

TAIFLEX SCIENTIFIC CO., LTD.

2018 ANNUAL SHAREHOLDERS' MEETING

MEETING AGENDA

Time: 9:00 a.m., May 29, 2018

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

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TAIFLEX SCIENTIFIC CO., LTD.

Procedures of 2018 Annual Shareholders' Meeting

- I. Call Meeting to Order
- II. Chairperson's Opening Remarks
- III. Report Items
- IV. Ratification Items
- V. Extempore Motions
- VI. Meeting Adjourned

TAIFLEX SCIENTIFIC CO., LTD.

Agenda of 2018 Annual Shareholders' Meeting

Time: 9:00 a.m., May 29, 2018

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

- I. Call Meeting to Order
- II. Chairperson's Opening Remarks
- III. Report Items
 1. Appropriation of remuneration to directors and compensation to employees in 2017
 2. Business report for 2017
 3. Audit Committee's review report on the 2017 financial statements
 4. Amendments to the Rules of Procedure for the Board of Directors' Meetings
- IV. Ratification Items
 1. 2017 financial statements
 2. Distribution of 2017 earnings
- V. Extempore Motions
- VI. Meeting Adjourned

Report Items

Item 1 Appropriation of remuneration to directors and compensation to employees in 2017

Explanation: 1. Pursuant to Article 28 of the Articles of Incorporation on the appropriation of remuneration to directors and compensation to employees, 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 shall not be higher than four percent of the balance.

2. The Company recognized NT\$ 74,579,425 and NT\$ 20,393,030 as compensation to employees and remuneration to directors, respectively, under expenses for the year ended December 31, 2017. The appropriation would be released in cash form.

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

Item 2 Business report for 2017

Taiflex Scientific Co., Ltd.

Business Report for 2017

1. 2017 Operating Results

Net revenue of the Company amounted to NT\$11.19 billion in 2017, an increase of 8.84% from the NT\$10.28 billion in 2016. Net income attributable to shareholders of the parent came to NT\$735 million, up 26.7% year over year. Earnings per share was NT\$3.55. We enjoyed substantial revenue growth, which was supported by successful collaboration throughout the entire electronic materials supply chain, and improved profitability on our core business in the same year. Moreover, renminbi broke away from the trend of significant and persistent depreciation in 2017. Under relatively stable currencies and continuing hedging strategies, we succeeded in mitigating the impact of exchange rate volatility, which also contributed to the considerable improvement in profit margin on a year-over-year basis.

Our electronics materials business unit generated net revenue of NT\$7.34 billion in 2017, an increase of 13.5% comparing to 2016. Contributors of the huge growth were a) enhancement in technical capabilities and collaboration and integration within the supply chain which broadened our product application ranges and allowed us to enjoy business opportunities associated with the use of new materials, and b) market share expansion on the current stable customer base as we became business partners to reputable global companies with our advantages in economies of scale.

Our energy materials business unit generated net revenue of NT\$3.72 billion in 2017, a year-over-year increase of 1.6%. Competitions in the photovoltaics (PV) market remain heated. China is still the world's

single largest PV terminal market. As it continues to tighten requirements for electricity subsidies, associated supply chains face severe price competitions. As a result, our energy materials business unit adopts the “stability maintenance” strategy. Instead of aggressively pursuing market share expansion, we invest resources in the development of protective packaging materials for lithium batteries in order to get a head start on the next growth momentum.

(1) Consolidated revenue and net income

(In Thousands of New Taiwan Dollars)

	2017	2016	Change (in Dollar Amount)	Change (in Percentage)
Net revenue	11,192,892	10,283,979	908,913	8.84%
Gross profit	2,134,482	1,895,651	238,831	12.60%
Net income	746,545	546,610	199,935	36.58%

(2) Profitability analysis

	2017	2016
Net profit margin	6.66%	5.31%
Return on assets	6.81%	5.26%
Return on equity	10.66%	8.04%

(3) Directions of research and development

The persistent move of electronic devices towards compact and energy-efficient models and the impending 5G era boost the demand for materials featuring high frequency, high dimensional stability and fine line applications. The Company has invested resources and proactively carries out supply chain integration in order to develop products which meet consumers’ requirements. We utilize our core formula capabilities to provide customers with total solutions.

Meanwhile, we also use our core formula and manufacturing capabilities to develop protective packaging materials for lithium batteries so as to benefit from the enormous business opportunities of electric vehicles in the future.

2. Overview of 2018 Business Plan

(1) Business policy

Looking at the current macroeconomic environment, the global economy starts to recover and all economic figures are looking up, which in turn drive up the prices of basic raw materials, such as oil and copper foil. Moreover, as the Federal Reserve commences its balance sheet reduction policy, inflation and interest rates are expected to rise further. The escalating costs of raw materials, labor and capital put mounting pressure on business operation.

On the other hand, economic growth generates more opportunities. Being the key material supplier in

the Greater China Region, we not only initiate price increase to mitigate the upward pricing pressure of raw materials, but also adopt cost and expense improvement schemes and supply chain integration to effectively lower the impact of surging costs and take hold of the growth drives in order to create more added value.

As the growth of smartphones slows down, material suppliers can no longer expect to derive growth momentum from the sales of end user devices. Instead, they shall rely on opportunities stemming from the new designs and applications, which create new material demand. That is the source of growth momentum for material suppliers. For instance, the upcoming 5G network and surface phones would introduce new material demand to the market. Whether a material supplier can benefit from demand driven by new designs is determined by its speed in development and capability in mass production. The Company has taken up a relatively leading position and continues to work closely with international companies in the research and development of new materials in hope to enjoy the vast business opportunities created by new designs and applications.

Relative to new designs and applications, cost competitiveness is the deciding factor in the competition. We have advantages in economies of scale and comprehensive supply chain management ability. Thus, we will be able to fulfill market demand with competitive cost structures, continue to expand our market share and strengthen our competitive advantages.

We will adopt the “stability maintenance” strategy where the energy industry is concerned. The objective is to maintain a certain level of operating scale and reduce operational risk. Moreover, we will divert resources to the lithium battery industry to keep track of its subsequent growth momentum. In addition, a fire broke out at the Company’s Kunshan subsidiary on January 25, 2018, affecting part of the PV backsheets capacity. The production capacity in Taiwan and China was swiftly reallocated and the whole supply chain adjusted to ease the impact on short-term operation. Moreover, the Company was covered by property and business interruption insurance policies which further lessened the impact on the overall operation.

(2) Sales forecast and basis

Electronic materials: the sales in 2018 is expected to grow 6 to 10% comparing to 2017

Basis:

- (a) Although the overall growth of smartphone sales is slowing, new applications and functions are expected to further stimulate the use of flexible print circuits (FPC). Consequently, the FPC demand is expected to rise. This combines with our comprehensive product lines, quality assurance and economies of scale put us in an excellent position to expand our collaboration with international companies and reap the benefits of shipment growth from new material applications.
- (b) Even with higher raw material prices and in some cases supply shortages, as a key supplier of FPC materials in the Greater China Region, we expect to expand our market share further on the basis

of our long-term, stable relationship with parties in the supply chain, relative advantages in securing raw materials and continuous cost optimization.

(c) Under the influence of two above-mentioned factors, the Company expects the 2018 shipment to maintain the 2017 growth momentum.

PV backsheets: the sales volume in 2018 is expected to remain flat comparing to 2017

Basis:

(a) The Company's PV backsheets are mostly sold in the Great China Region and China remains the largest PV system installation market in 2018. Nevertheless, it continuously lowers the wholesale electricity price which brings persistent price competition to the industry. Therefore, although the overall market demand exists, the Company adopts stability maintenance strategy in the PV backsheets segment considering the industry's operational risk. Instead of shipment growth, the Company optimizes product and customer portfolios to sustain stable profitability.

(b) Thus, the Company expects the 2018 sales volume to remain flat comparing to 2017.

(3) Key production and marketing policies

(a) To establish Rudong Fuzhan Scientific Co., Ltd. as a new production base in China in order to support the increasing customer demand.

(b) Successfully built VMI warehouses with key suppliers to accelerate the inventory flows and adjust the supply chain flexibly.

(c) Expand the technical service team for end customers, be the first one to address their demand and enhance the efficiency of product research and development.

(d) Optimize product portfolio to better satisfy customer demand and pursue profitability enhancement simultaneously.

3. Strategies for Future Developments

(1) Exploit current material formulas and precision manufacturing technology and explore market opportunities to develop new business in pursue of the Company's 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 advantages of joint purchase and vertical integration to carry out horizontal expansion for products requested by customers through the enormous sales network and customer base built by the Company. We can provide lower-cost, high-efficient 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 slowing growth momentum of smartphone sales and increasing production capacity of competitors create potential risk of fiercer price competition.
- (b) Price war in the solar industry remains heated as capacity expansion continues and subsidies are cut.
- (c) Quick changes in customer demand force the Company to identify new technologies and launch new products at a faster rate, which raises the development cost. At the same time, increasing difference in peak and low-season demand brings greater challenge to capacity flexibility and resource allocation capability.
- (d) Being the dominant producer of FCCL and PV backsheets in the Greater China Region, the Company has strong competitive advantages in supply chain relationships and economies of scale. In addition to cost competitiveness due to scale, we can also meet customers' demand timely in the peak season. Furthermore, we collaborate with companies in the supply chain to accelerate our progress in research and development in order to satisfy customers' demand for new products and assist them with seizing the growth opportunity.

(2) Regulatory compliance

- (a) Our allocation of resources is directly impacted by whether cross-strait bilateral investments are permissible.
- (b) The protectionism-inclined US trade policy, potential global trade wars (e.g. anti-dumping and countervailing investigations by U.S. and Europe) and India's protectionist policy all have significant impact on the PV industry and directly affect the module assembly plants' global deployment strategies.

(3) Macro-environment

- (a) The Federal Reserve's balance sheet reduction and stabilization of inflation are expected to drive up the global interest rates which in turn increase enterprises' cost of funds.
- (b) Supply chain capacity allocation becomes challenging as prices of international raw materials start to surge significantly and environmental protection issues affect the supply of certain materials.
- (c) As the trend of China's economy switches to structural adjustment and the level of environmental awareness increases, the operating costs of China escalate.
- (d) 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.

Looking back at 2017, the economic environment as a whole gradually recovered amid turmoil. However, there are still considerable uncertainties, including the Federal Reserve's balance sheet reduction and tensions between the US and North Korea. Those factors have significant impact on the flow of

international funds and bring noises to the financial market. We do our utmost to adopt adequate business strategies for each business unit in accordance with market changes, strive to balance our operation against risks and persistently optimize our operational efficiency. As the benefits of our long-term deployment in supply chain start to emerge, there are signs of stable growth in both revenue and profitability.

We will strengthen our core competitiveness and invest research and development resources in advanced flexible materials persistently, aiming to produce high-value products. We will also utilize our advantages in flexible materials to collaborate with customers in order to capture the driving forces of market growth and build the foundation for sustainability.

Chairperson: Ta-Wen Sun

President: Zhi-Ming Yen

Accounting Manager: Fang-Yi Xie

Item 3 Audit Committee's review report on the 2017 financial statements

Audit Committee's Review Report

The Board of Directors has prepared the business report, consolidated and parent company only financial statements and earning distribution for the year ended December 31, 2017. Certified Public Accountants of Ernst & Young, Fang-Wun Li and Jheng-Chu Chen, were retained by the Board to audit the consolidated and parent company only financial statements and they have issued an audit report.

The above-mentioned business report, consolidated and parent company only financial statements and earning distribution have been reviewed and determined to be correct by the Audit Committee. We hereby submit this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: Taiflex Scientific Co., Ltd. 2018 Annual Shareholders' Meeting

Audit Committee of Taiflex Scientific Co., Ltd.

Chairman of the Audit Committee: Wen-I Lo

February 27, 2018

Item 4 Amendments to the “Rules of Procedure for the Board of Directors’ Meetings”

- Explanation:
1. The Company’s “Rules of Procedure for the Board of Directors’ Meetings” are amended to be in compliance with amendments made by the competent authority in the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”.
 2. Please refer to Attachment III on page 25 to 26 of this meeting agenda for the Comparison Table of Amendments to Rules of Procedure for the Board of Directors’ Meetings.

Ratification Items

Item 1 (Proposed by the Board of Directors)

Subject: To accept the 2017 financial statements

- Explanation:
1. The 2017 business report and consolidated and parent company only financial statements were audited by Certified Public Accountants of Ernst & Young, Fang-Wun Li and Jheng-Chu Chen, and reviewed by the Audit Committee.
 2. Please refer to Attachment I on page 12 to 18 and Attachment II on page 19 to 24 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 2017 earnings

- Explanation:
1. The earnings available for distribution of NT\$2,772,270,956 is calculated by adding the unappropriated earnings from previous year of NT\$2,091,113,365 and the remeasurement of defined benefit plan transferred to retained earnings directly of NT\$20,027,867 to net income for 2017 of NT\$734,588,582, appropriating 10% for legal capital reserve (i.e. NT\$73,458,858).
 2. Dividends to shareholders:
Each common share holder will be entitled to receive a cash dividend of NT\$2.5 per share and the overall cash dividend amounts to NT\$522,799,230. Unappropriated earnings at the end of period of NT\$2,249,471,726, net of dividends, will be retained for distribution in later years. Earnings from 2017 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 Chairperson 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.

4. When the conditions for this earning distribution are changed due to amendments to laws or decisions of regulators, the Chairperson is authorized to take all necessary measures.
5. The 2017 earning distribution table is as follows:

Taiflex Scientific Co., Ltd.
2017 Earning Distribution Table

(In New Taiwan Dollars)

Item	Subtotal	Total	Note
Unappropriated earnings, beginning balance		2,091,113,365	
Add: Net income of 2017	734,588,582		
Other comprehensive income (Remeasurement of defined benefit plan) (Note 2)	20,027,867		
Less: Legal capital reserve (Note1)	(73,458,858)		
Distributable earnings		2,772,270,956	
Distribution items: (Note 3)			
Dividends to shareholders - cash	522,799,230		NT\$2.5 per share
Total distributed earnings		(522,799,230)	
Unappropriated earnings, ending balance		2,249,471,726	

Chairperson: Ta-Wen Sun

President: Zhi-Ming Yen

Accounting Manager: Fang-Yi Xie

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

$$734,588,582 * 10\% = 73,458,858.$$

(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 Articles of Incorporation. The amount and percentage is calculated as follows:

$$\text{Dividends to shareholders: Cash dividend of NT\$2.5 per share} * 209,119,692 \text{ shares} = \text{NT\$522,799,230.}$$

6. Please accept the distribution of 2017 earnings.

Resolution:

Extempore Motions

Meeting Adjourned

Attachment I Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2017	December 31, 2016
Current assets			
Cash and cash equivalents	4, 6(1)	\$ 1,934,276	\$ 2,982,208
Financial assets at fair value through profit or loss, current	4, 6(2)	17,463	36,007
Notes receivable, net	4, 6(3)	2,027,778	1,542,759
Accounts receivable, net	4, 6(4)	2,748,633	2,797,975
Other receivables		55,865	47,260
Inventories, net	4, 6(5)	1,626,286	1,132,399
Prepayments		95,630	101,573
Other current assets	8	26,746	43,676
Total current assets		8,532,677	8,683,857
Non-current assets			
Financial assets carried at cost, non-current	4, 6(6)	-	-
Investments accounted for under the equity method	4, 6(7)	-	-
Property, plant and equipment	4, 6(8)	2,876,458	2,789,520
Intangible assets	4, 6(9)	121,378	113,598
Deferred income tax assets	4, 6(23)	130,697	129,825
Other non-current assets	4, 6(10)	72,026	80,854
Total non-current assets		3,200,559	3,113,797
Total assets		\$ 11,733,236	\$ 11,797,654

(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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2017	December 31, 2016
Current liabilities			
Short-term loans	6(12)	\$ 656,596	\$ 939,783
Financial liabilities at fair value through profit or loss, current	6(13)	13,351	-
Notes payable		324	177,893
Accounts payable		2,416,532	2,133,276
Other payables		666,715	560,381
Current income tax liabilities	4, 6(23)	115,338	84,828
Current portion of long-term loans	6(15)	44,825	27,372
Lease payable - current	6(14)	639	-
Other current liabilities		5,777	15,899
Total current liabilities		<u>3,920,097</u>	<u>3,939,432</u>
Non-current liabilities			
Long-term loans	6(15)	210,871	743,426
Deferred income tax liabilities	4, 6(23)	176,327	159,115
Lease payable – non-current	6(14)	2,499	-
Net defined benefit liabilities, non-current	4, 6(16)	184,124	190,276
Other non-current liabilities	4, 12	255	46
Total non-current liabilities		<u>574,076</u>	<u>1,092,863</u>
Total liabilities		<u>4,494,173</u>	<u>5,032,295</u>
Equity attributable to shareholders of the parent			
Capital	6(17)		
Common stock		2,087,802	2,083,252
Capital collected in advance		665	-
Capital surplus	6(17)	1,441,339	1,407,558
Retained earnings			
Legal capital reserve		742,131	684,163
Special capital reserve		102,158	102,158
Unappropriated earnings		2,845,730	2,561,335
Total retained earnings		<u>3,690,019</u>	<u>3,347,656</u>
Others	4	(92,974)	(74,673)
Treasury stocks	6(17)	-	(98,744)
Total equity attributable to shareholders of the parent		<u>7,126,851</u>	<u>6,665,049</u>
Non-controlling interests	4, 6(17)	112,212	100,310
Total equity		<u>7,239,063</u>	<u>6,765,359</u>
Total liabilities and equity		<u>\$ 11,733,236</u>	<u>\$ 11,797,654</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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Notes	2017	2016
Net revenue	4, 6(19)	\$ 11,192,892	\$ 10,283,979
Cost of revenue	4, 6(5), 6(21)	(9,058,315)	(8,388,233)
Gross profit		<u>2,134,577</u>	<u>1,895,746</u>
Unrealized sales profit or loss		(95)	(95)
Gross profit, net		<u>2,134,482</u>	<u>1,895,651</u>
Operating expenses	4, 6(21)		
Sales and marketing expenses		(473,619)	(383,184)
General and administrative expenses		(414,505)	(340,322)
Research and development expenses		(257,468)	(217,559)
Total operating expenses		<u>(1,145,592)</u>	<u>(941,065)</u>
Operating income		<u>988,890</u>	<u>954,586</u>
Non-operating income and expenses	6(22)		
Other income		27,115	25,257
Other gains and losses		9,278	(203,996)
Finance costs		(66,185)	(92,449)
Share of profit or loss of associates under the equity method	4, 6(7)	-	-
Total non-operating income and expenses		<u>(29,792)</u>	<u>(271,188)</u>
Income before income tax		959,098	683,398
Income tax expense	4, 6(23)	(212,553)	(136,788)
Net income of continuing operations		<u>746,545</u>	<u>546,610</u>
Net income		<u>746,545</u>	<u>546,610</u>
Other comprehensive income (loss)	6(22)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		24,130	(72,083)
Income tax related to components of other comprehensive income that will not be reclassified subsequently		(4,102)	12,254
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(22,115)	(164,774)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss		3,760	28,011
Total other comprehensive income, net of tax		<u>1,673</u>	<u>(196,592)</u>
Total comprehensive income		<u>\$ 748,218</u>	<u>\$ 350,018</u>
Net income (loss) attributable to:	4, 6(24)		
Shareholders of the parent		\$ 734,589	\$ 579,678
Non-controlling interests		11,956	(33,068)
		<u>\$ 746,545</u>	<u>\$ 546,610</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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Notes	2017	2016
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$ 736,316	\$ 383,801
Non-controlling interests		11,902	(33,783)
		\$ 748,218	\$ 350,018
Earnings per share (NT\$)	4, 6(24)		
Earnings per share - basic		\$ 3.55	\$ 2.81
Earnings per share - diluted		\$ 3.53	\$ 2.79

(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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Others		Total	Non- Controlling Interests	Total Equity
				Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Treasury Stocks			
Balance as of January 1, 2016	\$ 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
Appropriation and distribution of 2015 earnings											
Legal capital reserve				72,986		(72,986)			-		-
Cash dividends for common shares						(403,936)			(403,936)		(403,936)
Changes in other capital surplus											
Stock dividends from capital surplus	40,394		(40,394)						-		-
Net income for the year ended December 31, 2016						579,678			579,678	(33,068)	546,610
Other comprehensive income (loss) for the year ended December 31, 2016						(59,829)	(136,048)		(195,877)	(715)	(196,592)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,849</u>	<u>(136,048)</u>	<u>-</u>	<u>383,801</u>	<u>(33,783)</u>	<u>350,018</u>
Balance as of December 31, 2016	<u>2,083,252</u>	<u>-</u>	<u>1,407,558</u>	<u>684,163</u>	<u>102,158</u>	<u>2,561,335</u>	<u>(74,673)</u>	<u>(98,744)</u>	<u>6,665,049</u>	<u>100,310</u>	<u>6,765,359</u>
Appropriation and distribution of 2016 earnings											
Legal capital reserve				57,968		(57,968)			-		-
Cash dividends for common shares						(412,254)			(412,254)		(412,254)
Changes in other capital surplus											
Share-based payment	4,550	665	33,781					98,744	137,740		137,740
Net income for the year ended December 31, 2017						734,589			734,589	11,956	746,545
Other comprehensive income (loss) for the year ended December 31, 2017						20,028	(18,301)		1,727	(54)	1,673
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>754,617</u>	<u>(18,301)</u>	<u>-</u>	<u>736,316</u>	<u>11,902</u>	<u>748,218</u>
Balance as of December 31, 2017	<u>\$ 2,087,802</u>	<u>\$ 665</u>	<u>\$ 1,441,339</u>	<u>\$ 742,131</u>	<u>\$ 102,158</u>	<u>\$ 2,845,730</u>	<u>\$ (92,974)</u>	<u>\$ -</u>	<u>\$ 7,126,851</u>	<u>\$ 112,212</u>	<u>\$ 7,239,063</u>

(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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 959,098	\$ 683,398
Adjustments:		
Non-cash income and expense items:		
Depreciation	273,700	267,893
Amortization	27,876	34,547
(Gain on reversal of) bad debt expense	8,967	(100,440)
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	41,821	(25,515)
Interest expense	66,185	92,449
Interest income	(17,731)	(19,619)
Compensation cost relating to share-based payment	22,647	-
Loss (gain) on disposal of property, plant and equipment	418	(26)
Impairment loss on non-financial assets	-	8,686
Others	40,257	12,959
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss, current	(9,926)	8,808
Increase in notes receivable	(485,019)	(684,389)
Decrease in accounts receivable	39,320	891,119
(Increase) decrease in other receivables	(9,481)	258,091
Increase in inventories	(534,144)	(29,306)
Decrease (increase) in prepayments	5,943	(26,216)
Decrease in other current assets	542	15,623
Increase in other non-current assets	(4,719)	(8,530)
(Decrease) increase in notes payable	(177,569)	125,997
Increase in accounts payable	283,256	231,655
Increase (decrease) in other payables	97,262	(39,683)
(Decrease) increase in other current liabilities	(10,122)	9,582
Increase in net defined benefit liabilities	17,978	7,185
Increase (decrease) in other non-current liabilities	209	(1)
Cash generated from operations	<u>636,768</u>	<u>1,714,267</u>
Interest received	18,607	21,446
Interest paid	(64,929)	(91,792)
Income tax paid	<u>(166,045)</u>	<u>(148,069)</u>
Net cash generated by operating activities	<u>424,401</u>	<u>1,495,852</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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from investing activities:		
Acquisition of property, plant and equipment	\$ (357,753)	\$ (451,875)
Disposal of property, plant and equipment	444	832
Increase in refundable deposits	(389)	(6,595)
Acquisition of intangible assets	(22,546)	(18,751)
Decrease in other current assets - other financial assets, current	16,388	109,799
Net cash used in investing activities	<u>(363,856)</u>	<u>(366,590)</u>
Cash flows from financing activities:		
Increase in short-term loans	-	58,605
Decrease in short-term loans	(283,187)	-
Repayment of long-term loans	(515,102)	(420,936)
Decrease in lease payable	(341)	-
Distribution of cash dividends	(412,254)	(403,936)
Exercise of employee stock options	18,653	-
Purchase of treasury stocks by employees	96,440	-
Net cash used in financing activities	<u>(1,095,791)</u>	<u>(766,267)</u>
Effect of exchange rate changes on cash and cash equivalents	(12,686)	(110,022)
Net (decrease) increase in cash and cash equivalents	(1,047,932)	252,973
Cash and cash equivalents at beginning of period	2,982,208	2,729,235
Cash and cash equivalents at end of period	<u>\$ 1,934,276</u>	<u>\$ 2,982,208</u>

(Concluded)

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

Attachment II Parent Company Only Financial Statements for the Years Ended December 31, 2017 and 2016

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2017	December 31, 2016
Current assets			
Cash and cash equivalents	4, 6(1)	\$ 1,230,607	\$ 2,574,444
Financial assets at fair value through profit or loss, current	4, 6(2)	16,721	22,802
Notes receivable, net	4, 6(3)	9,858	7,344
Accounts receivable, net	4, 6(4)	498,477	407,495
Accounts receivable – related parties	6(4), 7	1,543,450	1,111,868
Other receivables		39,256	38,926
Other receivables – related parties	7	1,057,967	577,261
Inventories, net	4, 6(5)	752,378	520,989
Prepayments		28,674	27,536
Other current assets	8	<u>24,025</u>	<u>23,776</u>
Total current assets		<u>5,201,413</u>	<u>5,312,441</u>
Non-current assets			
Financial assets carried at cost, non-current	4, 6(6)	-	-
Investments accounted for under the equity method	4, 6(7)	2,514,071	2,068,159
Property, plant and equipment	4, 6(8)	2,039,184	1,936,821
Intangible assets	4, 6(9)	45,372	36,897
Deferred income tax assets	4, 6(21)	99,874	126,425
Other non-current assets	4, 6(10)	<u>10,755</u>	<u>11,248</u>
Total non-current assets		<u>4,709,256</u>	<u>4,179,550</u>
Total assets		<u>\$ 9,910,669</u>	<u>\$ 9,491,991</u>

(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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2017	December 31, 2016
Current liabilities			
Short-term loans	6(11)	\$ -	\$ 4,287
Financial liabilities at fair value through profit or loss, current	4, 6(12)	4,036	-
Accounts payable		1,574,207	1,342,665
Accounts payable – related parties	7	64,273	15,327
Other payables		533,921	482,576
Other payables – related parties	7	11,880	5,680
Current income tax liabilities	4, 6(21)	94,979	83,657
Current portion of long-term loans		19,091	-
Other current liabilities		1,922	2,038
Total current liabilities		<u>2,304,309</u>	<u>1,936,230</u>
Non-current liabilities			
Long-term loans	6(13)	119,091	541,321
Deferred income tax liabilities	4, 6(21)	176,294	159,115
Net defined benefit liabilities, non-current	4, 6(14)	184,124	190,276
Total non-current liabilities		<u>479,509</u>	<u>890,712</u>
Total liabilities		<u>2,783,818</u>	<u>2,826,942</u>
Equity			
Capital	6(15)		
Common stock		2,087,802	2,083,252
Capital collected in advance		665	-
Capital surplus	6(15)	1,441,339	1,407,558
Retained earnings			
Legal capital reserve		742,131	684,163
Special capital reserve		102,158	102,158
Unappropriated earnings		2,845,730	2,561,335
Total retained earnings		<u>3,690,019</u>	<u>3,347,656</u>
Others	4	(92,974)	(74,673)
Treasury stocks		-	(98,744)
Total equity		<u>7,126,851</u>	<u>6,665,049</u>
Total liabilities and equity		<u>\$ 9,910,669</u>	<u>\$ 9,491,991</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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Notes	2017	2016
Net revenue	4, 6(17), 7	\$ 7,383,077	\$ 6,712,397
Cost of revenue	4, 6(5), 6(19), 7	(5,884,638)	(5,407,622)
Gross profit		<u>1,498,439</u>	<u>1,304,775</u>
Realized sales profit or loss		8,945	2,899
Gross profit, net		<u>1,507,384</u>	<u>1,307,674</u>
Operating expenses	4, 6(19)		
Sales and marketing expenses		(203,557)	(179,888)
General and administrative expenses		(290,052)	(220,384)
Research and development expenses		(241,537)	(197,110)
Total operating expenses		<u>(735,146)</u>	<u>(597,382)</u>
Operating income		<u>772,238</u>	<u>710,292</u>
Non-operating income and expenses	6(20)		
Other income		39,164	155,718
Other gains and losses		(52,185)	(122,424)
Finance costs		(17,427)	(20,825)
Share of profit or loss of subsidiaries and associates under the equity method	4, 6(7)	161,428	316
Total non-operating income and expenses		<u>130,980</u>	<u>12,785</u>
Income before income tax		903,218	723,077
Income tax expense	4, 6(21)	(168,629)	(143,399)
Net income of continuing operations		<u>734,589</u>	<u>579,678</u>
Net income		<u>734,589</u>	<u>579,678</u>
Other comprehensive income (loss)	6(20)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		24,130	(72,083)
Income tax benefit (expense) related to components of other comprehensive income that will not be reclassified subsequently		(4,102)	12,254
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(22,050)	(163,913)
Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently to profit or loss	6(21)	3,749	27,865
Total other comprehensive income, net of tax		<u>1,727</u>	<u>(195,877)</u>
Total comprehensive income		<u>\$ 736,316</u>	<u>\$ 383,801</u>
Earnings per share (NT\$)	4, 6(22)		
Earnings per share - basic		<u>\$ 3.55</u>	<u>\$ 2.81</u>
Earnings per share - diluted		<u>\$ 3.53</u>	<u>\$ 2.79</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, 2017 and 2016
(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 Stocks	
Balance as of January 1, 2016	\$ 2,042,858	\$ -	\$ 1,447,952	\$ 611,177	\$ 102,158	\$ 2,518,408	\$ 61,375	\$ (98,744)	\$ 6,685,184
Appropriation and distribution of 2015 earnings									
Legal capital reserve				72,986		(72,986)			-
Cash dividends for common stocks						(403,936)			(403,936)
Changes in other capital surplus									
Stock dividends from capital surplus	40,394	-	(40,394)						-
Net income for the year ended December 31, 2016						579,678			579,678
Other comprehensive income (loss) for the year ended December 31, 2016						(59,829)	(136,048)		(195,877)
Total comprehensive income	-	-	-	-	-	519,849	(136,048)	-	383,801
Balance as of December 31, 2016	2,083,252	-	1,407,558	684,163	102,158	2,561,335	(74,673)	(98,744)	6,665,049
Appropriation and distribution of 2016 earnings									
Legal capital reserve				57,968		(57,968)			-
Cash dividends for common stocks						(412,254)			(412,254)
Changes in other capital surplus									
Share-based payment	4,550	665	33,781					98,744	137,740
Net income for the year ended December 31, 2017						734,589			734,589
Other comprehensive income (loss) for the year ended December 31, 2017						20,028	(18,301)		1,727
Total comprehensive income	-	-	-	-	-	754,617	(18,301)	-	736,316
Balance as of December 31, 2017	\$ 2,087,802	\$ 665	\$ 1,441,339	\$ 742,131	\$ 102,158	\$ 2,845,730	\$ (92,974)	\$ -	\$ 7,126,851

(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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 903,218	\$ 723,077
Adjustments:		
Non-cash income and expense items:		
Depreciation	181,007	153,254
Amortization	14,548	12,131
Gain on reversal of bad debt expense	(64,274)	(100,660)
Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	11,963	(9,834)
Interest expense	17,427	20,825
Interest income	(24,690)	(19,296)
Compensation cost relating to share-based payment	22,647	-
Share of profit/loss of subsidiaries and associates under the equity method	(161,428)	(316)
Others	(5,828)	8,899
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss, current	(1,846)	6,332
(Increase) decrease in notes receivable	(2,514)	4,453
(Increase) decrease in accounts receivable	(26,708)	299,383
Increase in accounts receivable – related parties	(431,582)	(67,240)
(Increase) decrease in other receivables	(1,206)	145,392
(Increase) decrease in other receivables – related parties	(480,706)	975,224
(Increase) decrease in inventories	(225,561)	79,419
Increase in prepayments	(1,138)	(8,705)
(Increase) decrease in other current assets	(190)	13,538
Increase (decrease) in accounts payable	231,542	(414,958)
Increase (decrease) in accounts payable – related parties	48,946	(92,240)
Increase in other payables	44,123	6,476
Increase in other payables – related parties	6,200	5,680
Decrease in other current liabilities	(20,510)	(9,353)
Increase in net defined benefit liabilities	17,978	7,185
Cash generated from operations	<u>51,418</u>	<u>1,738,666</u>
Interest received	25,566	21,122
Interest paid	(17,559)	(21,218)
Income tax paid	<u>(113,930)</u>	<u>(144,895)</u>
Net cash (used in) generated by operating activities	<u>(54,505)</u>	<u>1,593,675</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, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	\$ (286,140)	\$ -
Acquisition of property, plant and equipment	(276,043)	(387,843)
Disposal of property, plant and equipment	27	-
Increase in refundable deposits	(327)	(1,613)
Acquisition of intangible assets	(22,203)	(16,468)
Increase in other current assets - other financial assets, current	(59)	(31)
Net cash used in investing activities	(584,745)	(405,955)
 Cash flows from financing activities:		
Decrease in short-term loans	(4,287)	(94,080)
Repayment of long-term loans	(403,139)	(339,037)
Distribution of cash dividends	(412,254)	(403,936)
Exercise of employee stock options	18,653	-
Purchase of treasury stocks by employees	96,440	-
Net cash used in financing activities	(704,587)	(837,053)
 Net (decrease) increase in cash and cash equivalents	(1,343,837)	350,667
Cash and cash equivalents at beginning of period	2,574,444	2,223,777
Cash and cash equivalents at end of period	\$ 1,230,607	\$ 2,574,444

(Concluded)

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

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

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 5	<p>The <u>Financial Department</u> is the designated division responsible for the board meetings.</p> <p>The <u>Financial Department</u> shall draft the agenda of the board meetings and provide sufficient meeting materials to be sent with the meeting notice.</p> <p>If directors consider the meeting materials to be insufficient, they may request the <u>Financial Department</u> to provide supplementary information. If they consider the information to be incomplete during the board meetings, the discussion of matters may be postponed upon a resolution of the board of directors.</p>	<p>The <u>Financial & Accounting Division</u> is the designated division responsible for the board meetings.</p> <p>The <u>Financial & Accounting Division</u> shall draft the agenda of the board meetings and provide sufficient meeting materials to be sent with the meeting notice.</p> <p>If directors consider the meeting materials to be insufficient, they may request the <u>Financial & Accounting Division</u> to provide supplementary information. If they consider the information to be incomplete during the board meetings, the discussion of matters may be postponed upon a resolution of the board of directors.</p>	To amend the unit's name.
Article 7	<p>The Company shall propose the following matters to be discussed at the board meetings:</p> <p>(Omitted)</p> <p>3. Adopt or amend the internal control system in accordance with Article 14-1 of the Act.</p> <p>(Omitted)</p> <p>The term "related parties" in Subparagraph 7 of the preceding paragraph is as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(Omitted)</p> <p>For matters specified to be <u>resolved at the board meeting in accordance with Article 14-3 of the Act, the independent directors shall attend the meeting in person or appoint other independent directors as proxy. Any objection or reservation which the independent directors may have shall be recorded in the board meetings minutes. If the independent directors are unable to attend the meeting in person to express their objections or reservations, they shall submit written statements in advance to be recorded in the meeting minutes of board meetings, except for legitimate</u></p>	<p>The Company shall propose the following matters to be discussed at the board meetings:</p> <p>(Omitted)</p> <p>3. Adopt or amend the internal control system in accordance with Article 14-1 of the Act <u>and the assessment of its effectiveness.</u></p> <p>(Omitted)</p> <p>The term "related parties" in Subparagraph 7 of the preceding paragraph is as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>(Omitted)</p> <p><u>At least one independent director shall attend the board meeting in person. For matters specified to be submitted to the board meeting for approval by resolution in accordance with Paragraph 1, all independent directors shall attend the meeting in person or shall appoint other independent directors to attend as proxy. Any objection or reservation which the independent directors may have shall be recorded in the board meetings minutes. If the independent directors are unable to attend the meeting in person to express their objections or</u></p>	To comply with amendments made by the competent authority.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	reasons.	reservations, they shall submit written statements in advance to be recorded in the meeting minutes of board meetings, except for legitimate reasons.	
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 sixth amendment to the Rules took effect after being approved by the board of directors on July 28, 2015.</p> <p>The seventh amendment to the Rules took effect after being approved by the board of directors on February 23, 2017. It was then proposed at the shareholders' meeting.</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>The sixth amendment to the Rules took effect after being approved by the board of directors on July 28, 2015.</p> <p>The seventh amendment to the Rules took effect after being approved by the board of directors on February 23, 2017. It was then proposed at the shareholders' meeting.</p> <p><u>The eighth amendment to the Rules took effect after being approved by the board of directors on February 27, 2018. It was then proposed at the shareholders' meeting.</u></p>	To add the amendment date.

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. in the English language.
- 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 City. 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 NT\$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.
- 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 otherwise provided in relevant laws or regulations, affairs concerning shareholder services need to 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 is held, thirty days before the special meeting of shareholders is held 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 person who may preside the meeting shall be determined in accordance with Article 208 of the Company Act. 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 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 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.
- 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. However, this shall not apply to circumstances restricted by laws and regulations nor shares with no voting rights.
- 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 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 signing booklet bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies.

Chapter IV Directors and Managers

Article 16 The Company shall have seven to eleven directors who are elected from the shareholders with legal capacity to serve a term of three years. According to relevant laws and regulations, the directors may be eligible for re-election. The Company shall purchase liability insurances for compensation which the directors 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 be three at least and shall not be less than one-fifth of the total number of directors. The Company adopts the candidate nomination system described in Article 192-1 of the Company Act. Directors (including independent directors) of the Company shall be elected from the respective candidates of directors (including independent directors) 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 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. 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 16-2 The Company establishes an audit committee in compliance with Article 14-4 of the Securities and Exchange Act. The audit committee shall consist of all independent directors and the number of committee members shall not be fewer than three. One of the members shall be the convener and at least one of them shall have accounting or financial expertise.

The provisions regarding supervisors in the Company Act, Securities and Exchange Act, and other laws and regulations shall apply mutatis mutandis to the audit committee.

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

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 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 may be elected in the same manner. The Chairperson shall have the authority to 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 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.

Article 20 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 shall be determined in accordance with Article 208 of the Company Act.

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 with a power of attorney indicating the scope of authority with reference to the subjects to be discussed at the meeting. 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 is deemed to attend in person.

Article 20-1 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.

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 form.

Article 21 The Company establishes an audit committee in compliance with Article 14-4 of the Securities and Exchange Act (Act). The following items shall be approved by the majority of all audit committee members and submitted to the Board of Directors for resolutions without being subject to Article 14-3 of the Act:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment of procedures for material financial or business transactions, such as acquisition or disposal of assets, financial derivatives transactions, lending funds to other parties, and endorsement and guarantee, pursuant to Article 36-1 of the Act.
4. A matter of which the Director has a personal interest
5. A significant asset or derivatives transaction.
6. A significant fund lending, endorsement, or guarantee transaction.
7. Offering, issuance, or private placement of any equity-type securities.

8. Appointment, discharge or compensation of certified public accountants.
9. Appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual and semi-annual financial reports.
11. Other material matter so required by the Company or the competent authority.

Except for Subparagraph 10, all items in the preceding paragraph may be undertaken upon the consent of two-thirds of the total number of directors if the majority of audit committee members does not approve, without being subject to the restrictions in the preceding paragraph. In such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board of Directors' meeting.

Paragraph 1 of Article 36 of the Act where financial reports shall be recognized by supervisors is not applicable to The Company.

The terms "All audit committee members" in Paragraph 1 and "total number of directors" in Paragraph 2 refer to ones that are currently holding those positions.

Article 22 The Compensation Committee would evaluate the involvement of directors (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.

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 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.

Chapter V Accounting

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

Article 26 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 forward them to the audit committee for reviewing thirty days prior to the general meeting of shareholders before submitting them to the general meeting of shareholders for approval.

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 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 shall not be higher than four percent of the balance.

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 set by the Board. The distribution plan of

compensation to employees and remuneration to the directors 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 based on the above-mentioned ratios.

Article 28-1 Current year's earnings of the Company, if any, shall be distributed in the following order:

1. Taxes and dues
2. Deficit compensation
3. 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.
4. Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or competent securities authority
5. 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

Article 29 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 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. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100 percent.

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.
The twenty-second amendment was made on May 27, 2016.
The twenty-third amendment was made on May 26, 2017.

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 signing booklet 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 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 signing booklet 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.

The fourth amendment was made on May 26, 2017.

Appendix III Shareholdings of All Directors

Taiflex Scientific Co., Ltd. Details on Shareholdings of All Directors

1. The table below lists the shareholdings of all directors on the register of shareholders as of the book closure date (March 31, 2018) for the 2018 annual shareholders' meeting.
2. The Company has issued 209,119,692 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 7.172%.

Note: The Company has three 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 on the Register of Shareholders
as of the Book Closure Date

Title	Name	Shareholding
Chairperson	Qiao Mei Development Corporation Representative: Ta-Wen Sun	15,213,729
Director	Representative: Chun-Yen Chiang	
Director	Ching-Yi Chang	4,599,282
Director	Fiu Ding Trust & Investment Co., Ltd. Representative: Re-Zhang Lin	1,020,000
Director	Chun-Chi Lin	0
Director	Fu-Le Lin	390,249
Independent Director	Chein-Ming Hsu	0
Independent Director	Wen-I Lo	0
Independent Director	Shi-Chern Yen	0
Shareholdings of all directors		21,223,260

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

Other Explanatory Items

Procedure regarding shareholder 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 2018 annual shareholders' meeting from March 23, 2018 to April 2, 2018. Relevant information has been released in the Market Observation Post System website in accordance with relevant laws.
 3. The Company did not receive any shareholder proposals.