on June 21, 2002.

The second amendment was made on June 8, 2006.

The third amendment was made on June 17, 2013.

## Appendix III Shareholdings of All Directors and Supervisors

### Taiflex Scientific Co., Ltd.

#### Details on Shareholdings of All Directors and Supervisors

1. The table below lists the shareholdings of all directors and supervisors on the register of shareholders as of the book closure date (March 29, 2016) for 2016 annual shareholders' meeting.
2. The Company has issued 204,285,835 shares. Pursuant to Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the percentage of issued shares held by all directors shall be at least 7.3427% and no less than 12,000,000 shares, while the percentage held by all supervisors shall be at least 0.7343% and no less than 1,200,000 shares.

Note: The Company has two independent directors. Pursuant to Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the minimum number of shares to be held shall be 80% of amount stipulated in Paragraph 1 of Article 2.

#### Details on Shareholdings of All Directors and Supervisors on the Register of Shareholders as of the Book Closure Date

Title	Name	Shareholding
Chairman Director	Qiao Mei Development Corporation Representative: Ta-Wen Sun Representative: Chun-Yen Chiang	13,366,401
Director	Jyh-Bing Chen	232,795
Director	Ching-Yi Chang	4,313,022
Director	Fu-Le Lin	497,303
Independent Director	Ming-Tung Kuo	0
Independent Director	Po-Hsun Chen	0
Shareholdings of directors		18,409,521
Supervisor	Chuan-Sheng Kao	1,064,575
Supervisor	Pai-Chun Wu	0
Supervisor	Fiu Ding Trust & Investment Co., Ltd. Representative: Jui-Chang Lin	1,000,000
Shareholdings of supervisors		2,064,575

The number of shares held by directors and supervisors are in compliance with percentages stipulated by laws and regulations.



## **Other Explanatory Items**

Procedure regarding shareholders proposals of this shareholders' meeting

- Explanation:
- 1 Pursuant to Article 172-1 of the Company Act, shareholders holding 1% or more of the total number of outstanding shares of a company may submit proposals in writing for discussion at annual shareholders' meeting. Each shareholder can submit only one proposal, otherwise such proposals would not be included in the agenda.
  2. Shareholders can submit proposals for 2016 annual shareholders' meeting from March 21, 2016 to March 30, 2016. Relevant information has been released in the Market Observation Post System website in accordance with relevant laws.
  3. The Company did not receive any shareholders proposals.