

**TAIFLEX SCIENTIFIC CO., LTD.**

**2019 ANNUAL SHAREHOLDERS' MEETING**

**MEETING AGENDA**

**Time: 9:00 a.m., May 29, 2019**

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

*Notice to readers*

*This English-version meeting agenda is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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

## **Procedures of 2019 Annual Shareholders' Meeting**

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

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

## **Agenda of 2019 Annual Shareholders' Meeting**

Time: 9:00 a.m., May 29, 2019

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 2018
  - 2. Business report for 2018
  - 3. Audit Committee's review report on the 2018 financial statements
- IV. Ratification Items
  - 1. 2018 financial statements
  - 2. Distribution of 2018 earnings
- V. Discussion Items
  - 1. To amend the Procedures for Acquisition or Disposal of Assets
  - 2. Discussion of cash distribution from capital surplus
- VI. Extempore Motions
- VII. Meeting Adjourned

## Report Items

### Item 1 Appropriation of remuneration to directors and compensation to employees in 2018

- 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\$72,534,740 and NT\$19,833,930 as compensation to employees and remuneration to directors, respectively, under expenses for the year ended December 31, 2018. The appropriation would be released in cash form.
  3. This item has been reviewed by the Compensation Committee and approved in the Board of Directors' meeting.

### Item 2 Business report for 2018

## **Taiflex Scientific Co., Ltd.** **Business Report for 2018**

### **1. 2018 Operating Results**

Net revenue of the Company amounted to NT\$9.64 billion in 2018, a decrease of 13.85% from NT\$11.19 billion in 2017. Net income attributable to shareholders of the parent came to NT\$672 million, down 8.48% year-over-year. Earnings per share was NT\$3.22. The fire at Taiflex Scientific (Kunshan) on January 25, 2018, and the new energy policy announced by the Chinese government on May 31 to slash subsidies for solar energy drove the Company to make strategic adjustments on our energy business, which in turn led to the relatively significant decrease in revenue.

As for our electronics materials business unit, even though the supply of international raw materials was tight in 2018, the unit managed to maintained double-digit growth rate during the year through successful supply chain integration and prompt adjustments on internal resources. The one-off fire damage and adjustments in energy business resulted in a lower net income in 2018, comparing to 2017. Nevertheless, as we improve our overall operational structure and refocus our strategic directions, we are confident that we can continuously enhance our core competitiveness and regain our growth momentum.

Our electronics materials business unit generated net revenue of NT\$8.23 billion in 2018, an

increase of 12.2% comparing to 2017. Growth momentum primarily benefited from the following factors: a) our quick responses concerning supply chain allowed us to fulfill customers' demand under the tight supply of international raw materials and boosted our revenue, b) enhancement in technical capabilities, and collaboration and integration within the supply chain broadened our product application ranges and allowed us to enjoy business opportunities associated with the use of new materials, and c) with our advantages in economies of scale, we became business partners to reputable global companies and are able to gain higher market shares on the current stable customer base to achieve revenue growth.

Our energy materials business unit generated net revenue of NT\$1.18 billion in 2018, a year-over-year decrease of 68%. In response to China's 531 policy and the fire at our Kunshan factory, we adjusted our strategies to lower the overall operational risks and reallocated resources to more promising business units. Consequently, the energy materials business unit suffered a significant drop in revenue comparing to 2017.

(1) Consolidated revenue and net income

(In Thousands of New Taiwan Dollars)

	2018	2017	Change (in Dollar Amount)	Change (in Percentage)
Net revenue	9,643,051	11,192,892	(1,549,841)	(13.85%)
Gross profit	1,993,044	2,134,482	(141,438)	(6.63%)
Net income	679,474	746,545	(67,071)	(8.98%)

(2) Profitability analysis

	2018	2017
Net profit margin	7.04%	6.66%
Return on assets	6.08%	6.81%
Return on equity	9.29%	10.66%

(3) Directions of research and development

With the persistent trend for compact and energy-efficient electronic devices and 5G applications warming up, the demand for materials featuring high frequency, high speed, high dimensional stability, and fine line applications will continue to expand and relevant applications will gradually become clear. The Company has invested resources and proactively carries out supply chain integration in order to develop products which meet consumers' requirements and applied core formula capabilities to provide customers with total solutions. On top of that, we actively utilize those core formulas and our production capabilities to diversify our products. Among which, as the key component in the electric

vehicle development, lithium-ion batteries have a promising future. Moreover, the barrier to entry for batteries is high, which effectively reduces the number of competitors. We choose to enter the market through protective packaging materials for lithium-ion batteries, and have successfully developed a series of products which we are now promoting to our customers.

## **2. Overview of 2019 Business Plan**

### **(1) Business policy**

The macroeconomic environment in 2019 is unpredictable. Important economic events, such as China-US trade war, Brexit, and balance sheet reduction policy of Federal Reserve, all have profound impacts on the growth momentum of global economy. In addition, the global economic recovery has passed its peak and the growth in most regions starts to slow down. The slowdown has been significant in China, in particular, due to the trade war. Consequently, we need to exercise extreme caution in 2019.

From the industry perspective, the smartphone market might experience zero growth as there is a lack of innovations and an increase in replacement cycle. When the total demand remains stagnant, upstream material suppliers can no longer expect to derive growth momentum from the sales growth of end user devices. Instead, they shall rely on opportunities stemming from new designs and applications as those are the sources of growth momentum. For continuous growth in operation, the Company needs to be fully aware of the new design and application trends.

At present, 5G applications, surface phones, and Internet of Things will all 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 business opportunities created by new designs and applications.

Furthermore, 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. Environmental issue is also a key concern for modern-day corporations. Benefiting from being a long-term industry leader, we have the resources to invest abundantly in eco-friendly equipment. Other than to fulfill our corporate social responsibilities, we can rest

assured that we will be able to pass all inspections conducted by the competent authorities and avoid any production interruptions.

Our Rudong production base at Nantong City, Jiangsu Province will complete its mass production preparation in 2019. When the economy recovers, it will be ready to add to our existing production and satisfy the growth demand.

(2) Sales forecast and basis

**Electronics materials: the sales in 2019 is expected to grow 0 to 5% comparing to 2018**

Basis:

- (a) We expect to see a slow or even negative growth in the overall smartphone market as the industry has reached its peak and the economic conditions are far from optimistic. Although new applications such as 5G are emerging, they are still at an early stage and cannot drive the shipment growth of materials. Thus, the Company expects to see a flat or small decline in the 2019 market shipment.
- (b) Facing the challenge of a slowing smartphone growth, the Company will take the initiative to meet customers' demand and promptly provide materials which satisfy the needs of their new applications in order to increase our market share. This combines with our comprehensive product lines, quality assurance, and economies of scale will give us more cost competitiveness as demand diminishes.
- (c) In summary, the Company expects the 2019 shipment to remain flat or show a small increase comparing to 2018.

(3) Key production and marketing policies

- (a) The Rudong production base will complete its mass production preparation in 2019 to support the increasing customers' demand.
- (b) Build customer VMI warehouses and regional hubs for the vast sales region in China in order to accelerate the inventory flows and reduce the overall transportation costs.
- (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 and pricing strategy. Products with different grades shall have different prices. Profitability shall be improved, while satisfying customers' demand.

### 3. Strategies for Future Developments

- (1) Expand existing material formulas and precision manufacturing technology and explore market opportunities to develop new business in pursue of the Company's long-term growth.



We are actively involved in the protective packaging materials for lithium-ion batteries.

- (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 systematize and rationalize workflows 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) Quick changes in customers' 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.
  - (c) Emerging industries with growth potential have a large number of new competitors, including large-scaled conglomerates, which add to the challenges of diversification.
  - (d) Being the dominant producer of FCCL 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 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 opportunities.
- (2) Regulatory compliance
  - (a) Our allocation of resources is directly impacted by whether cross-strait bilateral investments are permissible.
  - (b) The new tax laws in China and the worldwide enhanced tax information flows will impact on enterprises' cross-strait strategies and the design of global value chain framework.

(3) Macro-environment

- (a) Tariff costs and economic downturn risks brought on by the China-US trade war lead to conservative spending behaviors, and the market demand will in turn plunge.
- (b) Beside affecting the global economy, Federal Reserve's balance sheet reduction policy will amplify the risks of exchange rate volatility and interest rate hikes, and result in increasing operation costs for enterprise.
- (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 2018, the global demand experienced drastic volatilities from the price hikes of raw materials due to a tightened global supply chain at the beginning of the year and the China-US trade war in second half of 2018. Those facts combined with the fire at our Kunshan factory and China's sharp cut in solar subsidies brought us to make strategic adjustments on our energy business. Even during such a difficult time, 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, aiming to build a long-term, competitive and sustainable operation model.

We will persistently strengthen our core competitiveness, invest research and development resources in advanced flexible electronics materials and protective packaging materials for lithium-ion batteries, and work towards producing 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 2018 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, 2018. Certified Public Accountants of Ernst & Young, Jheng-Chu Chen and Fang-Wun Li, 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. 2019 Annual Shareholders' Meeting

Audit Committee of Taiflex Scientific Co., Ltd.

Chairman of the Audit Committee: Wen-I Lo

February 20, 2019

## Ratification Items

Item 1

(Proposed by the Board of Directors)

Subject: To ratify the 2018 financial statements

Explanation: 1. The 2018 business report and consolidated and parent company only financial statements were audited by Certified Public Accountants of Ernst & Young, Jheng-Chu Chen and Fang-Wun Li, and reviewed by the Audit Committee.

2. Please refer to Attachment I on page 14 to 25 and Attachment II on page 26 to 36 of this meeting agenda for the financial statements.

3. Please ratify the above-mentioned financial statements.

Resolution:

Item 2

(Proposed by the Board of Directors)

Subject: To ratify the distribution of 2018 earnings

Explanation: 1. The earnings available for distribution of NT\$2,841,580,479 is calculated by adding the unappropriated earnings from previous year of NT\$2,249,471,726, effect of retrospective application of International Financial Reporting Standards (IFRS) of NT\$6,599,867, reversal of special capital reserve of NT\$26,612,399, and the remeasurement of defined benefit plan transferred to retained earnings directly of NT\$44,390,138 to net income for 2018 of NT\$672,308,588, and appropriating 10% of net income, i.e. NT\$67,230,859, for legal capital reserve and NT\$90,571,380 for special capital reserve.

2. Dividends to shareholders:  
Each common share holder will be entitled to receive a cash dividend of NT\$2.0 per share and the overall cash dividend amounts to NT\$418,239,384. Unappropriated earnings at the end of period of NT\$2,423,341,095, net of dividends, will be retained for distribution in later years. Earnings from 2018 will be distributed first. Cash dividends to be paid are rounded to the nearest dollar. Dividends of fractional dollar amount to an individual shareholder 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. In the event that there are changes in the total number of outstanding shares due to exercise of employee stock options for common shares, capital increase by cash,

stock buyback, or transfer or cancellation of treasury stocks and the dividend distribution rate 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 2018 earning distribution table is as follows:

Taiflex Scientific Co., Ltd.  
2018 Earning Distribution Table

(In New Taiwan Dollars)

Item	Subtotal	Total	Note
Unappropriated earnings, beginning balance		2,249,471,726	
Add: Net income of 2018	672,308,588		
Effect of retrospective application of IFRS (Note 1)	6,599,867		
Reversal of special capital reserve (Note 2)	26,612,399		
Other comprehensive income (Remeasurement of defined benefit plan) (Note 3)	44,390,138		
Less: Legal capital reserve (Note4)	(67,230,859)		
Special capital reserve	(90,571,380)		=Other equity + special capital reserve appropriated
Distributable earnings		2,841,580,479	
Distribution items: (Note 5)			
Dividends to shareholders - cash	418,239,384		NT\$2.0 per share
Total distributed earnings		(418,239,384)	
Unappropriated earnings, ending balance		2,423,341,095	

Chairperson: Ta-Wen Sun      President: Zhi-Ming Yen      Accounting Manager: Fang-Yi Xie

(Note 1) Impairment loss is recognized fully for the non-listed (OTC) stocks with an initial carrying amount of NT\$6,600 thousand that are measured at cost pursuant to International Accounting Standards (IAS) 39. However, under IFRS 9, those stocks shall be measured at fair value and the recognition of impairment loss is not required. As the fair value is deemed to be NT\$0 thousand as of January 1, 2018, the Group would adjust the carrying amount of financial assets at fair value through other comprehensive income. Retained earnings and other equity (i.e. unrealized gain/loss on financial assets at fair

value through other comprehensive income) would also be adjusted by NT\$6,600 thousand each.

(Note 2) As the liquidation of Kunshan Taiflex Electronic Material Co., Ltd. was completed, special capital reserve recognized under IFRS was no longer required; thus, it was reversed.

(Note 3) The remeasurement of defined benefit plan under IAS 19 is transferred to retained earnings directly instead of through profit or loss account.

(Note 4) The amount and percentage of legal capital reserve are calculated as follows:  
 $672,308,588 * 10\% = 67,230,859$ .

(Note 5) The distribution item above is calculated pursuant to the Articles of Incorporation. The amount and percentage are calculated as follows:  
Dividends to shareholders: Cash dividend of NT\$2.0 per share \* 209,119,692 shares = NT\$418,239,384.

6. Please ratify the distribution of 2018 earnings.

Resolution:

## Discussion Items

Item 1

(Proposed by the Board of Directors)

Subject: To amend the Company's "Procedures for Acquisition or Disposal of Assets"

Explanation: 1. To conform to amendments made to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the competent authority, the Company proposes to amend some articles within the Company's "Procedures for Acquisition or Disposal of Assets".

2. Please refer to Attachment III on page 37 to 69 of this meeting agenda for the Comparison Table of Amendments to "Procedures for Acquisition or Disposal of Assets".

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

Resolution:

Item 2

(Proposed by the Board of Directors)

Subject: To distribute cash out of capital surplus

Explanation: 1. The Company proposes to distribute NT\$104,559,846 from capital surplus related to share issued at a premium to shareholders.

2. Shareholders recorded in the register on the record date are entitled to receive

NT\$0.5 per share (rounded to the nearest dollar). Dividends of fractional dollar amount to an individual shareholder are transferred to the Employee Welfare Committee of the Company. Once the proposal is approved at the shareholders' meeting, Chairperson will be authorized to set the record and payment dates for the cash distribution from capital surplus and handle relevant matters.

3. In the event that there are changes in the total number of outstanding shares due to exercise of employee stock options for common shares, capital increase by cash, stock buyback, or transfer or cancellation of treasury stocks, it is proposed for the shareholders' meeting to authorized the Chairperson to handle matters pertaining to the dividend distribution rate changes.
4. The proposal is submitted for discussion and approval.

Resolution:

## **Extempore Motions**

## **Meeting Adjourned**

# **Attachment I Independent Auditors' Report and Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017**

## **Independent Auditors' Report**

To the Board of Directors and Shareholders of Taiflex Scientific Co., Ltd.

### **Audit opinion**

We have audited the consolidated balance sheets of Taiflex Scientific Co., Ltd. and subsidiaries (hereinafter referred to as Taiflex Group) as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows, and notes to consolidated financial statements (including summary on significant accounting policies) for the years then ended.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of Taiflex Group as of December 31, 2018 and 2017, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission with effective dates.

### **Basis for audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our CPAs will further explain the responsibilities auditors shall execute during the audit of consolidated financial statements under the above principles below. We are independent of Taiflex Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities under the Norm. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of Taiflex Group for the year ended December 31, 2018 based on our professional judgment. These items have been covered during the audit of the overall consolidated financial



statements and in forming the audit opinion. We will not express a separate opinion on these items. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Impairment of receivables

Net receivables generated from the selling of flexible copper-clad laminate, cover layer and PV module backsheet accounted for 41% of Taiflex Group's consolidated total assets as of December 31, 2018. Hence, it was considered a material item to the Group. Loss allowance for accounts receivables was measured at an amount equal to lifetime expected credit losses. As the measurement of expected credit losses involved judgment, analysis and estimation and the outcome would affect the net accounts receivables, the impairment of receivables was identified as a key audit matter.

Our audit procedures included, but not limited to, the assessment on the appropriateness of expected credit loss rate for receivables, i.e. tests on the effectiveness of internal control established by the management for receivables, random selection of customers for receivable confirmations, and verification of subsequent collections in order to assess the recoverability of receivables. We tested the accuracy of aging, analyzed changes in aging, and assessed the reasonableness of receivables with longer collection terms.

We also considered the appropriateness of disclosures on receivables and associated risks in Notes 5 and 6 to the consolidated financial statements.

2. Inventory valuation

As of December 31, 2018, net inventories of flexible copper-clad laminate, cover layer and PV module backsheet amounted to NT\$1,464,307 thousand; thus, it was a significant item to Taiflex Group. Due to uncertainties arising from rapid changes in product technologies, allowance for inventory obsolescence and valuation losses involved significant judgment of management. Hence, it was considered a key audit item.

Our audit procedures included, but not limited to, tests on the effectiveness of internal control established by the management for inventories, such as cost carryover of inventories and assessment on inventory status, evaluation on management's stocktaking plans, and on-site observation of stocktaking at major warehouses to ensure the quantities and conditions of inventories. We assessed the accuracy of inventory aging, analyzed movements in inventory aging, and considered the expected demand and market value of inventories. We evaluated management's analyses and assessments on obsolete inventories, including the estimations on

the possibility of inventory realization and net realizable value, and tested whether the allowance for writing down inventories to their net realizable value is adequate.

We also considered the appropriateness of disclosures on inventories in Notes 5 and 6 to the consolidated financial statements.

### **Emphasis of matter – adoption of new accounting standards**

As stated in Note 3 of the consolidated financial statements, Taiflex Group adopted IFRS 9, “Financial Instruments”, and 15, “Revenue from Contracts with Customers”, for annual periods beginning on January 1, 2018 and chose not to restate the consolidated financial statements of the comparative periods. We did not modify our audit conclusions as a result of this.

### **Responsibilities of management and governance bodies for the consolidated financial statements**

The responsibilities of management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRICs, and SICs endorsed by the Financial Supervisory Commission with effective dates, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Taiflex Group in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Taiflex Group or cease the operations, or has no realistic alternative but to do so.

The governance bodies of Taiflex Group (including Audit Committee) are responsible for supervising the financial reporting process.

### **Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate,

could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Taiflex Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on Taiflex Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in Taiflex Group ceasing to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within Taiflex Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit and the

preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of Taiflex Group's consolidated financial statements for the year ended December 31, 2018. We have clearly indicated such matters in the independent auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

## **Others**

Taiflex Scientific Co., Ltd. has also prepared parent company only financial statements for the years ended December 31, 2018 and 2017, which we had audited and issued an unqualified opinion.

Ernst & Young

Approval Number from Competent Authority for the Auditing and  
Attestation of Public Companies' Financial Statements by Certified  
Public Accountants:

Financial-Supervisory-Securities-VI-0970038990

Financial-Supervisory-Securities-Auditing-1010045851

CPAs: Jheng-Chu Chen

Fang-Wen Li

February 20, 2019

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2018	December 31, 2017
<b>Current assets</b>			
Cash and cash equivalents	4, 6(1)	\$ 1,862,586	\$ 1,934,276
Financial assets at fair value through profit or loss - current	4, 6(2)	36,438	17,463
Notes receivable, net	4, 6(3)	1,218,019	2,027,778
Accounts receivable, net	4, 6(4)	3,678,098	2,748,633
Other receivables		54,605	55,865
Inventories, net	4, 6(5)	1,464,307	1,626,286
Prepayments		85,594	95,630
Other current assets	8	25,412	26,746
Total current assets		<u>8,425,059</u>	<u>8,532,677</u>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income - non-current	4, 6(6)	-	-
Financial assets carried at cost - non-current	4, 6(7)	-	-
Investments accounted for under the equity method	4, 6(8)	51,470	-
Property, plant and equipment	4, 6(9)	3,020,888	2,876,458
Intangible assets	4, 6(10,12)	114,708	121,378
Deferred income tax assets	4, 6(25)	157,314	130,697
Other non-current assets	4, 6(11)	172,451	72,026
Total non-current assets		<u>3,516,831</u>	<u>3,200,559</u>
<b>Total assets</b>		<u>\$ 11,941,890</u>	<u>\$ 11,733,236</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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
<b>Current liabilities</b>			
Short-term loans	6(13)	\$ 1,362,054	\$ 656,596
Financial liabilities at fair value through profit or loss - current	6(14)	2,656	13,351
Contract liabilities – current	6(20)	2,372	-
Notes payable		65,772	324
Accounts payable		1,672,749	2,416,532
Other payables		640,267	666,715
Current income tax liabilities	4, 6(25)	194,512	115,338
Current portion of long-term loans	6(16)	12,258	44,825
Lease payable - current	6(15)	758	639
Other current liabilities		6,062	5,777
Total current liabilities		<u>3,959,460</u>	<u>3,920,097</u>
<b>Non-current liabilities</b>			
Long-term loans	6(16)	329,674	210,871
Deferred income tax liabilities	4, 6(25)	130,944	176,327
Lease payable – non-current	6(15)	1,685	2,499
Net defined benefit liabilities - non-current	4, 6(17)	138,423	184,124
Other non-current liabilities	4, 12	255	255
Total non-current liabilities		<u>600,981</u>	<u>574,076</u>
Total liabilities		<u>4,560,441</u>	<u>4,494,173</u>
<b>Equity attributable to shareholders of the parent</b>			
Capital	6(18)		
Common stock		2,091,197	2,087,802
Capital collected in advance		-	665
Capital surplus	6(18)	1,446,639	1,441,339
Retained earnings			
Legal capital reserve		815,590	742,131
Special capital reserve		75,546	102,158
Unappropriated earnings		2,999,383	2,845,730
Total retained earnings		<u>3,890,519</u>	<u>3,690,019</u>
Others	4	(166,117)	(92,974)
Treasury stocks	6(18)	-	-
Total equity attributable to shareholders of the parent		<u>7,262,238</u>	<u>7,126,851</u>
Non-controlling interests	4, 6(18)	119,211	112,212
Total equity		<u>7,381,449</u>	<u>7,239,063</u>
<b>Total liabilities and equity</b>		<u>\$ 11,941,890</u>	<u>\$ 11,733,236</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, 2018 and 2017

(In Thousands of New Taiwan Dollars)

	Notes	2018	2017
Net revenue	4, 6(20)	\$ 9,643,051	\$ 11,192,892
Cost of revenue	4, 6(5)	<u>(7,650,007)</u>	<u>(9,058,315)</u>
Gross profit		<u>1,993,044</u>	<u>2,134,577</u>
Unrealized sales profit or loss		<u>-</u>	<u>(95)</u>
Gross profit, net		<u>1,993,044</u>	<u>2,134,482</u>
Operating expenses	4, 6(23)		
Sales and marketing expenses		(445,484)	(473,619)
General and administrative expenses		(450,461)	(414,505)
Research and development expenses		(264,278)	(257,468)
Reversal of expected credit loss	6(21)	136,144	-
Total operating expenses		<u>(1,024,079)</u>	<u>(1,145,592)</u>
Operating income		<u>968,965</u>	<u>988,890</u>
Non-operating income and expenses	6(24)		
Other income		40,828	27,115
Other gains and losses		(111,328)	9,278
Finance costs		(49,589)	(66,185)
Share of profit or loss of associates under the equity method	4, 6(8)	19,666	-
Total non-operating income and expenses		<u>(100,423)</u>	<u>(29,792)</u>
Income before income tax		868,542	959,098
Income tax expense	4, 6(25)	<u>(189,068)</u>	<u>(212,553)</u>
Net income of continuing operations		<u>679,474</u>	<u>746,545</u>
Net income		<u>679,474</u>	<u>746,545</u>
Other comprehensive income (loss)	6(24)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		55,488	24,130
Income tax related to components of other comprehensive income that will not be reclassified subsequently		(11,098)	(4,102)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(86,077)	(22,115)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss		19,368	3,760
Total other comprehensive income, net of tax		<u>(22,319)</u>	<u>1,673</u>
Total comprehensive income		<u>\$ 657,155</u>	<u>\$ 748,218</u>
Net income (loss) attributable to:	4, 6(26)		
Shareholders of the parent		\$ 672,309	\$ 734,589
Non-controlling interests		7,165	11,956
		<u>\$ 679,474</u>	<u>\$ 746,545</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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	Notes	2018	2017
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$ 650,156	\$ 736,316
Non-controlling interests		6,999	11,902
		\$ 657,155	\$ 748,218
Earnings per share (NT\$)			
Earnings per share - basic	4, 6(26)	\$ 3.22	\$ 3.55
Earnings per share - diluted		\$ 3.18	\$ 3.53

(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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											Total Equity
	Retained Earnings						Others					
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Treasury Stocks	Total	Non-Controlling Interests	
Balance as of January 1, 2017	\$ 2,083,252	\$ -	\$ 1,407,558	\$ 684,163	\$ 102,158	\$ 2,561,335	\$ (74,673)	\$ -	\$ (98,744)	\$ 6,665,049	\$ 100,310	\$ 6,765,359
Appropriation and distribution of 2016 earnings												
Legal capital reserve				57,968		(57,968)				-		-
Cash dividends for common stocks						(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	-	-	-	-	-	754,617	(18,301)	-	-	736,316	11,902	748,218
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>\$ -</u>	<u>\$ 7,126,851</u>	<u>\$ 112,212</u>	<u>\$ 7,239,063</u>
Balance as of January 1, 2018	\$ 2,087,802	\$ 665	\$ 1,441,339	\$ 742,131	\$ 102,158	\$ 2,845,730	\$ (92,974)	\$ -	\$ -	\$ 7,126,851	\$ 112,212	\$ 7,239,063
Effect of retrospective application						6,600		(6,600)		-		-
Adjusted balance as of January 1, 2018	<u>2,087,802</u>	<u>665</u>	<u>1,441,339</u>	<u>742,131</u>	<u>102,158</u>	<u>2,852,330</u>	<u>(92,974)</u>	<u>(6,600)</u>	<u>-</u>	<u>7,126,851</u>	<u>112,212</u>	<u>7,239,063</u>
Appropriation and distribution of 2017 earnings												
Legal capital reserve				73,459		(73,459)				-		-
Cash dividends for common stocks						(522,799)				(522,799)		(522,799)
Changes in other capital surplus												
Changes in associates accounted for under the equity method			(1,553)							(1,553)		(1,553)
Share-based payment	3,395	(665)	6,853							9,583		9,583
Reversal of special capital reserve					(26,612)	26,612				-		-
Net income for the year ended December 31, 2018						672,309				672,309	7,165	679,474
Other comprehensive income (loss) for the year ended December 31, 2018						44,390	(66,543)			(22,153)	(166)	(22,319)
Total comprehensive income	-	-	-	-	-	716,699	(66,543)	-	-	650,156	6,999	657,155
Balance as of December 31, 2018	<u>\$ 2,091,197</u>	<u>\$ -</u>	<u>\$ 1,446,639</u>	<u>\$ 815,590</u>	<u>\$ 75,546</u>	<u>\$ 2,999,383</u>	<u>\$ (159,517)</u>	<u>\$ (6,600)</u>	<u>\$ -</u>	<u>\$ 7,262,238</u>	<u>\$ 119,211</u>	<u>\$ 7,381,449</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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 868,542	\$ 959,098
Adjustments:		
Non-cash income and expense items:		
Depreciation	291,462	273,700
Amortization	28,815	27,876
(Reversal of) expected credit loss	(136,144)	8,967
Net (gain) loss of financial assets (liabilities) at fair value through profit or loss	(7,215)	41,821
Interest expense	49,589	66,185
Interest income	(20,534)	(17,731)
Compensation cost related to share-based payment	-	22,647
Share of profit of associates under the equity method	(19,666)	-
(Gain) loss on disposal of property, plant and equipment	(856)	418
Gain on liquidation of subsidiaries	(35,761)	-
Gain on reversal of impairment loss for non-financial assets	(31,518)	-
Others	79,259	40,257
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(22,455)	(9,926)
Decrease (increase) in notes receivable	809,759	(485,019)
(Increase) decrease in accounts receivable	(792,315)	39,320
Decrease (increase) in other receivables	2,428	(9,481)
Decrease (increase) in inventories	82,720	(534,144)
Decrease in prepayments	10,036	5,943
Decrease in other current assets	1,393	542
Increase in other non-current assets	(888)	(4,719)
Decrease in contract liabilities	(199)	-
Increase (decrease) in notes payable	65,448	(177,569)
(Decrease) increase in accounts payable	(743,783)	283,256
(Decrease) increase in other payables	(10,391)	97,262
Increase (decrease) in other current liabilities	2,761	(10,122)
Increase in net defined benefit liabilities	9,787	17,978
Increase in other non-current liabilities	-	209
Cash generated from operations	480,274	636,768
Interest received	19,366	18,607
Interest paid	(50,153)	(64,929)
Income tax paid	(175,367)	(166,045)
Net cash generated by operating activities	274,120	424,401

(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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Acquisition of property, plant and equipment	\$ (464,333)	\$ (357,753)
Disposal of property, plant and equipment	1,661	444
Increase in refundable deposits	-	(389)
Decrease in refundable deposits	7,221	-
Acquisition of intangible assets	(10,448)	(22,546)
Increase in other current assets - other financial assets - current	(59)	-
Decrease in other current assets - other financial assets - current	-	16,388
Increase in other non-current assets	(119,009)	-
Net cash used in investing activities	<u>(584,967)</u>	<u>(363,856)</u>
Cash flows from financing activities:		
Increase in short-term loans	705,458	-
Decrease in short-term loans	-	(283,187)
Increase in long-term loans	86,236	-
Repayment of long-term loans	-	(515,102)
Decrease in lease payable	(1,036)	(341)
Distribution of cash dividends	(522,799)	(412,254)
Exercise of employee stock options	9,583	18,653
Purchase of treasury stocks by employees	-	96,440
Net cash generated by (used in) financing activities	<u>277,442</u>	<u>(1,095,791)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(38,285)</u>	<u>(12,686)</u>
Net decrease in cash and cash equivalents	(71,690)	(1,047,932)
Cash and cash equivalents at beginning of period	1,934,276	2,982,208
Cash and cash equivalents at end of period	<u>\$ 1,862,586</u>	<u>\$ 1,934,276</u>

(Concluded)

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

## **Attachment II Independent Auditors' Report and Parent Company Only Financial Statements for the Years Ended December 31, 2018 and 2017**

### **Independent Auditors' Report**

To the Board of Directors and Shareholders of Taiflex Scientific Co., Ltd.

#### **Audit opinion**

We have audited the parent company only balance sheets of Taiflex Scientific Co., Ltd. (hereinafter referred to as Taiflex or the Company) as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows, and notes to parent company only financial statements (including summary on significant accounting policies) for the years then ended.

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of Taiflex as of December 31, 2018 and 2017, and its parent company only financial performance and parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our CPAs will further explain the responsibilities auditors shall execute during the audit of parent company only financial statements under the above principles below. We are independent of Taiflex in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities under the Norm. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of Taiflex for the year ended December 31, 2018 based on our professional judgment. These items have been covered during the audit of the overall parent company only financial statements and in forming the audit opinion. We will not express a separate opinion on these items. Key audit matters to be communicated on the independent auditors' report are stated as

follows:

1. Impairment of receivables

Net receivables generated from the selling of flexible copper-clad laminate, cover layer and PV module backsheet accounted for 30% of Taiflex's total assets as of December 31, 2018. Hence, it was considered a material item to the Company. Loss allowance for accounts receivables was measured at an amount equal to lifetime expected credit losses. As the measurement of expected credit losses involved judgment, analysis and estimation and the outcome would affect the net accounts receivables, the impairment of receivables was identified as a key audit matter.

Our audit procedures included, but not limited to, the assessment on the appropriateness of expected credit loss rate for receivables, i.e. tests on the effectiveness of internal control established by the management for receivables, random selection of customers for receivable confirmations, and verification of subsequent collections in order to assess the recoverability of receivables. We tested the accuracy of aging, analyzed changes in aging, and assessed the reasonableness of receivables with longer collection terms.

We also considered the appropriateness of disclosures on receivables and associated risks in Notes 5 and 6 to the parent company only financial statements.

2. Inventory valuation

As of December 31, 2018, net inventories of flexible copper-clad laminate, cover layer and PV module backsheet amounted to NT\$851,750 thousand; thus, it was a significant item to Taiflex. Due to uncertainties arising from rapid changes in product technologies, allowance for inventory obsolescence and valuation losses involved significant judgment of management. Hence, it was considered a key audit item.

Our audit procedures included, but not limited to, tests on the effectiveness of internal control established by the management for inventories, such as cost carryover of inventories and assessment on inventory status, evaluation on management's stocktaking plans, and on-site observation of stocktaking at major warehouses to ensure the quantities and conditions of inventories. We assessed the accuracy of inventory aging, analyzed movements in inventory aging, and considered the expected demand and market value of inventories. We evaluated management's analyses and assessments on obsolete inventories, including the estimations on the possibility of inventory realization and net realizable value, and tested whether the

allowance for writing down inventories to their net realizable value is adequate.

We also considered the appropriateness of disclosures on inventories in Notes 5 and 6 to the parent company only financial statements.

### **Emphasis of matter – adoption of new accounting standards**

As stated in Note 3 of the parent company only financial statements, Taiflex adopted IFRS 9, “Financial Instruments”, and 15, “Revenue from Contracts with Customers”, for annual periods beginning on January 1, 2018 and chose not to restate the parent company only financial statements of the comparative periods. We did not modify our audit conclusions as a result of this.

### **Responsibilities of management and governance bodies for the parent company only financial statements**

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability of Taiflex in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Taiflex or cease the operations, or has no realistic alternative but to do so.

The governance bodies of Taiflex (including Audit Committee) are responsible for supervising the financial reporting process.

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

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of Taiflex's internal control.

3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on Taiflex's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in Taiflex ceasing to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of investees accounted for under the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit on those investees and the preparation of an audit opinion on the Company.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of Taiflex's parent company only financial statements for the year ended December 31, 2018. We have clearly indicated such matters in the independent auditors' report. Unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be

reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Ernst & Young

Approval Number from Competent Authority for the Auditing and  
Attestation of Public Companies' Financial Statements by Certified  
Public Accountants:

Financial-Supervisory-Securities-VI-0970038990

Financial-Supervisory-Securities-Auditing-1010045851

CPAs: Jheng-Chu Chen

Fang-Wen Li

February 20, 2019



TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2018	December 31, 2017
<b>Current assets</b>			
Cash and cash equivalents	4, 6(1)	\$ 1,065,055	\$ 1,230,607
Financial assets at fair value through profit or loss - current	4, 6(2)	20,820	16,721
Notes receivable, net	4, 6(3)	4,826	9,858
Accounts receivable, net	4, 6(4)	2,039,942	498,477
Accounts receivable – related parties	6(4), 7	1,348,288	1,543,450
Other receivables		43,229	39,256
Other receivables – related parties	7	1,229,366	1,057,967
Inventories, net	4, 6(5)	851,750	752,378
Prepayments		27,587	28,674
Other current assets	8	23,773	24,025
Total current assets		<u>6,654,636</u>	<u>5,201,413</u>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income - non-current	4, 6(6)	-	-
Financial assets carried at cost - non-current	4, 6(7)	-	-
Investments accounted for under the equity method	4, 6(8)	2,490,400	2,514,071
Property, plant and equipment	4, 6(9)	2,122,285	2,039,184
Intangible assets	4, 6(10)	39,142	45,372
Deferred income tax assets	4, 6(23)	100,000	99,874
Other non-current assets	4, 6(11)	6,806	10,755
Total non-current assets		<u>4,758,633</u>	<u>4,709,256</u>
<b>Total assets</b>		<u>\$ 11,413,269</u>	<u>\$ 9,910,669</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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
<b>Current liabilities</b>			
Short-term loans	6(12)	\$ 1,165,000	\$ -
Financial liabilities at fair value through profit or loss - current	4, 6(13)	2,453	4,036
Notes payable		65,419	-
Accounts payable		1,554,031	1,574,207
Accounts payable – related parties	7	26,934	64,273
Other payables		545,822	533,921
Other payables – related parties	7	31,761	11,880
Current income tax liabilities	4, 6(23)	193,339	94,979
Current portion of long-term loans		-	19,091
Other current liabilities		5,099	1,922
Total current liabilities		<u>3,589,858</u>	<u>2,304,309</u>
<b>Non-current liabilities</b>			
Long-term loans	6(14)	295,000	119,091
Deferred income tax liabilities	4, 6(23)	127,750	176,294
Net defined benefit liabilities - non-current	4, 6(15)	138,423	184,124
Total non-current liabilities		<u>561,173</u>	<u>479,509</u>
Total liabilities		<u>4,151,031</u>	<u>2,783,818</u>
<b>Equity</b>			
Capital	6(16)		
Common stock		2,091,197	2,087,802
Capital collected in advance		-	665
Capital surplus	6(16)	1,446,639	1,441,339
Retained earnings			
Legal capital reserve		815,590	742,131
Special capital reserve		75,546	102,158
Unappropriated earnings		2,999,383	2,845,730
Total retained earnings		<u>3,890,519</u>	<u>3,690,019</u>
Others	4	(166,117)	(92,974)
Treasury stocks	6(16)	-	-
Total equity		<u>7,262,238</u>	<u>7,126,851</u>
<b>Total liabilities and equity</b>		<u>\$ 11,413,269</u>	<u>\$ 9,910,669</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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	Notes	2018	2017
Net revenue	4, 6(18), 7	\$ 7,633,620	\$ 7,383,077
Cost of revenue	4, 6(5), 6(21), 7	(5,921,108)	(5,884,638)
Gross profit		<u>1,712,512</u>	<u>1,498,439</u>
Unrealized sales profit or loss		(14,146)	-
Realized sales profit or loss		-	8,945
Gross profit, net		<u>1,698,366</u>	<u>1,507,384</u>
Operating expenses	4, 6(21)		
Sales and marketing expenses		(270,209)	(203,557)
General and administrative expenses		(280,017)	(290,052)
Research and development expenses		(244,580)	(241,537)
Reversal of expected credit loss	6(19)	107,895	-
Total operating expenses		<u>(686,911)</u>	<u>(735,146)</u>
Operating income		<u>1,011,455</u>	<u>772,238</u>
Non-operating income and expenses	6(22)		
Other income		70,856	39,164
Other gains and losses		41,892	(52,185)
Finance costs		(17,555)	(17,427)
Share of profit or loss of subsidiaries and associates under the equity method	4, 6(7)	<u>(235,459)</u>	<u>161,428</u>
Total non-operating income and expenses		<u>(140,266)</u>	<u>130,980</u>
Income before income tax		871,189	903,218
Income tax expense	4, 6(23)	<u>(198,880)</u>	<u>(168,629)</u>
Net income of continuing operations		<u>672,309</u>	<u>734,589</u>
Net income		<u>672,309</u>	<u>734,589</u>
Other comprehensive income (loss)	6(22)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		55,488	24,130
Income tax related to components of other comprehensive income that will not be reclassified subsequently		(11,098)	(4,102)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(85,854)	(22,050)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	6(23)	<u>19,311</u>	<u>3,749</u>
Total other comprehensive income, net of tax		<u>(22,153)</u>	<u>1,727</u>
Total comprehensive income		<u>\$ 650,156</u>	<u>\$ 736,316</u>
Earnings per share (NT\$)	4, 6(24)		
Earnings per share - basic		<u>\$ 3.22</u>	<u>\$ 3.55</u>
Earnings per share - diluted		<u>\$ 3.18</u>	<u>\$ 3.53</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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	Retained Earnings						Others		Treasury Stocks	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	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income		
Balance as of January 1, 2017	\$ 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	<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>\$ -</u>	<u>\$ 7,126,851</u>
Balance as of January 1, 2018	\$ 2,087,802	\$ 665	\$ 1,441,339	\$ 742,131	\$ 102,158	\$ 2,845,730	\$ (92,974)	\$ -	\$ -	\$ 7,126,851
Effect of retrospective application						6,600		(6,600)		-
Adjusted balance as of January 1, 2018	<u>2,087,802</u>	<u>665</u>	<u>1,441,339</u>	<u>742,131</u>	<u>102,158</u>	<u>2,852,330</u>	<u>(92,974)</u>	<u>(6,600)</u>	<u>-</u>	<u>7,126,851</u>
Appropriation and distribution of 2017 earnings										
Legal capital reserve				73,459		(73,459)				-
Cash dividends for common stocks						(522,799)				(522,799)
Changes in other capital surplus										
Changes in associates accounted for under the equity method			(1,553)							(1,553)
Share-based payment	3,395	(665)	6,853							9,583
Reversal of special capital reserve					(26,612)	26,612				-
Net income for the year ended December 31, 2018						672,309				672,309
Other comprehensive income (loss) for the year ended December 31, 2018						44,390	(66,543)			(22,153)
Total comprehensive income	-	-	-	-	-	716,699	(66,543)	-	-	650,156
Balance as of December 31, 2018	<u>\$ 2,091,197</u>	<u>\$ -</u>	<u>\$ 1,446,639</u>	<u>\$ 815,590</u>	<u>\$ 75,546</u>	<u>\$ 2,999,383</u>	<u>\$ (159,517)</u>	<u>\$ (6,600)</u>	<u>\$ -</u>	<u>\$ 7,262,238</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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 871,189	\$ 903,218
Adjustments:		
Non-cash income and expense items:		
Depreciation	206,801	181,007
Amortization	16,403	14,548
Reversal of expected credit loss	(107,895)	(64,274)
Net loss of financial assets (liabilities) at fair value through profit or loss	12,328	11,963
Interest expense	17,555	17,427
Interest income	(29,449)	(24,690)
Compensation cost related to share-based payment	-	22,647
Share of profit or loss of subsidiaries and associates under the equity method	235,459	(161,428)
Gain on reversal of impairment loss for non-financial assets	(31,518)	-
Others	46,020	(5,828)
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(18,010)	(1,846)
Decrease (increase) in notes receivable	5,032	(2,514)
Increase in accounts receivable	(1,433,570)	(26,708)
Decrease (increase) in accounts receivable – related parties	195,162	(431,582)
Increase in other receivables	(2,805)	(1,206)
Increase in other receivables – related parties	(171,399)	(480,706)
Increase in inventories	(145,392)	(225,561)
Decrease (increase) in prepayments	1,087	(1,138)
Decrease (increase) in other current assets	311	(190)
Increase in notes payable	65,419	-
(Decrease) increase in accounts payable	(20,176)	231,542
(Decrease) increase in accounts payable – related parties	(37,339)	48,946
Increase in other payables	27,054	44,123
Increase in other payables – related parties	19,881	6,200
Increase (decrease) in other current liabilities	18,507	(20,510)
Increase in net defined benefit liabilities	9,787	17,978
Cash generated from operations	(249,558)	51,418
Interest received	28,281	25,566
Dividend received	122,078	-
Interest paid	(17,078)	(17,559)
Income tax paid	(129,166)	(113,930)
Net cash used in operating activities	(245,443)	(54,505)

(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, 2018 and 2017  
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	\$ (534,553)	\$ (286,140)
Return of capital from investee accounted for under the equity method	117,658	-
Acquisition of property, plant and equipment	(305,929)	(276,043)
Disposal of property, plant and equipment	-	27
Increase in refundable deposits	-	(327)
Decrease in refundable deposits	3,949	-
Acquisition of intangible assets	(9,777)	(22,203)
Increase in other current assets - other financial assets - current	(59)	(59)
Net cash used in investing activities	<u>(728,711)</u>	<u>(584,745)</u>
Cash flows from financing activities:		
Increase in short-term loans	1,165,000	-
Decrease in short-term loans	-	(4,287)
Increase in long-term loans	156,818	-
Repayment of long-term loans	-	(403,139)
Distribution of cash dividends	(522,799)	(412,254)
Exercise of employee stock options	9,583	18,653
Purchase of treasury stocks by employees	-	96,440
Net cash generated by (used in) financing activities	<u>808,602</u>	<u>(704,587)</u>
Net decrease in cash and cash equivalents	(165,552)	(1,343,837)
Cash and cash equivalents at beginning of period	1,230,607	2,574,444
Cash and cash equivalents at end of period	<u>\$ 1,065,055</u>	<u>\$ 1,230,607</u>

(Concluded)

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

### Attachment III Comparison Table of Amendments to Procedures for Acquisition or Disposal of Assets

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 3	<p>Scope of assets</p> <p>(1) <u>Marketable securities: including investment in</u> stocks, government bonds, corporate bonds, marketable securities representing interest in a fund, overseas mutual funds, depositary receipts, call (put) warrants, beneficiary securities and asset-backed securities</p> <p>(2) Real estate, <u>plants</u> and equipment</p> <p>(3) Membership certificates</p> <p>(4) <u>Intangible assets: including</u> patents, copyrights, trademarks and licenses</p> <p>(5) Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables)</p> <p>(6) <u>Financial</u> derivative instrument</p> <p>(7) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares</p> <p>(8) Other important assets</p>	<p>Scope of assets</p> <p>(1) Investments such as stocks, government bonds, corporate bonds, marketable securities representing interest in a fund, overseas mutual funds, depositary receipts, call (put) warrants, beneficiary securities and asset-backed securities</p> <p>(2) Real estate and equipment</p> <p>(3) Membership certificates</p> <p>(4) <u>Intangible assets such as</u> patents, copyrights, trademarks and licenses</p> <p>(5) <u>Right-of-use assets</u></p> <p>(6) Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables)</p> <p>(7) Derivative instruments</p> <p>(8) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares</p> <p>(9) Other important assets</p>	To comply with amendments made by the competent authority.
Article 4	<p>Definition of terms</p> <p>(1) <u>Financial</u> derivative instrument: The term refers to contracts of forward, options, futures, leverage, or swaps with value derived from <u>commodities such as assets, interest rates, foreign exchange rates, indexes or other interests, and hybrid contracts consisting of the above commodities.</u> The aforementioned forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) agreements.</p> <p>(2) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares:</p>	<p>Definition of terms</p> <p>(1) Derivative instrument: The term refers to contracts of forward, options, futures, leverage, or swaps with value derived from <u>specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indexes, credit ratings or credit indexes or other variables, or a combination of the above contracts, or hybrid contracts or structured products containing embedded derivatives.</u> The aforementioned forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase</p>	To comply with amendments made by the competent authority.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>The term means assets acquired or disposed of through legal mergers, spin off or acquisitions pursuant to Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws; or through issuing new shares as consideration for transfers of shares from other companies pursuant to <u>Paragraph 6 of Article 156</u> of the Company Act (hereinafter referred to as “transfer of shares”).</p> <p>.....</p> <p>(5) Professional appraiser: The term means real estate appraisers or others who are legally permitted to engage in real estate, <u>plants</u> and equipment appraisal business.</p>	<p>(sale) agreements.</p> <p>(2) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares: The term means assets acquired or disposed of through legal mergers, spin off or acquisitions pursuant to Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws; or through issuing new shares as consideration for transfers of shares from other companies pursuant to <u>Article 156-3</u> of the Company Act (hereinafter referred to as “transfer of shares”).</p> <p>.....</p> <p>(5) Professional appraiser: The term means real estate appraisers or others who are legally permitted to engage in real estate and equipment appraisal business.</p>	
Article 5	<p>Investment limits of non-operating real estate and securities</p> <p>(1) The total amount of non-operating real estate acquired individually by the Company and its subsidiaries shall not exceed 15 percent of the net worth.</p> <p>(Omitted)</p>	<p>Investment limits of non-operating real estate <u>and right-of-use assets thereof</u>, and securities</p> <p>(1) The total amount of non-operating real estate <u>and right-of-use assets thereof</u> acquired individually by the Company and its subsidiaries shall not exceed 15 percent of the net worth.</p> <p>(Omitted)</p>	To comply with amendments made by the competent authority.
Article 6	<p>The professional appraisers and related appraising personnel from whom the Company obtains appraisal reports and the CPAs, lawyers or securities underwriters from whom the Company acquires opinions shall <u>not be related parties to the trading parties</u>.</p>	<p>The professional appraisers and related appraising personnel from whom the Company obtains appraisal reports and the CPAs, lawyers or securities underwriters from whom the Company acquires opinions shall <u>meet the requirements in Article 5 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</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
Article 7	<p>Procedures for acquisition or disposal of real estate, <u>plants and</u> equipment:</p> <p>(1) Assessment and operation procedures Acquisition or disposal of the Company's real estate, <u>plants and</u> equipment shall be handled in accordance with the real estate, <u>plants and</u> equipment cycle procedures under the Company's internal control system.</p> <p>(2) Determination of trading terms and authorization limit: ..... (ii) Acquisition or disposal of <u>plants and</u> equipment... (iii) Regarding the Company's acquisition or disposal of assets which shall be passed by the Board of Directors according to the procedures <u>stipulated herein</u> or other laws, if any director expresses objections on the recorded or in writing, the Company shall submit such director's objection to each audit committee member. In addition, when the Company reports the transactions of asset acquisition or disposal to the Board of Directors pursuant to regulations, it shall fully consider each independent director's opinions and include his/her comments and reasons for consent or objection in the meeting minutes. .....</p> <p>(3) Implementation departments After approved by the aforementioned approval authority, the acquisition or disposal of the Company's real estate, <u>plants and</u> equipment shall be implemented by the user departments and the</p>	<p>Procedures for acquisition or disposal of real estate, equipment, <u>or right-of-use assets thereof</u>:</p> <p>(1) Assessment and operation procedures Acquisition or disposal of the Company's real estate, equipment, <u>or right-of-use assets thereof</u> shall be handled in accordance with the real estate, equipment, <u>or right-of-use assets thereof</u> cycle procedures under the Company's internal control system.</p> <p>(2) Determination of trading terms and authorization limit: ..... (ii) Acquisition or disposal of equipment... (iii) Regarding the Company's acquisition or disposal of assets which shall be passed by the Board of Directors according to the <u>Procedures</u> or other laws, if any director expresses objections on the recorded or in writing, the Company shall submit such director's objection to each audit committee member. In addition, when the Company reports the transactions of asset acquisition or disposal to the Board of Directors pursuant to regulations, it shall fully consider each independent director's opinions and include his/her comments and reasons for consent or objection in the meeting minutes. .....</p> <p>(3) Implementation departments After approved by the aforementioned approval authority, the acquisition or disposal of the Company's real estate and equipment shall be implemented by</p>	<p>To comply with amendments made by the competent authority.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>Management Division.</p> <p>(4) Appraisal reports for <u>real estate, plants and equipment</u> Regarding the acquisition or disposal of real estate, <u>plants and equipment</u>, except for transactions with government agencies, commissioned construction on own land, commissioned construction on leased land or acquisition or disposal of operating <u>machinery and equipment</u>, the Company shall obtain an appraisal report produced by a professional appraiser (please refer to related laws and regulations for details on items to be included in an appraisal report) before the date of occurrence and meet the following criteria when the trading amount exceeds twenty percent of the Company's paid-in capital or NT\$ 300,000,000:</p> <p>(i) When a limited price, specific price or special price must be used as reference for the trading price due to special circumstances, such trading shall be submitted to the Board of Directors for approval. The <u>above</u> procedures shall apply for any changes to the trading terms <u>in the future</u>.</p> <p>(Omitted)</p>	<p>the user departments and the Management Division.</p> <p>(4) Appraisal reports for <u>assets</u> Regarding the acquisition or disposal of real estate, equipment, <u>or right-of-use assets thereof</u>, except for transactions with <u>domestic</u> government agencies, commissioned construction on own land, commissioned construction on leased land or acquisition or disposal of operating <u>or right-of-use assets thereof</u> equipment, the Company shall obtain an appraisal report produced by a professional appraiser (please refer to related laws and regulations for details on items to be included in an appraisal report) before the date of occurrence and meet the following criteria when the trading amount exceeds twenty percent of the Company's paid-in capital or NT\$ 300,000,000:</p> <p>(i) When a limited price, specific price or special price must be used as reference for the trading price due to special circumstances, such trading shall be submitted to the Board of Directors for approval. The <u>same</u> procedures shall apply for any <u>subsequent</u> changes to the trading terms.</p> <p>(Omitted)</p>	
Article 8	<p>Acquisition or disposal procedures for marketable securities</p> <p>(3) Implementation departments After approval of the aforementioned approval authority, the Company's long and short-term marketable securities investments shall be implemented by the Finance <u>Division</u>.</p> <p>(4) Engagement in investments in</p>	<p>Acquisition or disposal procedures for marketable securities</p> <p>(3) Implementation departments After approval of the aforementioned approval authority, the Company's long and short-term marketable securities investments shall be implemented by the Finance <u>Department</u>.</p> <p>(4) Engagement in investments in</p>	To make organizational name change.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	China shall proceed in accordance with regulations by Investment Commission, Ministry of Economic Affairs.	China shall proceed in accordance with regulations by Investment Commission, Ministry of Economic Affairs.	
Article 9	<p>Procedures for related party transaction</p> <p>(1) Regarding acquisition or disposal of assets between the Company and related parties, in addition to compliance with Article 7, "<u>Procedures for acquisition or disposal of real estate, plants and equipment</u>", the related resolution procedures and reasonableness assessment of the transaction, etc. <u>shall be carried out in accordance with the following regulations.</u> Where the trading amount exceeds 10 percent of the Company's total assets, the Company shall obtain appraisal reports produced by professional appraisers or CPA's opinions in accordance with Article 7 herein. The calculation of trading amount shall be conducted in accordance with Article 10-1 herein. <u>Moreover,</u> in judging whether the trading counterparty is a related party, the Company shall, in addition to paying attention to the legal formalities, consider the substantive relations.</p> <p>(2) Assessment and operation procedures</p> <p>Where the Company acquires or disposes of real estate from or to a related party, or of other non-real estate assets from or to a related party and the trading amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$ 300,000,000, the following information shall be passed by the Board of Directors and acknowledged by the audit committee before signing the</p>	<p>Procedures for related party transaction</p> <p>(1) Regarding acquisition or disposal of assets between the Company and related parties, in addition to compliance with Article 7 <u>of the Procedures for the related resolution procedures and reasonableness assessment of the transaction, etc.</u>, where the trading amount exceeds 10 percent of the Company's total assets, the Company shall obtain appraisal reports produced by professional appraisers or CPA's opinions in accordance with Article 7 herein. The calculation of trading amount shall be conducted in accordance with Article 10-1 herein. In judging whether the trading counterparty is a related party, the Company shall, in addition to paying attention to the legal formalities, consider the substantive relations.</p> <p>(2) Assessment and operation procedures</p> <p>Where the Company acquires or disposes of real estate <u>or right-of-use assets thereof</u> from or to a related party, or of other non-real estate assets <u>or right-of-use assets thereof</u> from or to a related party and the trading amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$ 300,000,000, the following information shall be passed by the Board of Directors and acknowledged by the audit committee before signing the contract and making payments:</p> <p>(i) Purpose, necessity and</p>	To comply with amendments made by the competent authority.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>contract and making payments:</p> <ul style="list-style-type: none"> <li>(i) Purpose, necessity and expected benefits of the asset acquisition or disposal.</li> <li>(ii) Reasons for choosing the related party as trading counterparty.</li> <li>(iii) Information related to the assessment of reasonableness of preliminary trading terms in accordance with Subparagraphs 1 and 4 of Paragraph 3 of this Article for real estate acquisition from related party.</li> <li>(iv) Items such as the related party's original acquisition date, price, trading counterparty and the counterparty's relations to the Company and the related party.</li> <li>(v) Monthly cash flow forecasts of the coming year starting from the estimated contract-signing month and the assessments on necessity of trading and reasonableness of fund utilization.</li> <li>(vi) Appraisal reports produced by professional appraisers or CPAs' opinions which are obtained in accordance with the above paragraphs.</li> <li>(vii) Restrictions and other important stipulations for the trading.</li> <li>(viii) The calculation of trading amount shall be conducted in accordance with Article 14 herein. The term "within one year" means one year calculated retrospectively from the transaction date, which is considered as the base date. The part which has</li> </ul>	<ul style="list-style-type: none"> <li>expected benefits of the asset acquisition or disposal.</li> <li>(ii) Reasons for choosing the related party as trading counterparty.</li> <li>(iii) Information related to the assessment of reasonableness of preliminary trading terms in accordance with Subparagraphs 1 and 4 of Paragraph 3 of this Article for real estate <u>or right-of-use assets</u> acquisition from related party.</li> <li>(iv) Items such as the related party's original acquisition date, price, trading counterparty and the counterparty's relations to the Company and the related party.</li> <li>(v) Monthly cash flow forecasts of the coming year starting from the estimated contract-signing month and the assessments on necessity of trading and reasonableness of fund utilization.</li> <li>(vi) Appraisal reports produced by professional appraisers or CPAs' opinions which are obtained in accordance with the above paragraphs.</li> <li>(vii) Restrictions and other important stipulations for the trading. The calculation of trading amount shall be conducted in accordance with Article 14 herein. The term "within one year" means one year calculated retrospectively from the transaction date, which is considered as the base date. The part which has been approved by the Board</li> </ul>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>been approved by the Board of Directors in accordance with the Procedures is excluded from the calculation.</p> <p>(ix) <u>Regarding acquisition or disposal of operating machinery and equipment</u> between the Company and its subsidiaries, the Board of Directors may authorize the Chairperson to approve within a certain amount in accordance with Article 7 herein and report it afterwards for acknowledgement in the latest Board of Directors' meeting.</p> <p>(x) When the Company reports <u>the acquisition or disposal trading</u> to the Board of Directors, it shall fully consider each independent director's opinions and include his/her comments and reasons for consent or objection in the Board of Directors' meeting minutes.</p> <p>(3) Assessment of reasonableness of trading cost</p> <p>(i) To acquire real estate from a related party, the Company shall assess the reasonableness of trading cost in the following methods:</p> <p>A. The related party's trading price plus the necessary interest of funding and the cost to be borne by the buyer pursuant to laws and regulations. The term "necessary interest of funding" shall be calculated using the</p>	<p>of Directors in accordance with the Procedures is excluded from the calculation.</p> <p><u>For following transactions between the Company and its subsidiaries or between subsidiaries whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company,</u> the Board of Directors may authorize the Chairperson to approve within a certain amount in accordance with Article 7 herein and report it afterwards for acknowledgement in the latest Board of Directors' meeting.</p> <p>A. <u>Acquisition or disposal of operating equipment or right-of use assets thereof.</u></p> <p>B. <u>Acquisition or disposal of operating real estate right-of-use assets.</u></p> <p>When the Company reports to the Board of Directors <u>pursuant to this Article,</u> it shall fully consider each independent director's opinions and include his/her comments and reasons for consent or objection in the Board of Directors' meeting minutes.</p> <p>(3) Assessment of reasonableness of trading cost</p> <p>(i) To acquire real estate <u>or right-of-use assets thereof</u> from a related party, the Company shall assess the reasonableness of trading cost in the following methods:</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>weighted average interest rate for borrowings in the year of which the company acquired the assets. However, the interest rate shall not be higher than the maximum borrowing rate for non-financial industry announced by the Ministry of Finance.</p> <p>B. Total loan value appraised by the financial institution if the related party has been granted a mortgage loan on the subject matter from the financial institution, provided the accumulative loans from the financial institution exceed 70 percent of the total appraised loan value and the period of loan has been over one year. But this shall not apply where the financial institution and one of the trading parties are related parties mutually.</p> <p>(ii) Where both land and buildings of the same subject matter are purchased, the Company may use one of the above methods to assess the trading cost of land and buildings separately.</p> <p>(iii) To acquire real estate from a related party, the Company shall assess the cost of real estate in accordance with Subparagraphs 1 and 2 of Paragraph 3 of this Article and contact CPAs to review and express specific</p>	<p>A. The related party's trading price plus the necessary interest of funding and the cost to be borne by the buyer pursuant to laws and regulations. The term "necessary interest of funding" shall be calculated using the weighted average interest rate for borrowings in the year of which the company acquired the assets. However, the interest rate shall not be higher than the maximum borrowing rate for non-financial industry announced by the Ministry of Finance.</p> <p>B. Total loan value appraised by the financial institution if the related party has been granted a mortgage loan on the subject matter from the financial institution, provided the accumulative loans from the financial institution exceed 70 percent of the total appraised loan value and the period of loan has been over one year. But this shall not apply where the financial institution and one of the trading parties are related parties mutually.</p> <p>(ii) Where both land and buildings of the same subject matter are purchased <u>or leased</u>, the Company may use one of the above methods</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>comments.</p> <p>(iv) <u>Regarding the Company's real estate acquisitions from related parties</u>, if all values assessed in accordance with Subparagraphs 1 and 2 of <u>Paragraph 3 of this Article</u> are lower than the trading price, actions shall be taken in accordance with Subparagraphs 5 of <u>Paragraph 3 of this Article</u>. The rule does not apply to the following circumstances with objective evidences and professional real estate appraisers' and CPAs' concrete opinions on reasonableness provided.</p> <p>A. Where the related party acquired bare land or leased land for construction, the Company may submit evidences of compliance with one of the following conditions:</p> <p>a. With the bare land assessed in an aforementioned method and the buildings assessed on the basis of the related party's construction cost plus reasonable construction profit, the total assessed amount exceeds the actual trading price. The term "reasonable construction profit" refers to profits calculated based on the 3-year average gross profit margin</p>	<p>to assess the trading cost of land and buildings separately.</p> <p>(iii) To acquire real estate <u>or right-of-use assets thereof</u> from a related party, the Company shall assess the cost of real estate <u>or right-of-use assets thereof</u> in accordance with <u>the preceding two</u> subparagraphs and contact CPAs to review and express specific comments.</p> <p>(iv) If all values assessed in accordance with Subparagraphs 1 and 2 of <u>this Paragraph</u> are lower than the trading price, actions shall be taken in accordance with Subparagraphs 5 of this Paragraph. The rule does not apply to the following circumstances with objective evidences and professional real estate appraisers' and CPAs' concrete opinions on reasonableness provided.</p> <p>A. Where the related party acquired bare land or leased land for construction, the Company may submit evidences of compliance with one of the following conditions:</p> <p>a. With the bare land assessed in an aforementioned method and the buildings assessed on the basis of the related party's construction cost plus reasonable construction profit, the total assessed</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>of the related party's construction department or the latest gross profit margin of the construction industry announced by Ministry of Finance, whichever is lower.</p> <p>b. <u>Transactions completed</u> by non-related parties within one year involving other floors of the same subject matter or in the neighborhood area with similar land area and equivalent trading terms, after taking into account the reasonable price difference in floor or location according to standard real estate market practices.</p> <p>c. <u>Transactions completed</u> by non-related parties within one year involving leasing of other floors of the same subject matter with equivalent trading terms after taking into account the reasonable price difference in floor according to standard real estate leasing practices.</p> <p>B. The Company provides evidence that the real estate purchased from a</p>	<p>amount exceeds the actual trading price. The term "reasonable construction profit" refers to profits calculated based on the 3-year average gross profit margin of the related party's construction department or the latest gross profit margin of the construction industry announced by Ministry of Finance, whichever is lower.</p> <p>b. <u>Completed transactions</u> of non-related parties within one year involving other floors of the same subject matter or in the neighborhood area with similar land area and equivalent trading terms, after taking into account the reasonable price difference in floor or location according to standard real estate or leasing market practices.</p> <p>B. The Company provides evidence that the real estate purchased or real estate right-of-use assets lease from a related party has trading terms equivalent to real estate completed transactions</p>	



Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>related party has trading terms equivalent to real estate transactions by non-related parties within one year of items with similar land areas in the neighborhood. The said <u>cases transacted</u> "in the neighborhood" basically refers to those in the same or neighbored street within 500 meters from the subject matter of trading or with similar publicly announced current values. The said "with similar land areas" basically means the land areas of <u>cases transacted</u> by non-related parties is no less than 50% of the subject matter of trading. <u>The said</u> "within one year" means one year calculated retrospectively from the transaction date, which is considered as the base date.</p> <p>(v) Regarding the Company's real estate acquisitions from related parties, if all of the results assessed in accordance with Subparagraphs 1 and 2 of <u>Paragraph 3 of this Article</u> are lower than the trading price, the following matters shall be carried out:</p> <p>A. In respect of the difference between the trading price and the assessed cost of the real estate, the Company shall recognize a special reserve in accordance</p>	<p>by non-related parties within one year of items with similar land areas in the neighborhood. The said <u>completed transactions</u> "in the neighborhood" basically refers to those in the same or neighbored street within 500 meters from the subject matter of trading or with similar publicly announced current values. The said "with similar land areas" basically means the land areas of <u>completed transactions</u> by non-related parties is no less than 50% of the subject matter of trading. The said "within one year" means one year calculated retrospectively from the transaction date <u>of the acquisition of real estate or right-of-use assets thereof</u>, which is considered as the base date.</p> <p>(v) Regarding the Company's real estate acquisitions <u>or right-of-use assets thereof</u> from related parties, if all of the results assessed in accordance with Subparagraphs 1 and 2 of <u>this Paragraph</u> are lower than the trading price, the following matters shall be carried out:</p> <p>A. In respect of the difference between the trading price and the assessed cost of the real estate <u>or right-of-use assets thereof</u>, the</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>with Paragraph 1 of Article 41 of the Act. It shall not be distributed or used for capital increase and issuance of bonus share. If an investor, who accounts for its investment in another company under equity method, is a publicly listed company, the special reserve pursuant to Paragraph 1 of Article 41 of the Act shall be recognized in proportion to the shareholding percentage of the investor in the investee company.</p> <p>B. Audit committee members shall comply with Article 218 of the Company Act.</p> <p>C. Actions taken pursuant to <u>Subparagraphs 1 and 2</u> shall be reported to the shareholders' meeting and the trading details shall be disclosed in the annual report and prospectus.</p> <p>The <u>publicly listed company</u> which recognizes a special reserve in accordance with the <u>preceding paragraph</u> may use such reserve upon approvals from competent securities authority and after assets purchased at a premium had recognized losses from decline of market value; or been disposed of; compensated appropriately; or restored to original status, or there are other evidences indicating the transaction is not unreasonable.</p>	<p>Company shall recognize a special reserve in accordance with Paragraph 1 of Article 41 of the Act. It shall not be distributed or used for capital increase and issuance of bonus share. If an investor, who accounts for its investment in another company under equity method, is a publicly listed company, the special reserve pursuant to Paragraph 1 of Article 41 of the Act shall be recognized in proportion to the shareholding percentage of the investor in the investee company.</p> <p>B. Audit committee members shall comply with Article 218 of the Company Act.</p> <p>C. Actions taken pursuant to <u>the preceding two Items</u> shall be reported to the shareholders' meeting and the trading details shall be disclosed in the annual report and prospectus.</p> <p>The <u>Company</u> which recognizes a special reserve in accordance with the <u>said provisions</u> may use such reserve upon approvals from competent securities authority and after assets purchased <u>or leased</u> at a premium had recognized losses from decline of market value; or been disposed of; <u>or lease agreement terminated</u>; or been compensated</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>(vi) Regarding the Company's acquisition of real estate from related parties, if any of the following exists, <u>actions shall be taken in accordance with the provisions related to assessment and operation procedures in Paragraphs 1 and 2 of this Article</u>. The provisions related to assessment of reasonableness of trading cost in Subparagraphs 1, 2 and 3 of Paragraph 3 of this Article are not applicable.</p> <p>A. The related party acquired real estate by inheritance or gift.</p> <p>B. It is more than five years from the time the related party signed the acquisition contract of real estate to the date of this trading.</p> <p>C. The Company acquired real estate by signing a joint construction contract with the related party.</p> <p>(vii) Regarding the Company's acquisition of real estate from related parties, if there are other evidences showing non-compliance of business practices, actions shall be taken in accordance with Subparagraph 5 of Paragraph 3 of this Article.</p>	<p>appropriately, or restored to original status; or there are other evidences indicating the transaction is not unreasonable.</p> <p>(vi) Regarding the Company's acquisition of real estate <u>or right-of-use assets thereof</u> from related parties, if any of the following exists, assessment and operation procedures shall be <u>conducted</u> in accordance with the <u>preceding Paragraph</u>. The provisions related to assessment of reasonableness of trading cost in Subparagraphs 1 to 3 of <u>this Paragraph</u> are not applicable.</p> <p>A. The related party acquired real estate <u>or right-of use assets thereof</u> by inheritance or gift.</p> <p>B. It is more than five years from the time the related party signed the acquisition contract of real estate <u>or right-of use assets thereof</u> to the date of this trading.</p> <p>C. The Company acquired real estate by signing a joint construction contract with the related party.</p> <p>D. <u>Acquisition of operating real estate right-of-use assets by the Company, its subsidiaries, or between subsidiaries whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company.</u></p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
		(vii) Regarding the Company's acquisition of real estate <u>or right-of use assets thereof</u> from related parties, if there are other evidences showing non-compliance of business practices, actions shall be taken in accordance with Subparagraph 5 of <u>this Paragraph</u> .	
Article 10	<p>Procedures for acquisition or disposal of <u>membership certificates or intangible assets</u></p> <p>(1) Assessment and operation procedures The acquisition or disposal of the Company's <u>membership certificates or intangible assets</u> shall be conducted in accordance with <u>the real estate, plants and equipment cycle procedures under the Company's internal control system</u>.</p> <p>(2) Determination of trading terms and authorization limit</p> <p>(i) Regarding the acquisition or disposal of <u>membership certificates or intangible assets</u>, the Company shall refer to the fair value of the market in determining the trading terms and trading price and submit an analysis report to the Chairperson. Amounts below 1 percent of the paid-in capital or NT\$ 3,000,000 shall be submitted to the Chairperson for approval. Amounts exceed NT\$ 3,000,000 must be passed by the Board of Directors.</p> <p>(ii) The Company's acquisition or disposal of <u>membership certificates or intangible assets</u> shall be approved by</p>	<p>Procedures for acquisition or disposal of <u>intangible assets or right-of-use assets thereof, or membership certificates</u></p> <p>(1) Assessment and operation procedures The acquisition or disposal of the Company's <u>intangible assets or right-of-use assets thereof, or membership certificates</u> shall be conducted in accordance with <u>relevant operation procedures of the Company</u>.</p> <p>(2) Determination of trading terms and authorization limit</p> <p>(i) Regarding the acquisition or disposal of <u>intangible assets or right-of-use assets thereof, or membership certificates</u>, the Company shall refer to the fair value of the market in determining the trading terms and trading price and submit an analysis report to the Chairperson. Amounts below 1 percent of the paid-in capital or NT\$ 3,000,000 shall be submitted to the Chairperson for approval. Amounts exceed NT\$ 3,000,000 must be passed by the Board of Directors.</p> <p>(ii) The Company's acquisition or disposal of <u>intangible assets or right-of-use assets</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
	<p>the majority of all audit committee members and submitted to the Board of Directors for resolutions.</p> <p>The transaction 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. In such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>(3) Implementation departments After approval from the approving authority pursuant to the above paragraphs, the Company's acquisition or disposal of <u>membership certificates or intangible assets</u> shall be implemented by the user departments and the finance department or the management department.</p> <p>(4) Expert assessment reports for <u>membership certificates or intangible assets</u></p> <p>(i) Where the trading amount of the Company's acquisition or disposal of membership certificates exceeds 1 percent of the paid-in capital or NT\$ 3,000,000, the Company shall ask an expert to produce an appraisal report.</p> <p>(ii) Where the trading amount of the Company's acquisition or disposal of intangible assets exceeds 10 percent of the paid-in capital or NT\$ 20,000,000, the Company shall ask an expert to produce an appraisal report.</p> <p>(iii) Where the trading amount of the Company's acquisition or disposal of <u>membership certificates or intangible</u></p>	<p><u>thereof, or membership certificates</u> shall be approved by the majority of all audit committee members and submitted to the Board of Directors for resolutions.</p> <p>The transaction 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. In such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board of Directors' meeting.</p> <p>(3) Implementation departments After approval from the approving authority pursuant to the above paragraphs, the Company's acquisition or disposal of <u>intangible assets or right-of-use assets thereof, or membership certificates</u> shall be implemented by the user departments and the finance department or the management department.</p> <p>(4) Expert assessment reports for <u>intangible assets or right-of-use assets thereof, or membership certificates</u></p> <p>(i) Where the trading amount of the Company's acquisition or disposal of membership certificates exceeds 1 percent of the paid-in capital or NT\$ 3,000,000, the Company shall ask an expert to produce an appraisal report.</p> <p>(ii) Where the trading amount of the Company's acquisition or disposal of <u>intangible assets or right-of-use assets thereof</u> exceeds 10 percent of the paid-in capital or NT\$ 20,000,000, the Company shall ask an expert to produce an appraisal report.</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>assets exceeds 20 percent of the Company's paid-in capital or NT\$ 300,000,000, the Company shall contact CPAs to express an opinion on the reasonableness of the trading price before the day of occurrence. The CPAs shall take actions in accordance with Auditing Standards No. 20 published by Accounting Research and Development Foundation.</p>	<p>(iii) Where the trading amount of the Company's acquisition or disposal of <u>intangible assets or right-of-use assets thereof, or membership certificates</u> exceeds 20 percent of the Company's paid-in capital or NT\$ 300,000,000, the Company shall contact CPAs to express an opinion on the reasonableness of the trading price before the day of occurrence. The CPAs shall take actions in accordance with Auditing Standards No. 20 published by Accounting Research and Development Foundation.</p>	
Article 12	<p>Procedures for <u>acquisition or disposal of financial</u> derivative instruments</p> <p>(1) Trading principles and guidelines</p> <p>(i) Types of trading</p> <p>A. The <u>financial</u> derivative instruments in which the Company engages refer to trading contracts where the value is derived from commodities such as assets, interest rates, foreign exchange rates, indexes or other interests (for instance, forward, option, futures, interest rates, foreign exchange rates and swap contracts and hybrid contracts consisting of the above commodities)</p> <p>B. Regarding bond margin trading, the provisions hereof shall also apply mutatis mutandis. The provisions hereof may not apply to engagement in bond repurchase</p>	<p>Procedures for derivative instruments <u>transactions</u></p> <p>(1) Trading principles and guidelines</p> <p>(i) Types of trading</p> <p>A. The derivative instruments in which the Company engages refer to trading contracts where the value is derived from commodities such as assets, interest rates, foreign exchange rates, indexes or other interests (for instance, forward, option, futures, interest rates, foreign exchange rates and swap contracts and hybrid contracts consisting of the above commodities)</p> <p>B. Regarding bond margin trading, the provisions hereof shall also apply mutatis mutandis. The provisions hereof may not apply to engagement in bond repurchase</p>	<p>To make organizational name change and comply with amendments made by the competent authority.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p style="text-align: center;">trading.</p> <p>(ii) Operating (hedging) strategies The trading of <u>financial</u> derivative instruments engaged by the Company shall be for hedging purposes. The Company shall mainly choose to use trading commodities which hedge risks arising from its operations. The foreign currencies held must be consistent with the demand of foreign currencies resulting from the import and export transactions of the Company. It is mainly for squaring off the Company's overall internal positions (refers to the inflows and outflows of foreign currency) so as to reduce the Company's overall foreign exchange risks and the cost of exchange trading. Other trading for specific purposes must be subject to thorough evaluation and shall be approved by the Board of Directors before implementation.</p> <p>(iii) Division of responsibilities A. Finance department a. Trading staff i. Responsible for establishing the Company's trading strategies of <u>financial</u> derivative instrument. ii. Every two weeks, the trading staff shall calculate exposures,</p>	<p style="text-align: center;">trading.</p> <p>(ii) Operating (hedging) strategies The trading of derivative instruments engaged by the Company shall be for hedging purposes. The Company shall mainly choose to use trading commodities which hedge risks arising from its operations. The foreign currencies held must be consistent with the demand of foreign currencies resulting from the import and export transactions of the Company. It is mainly for squaring off the Company's overall internal positions (refers to the inflows and outflows of foreign currency) so as to reduce the Company's overall foreign exchange risks and the cost of exchange trading. Other trading for specific purposes must be subject to thorough evaluation and shall be approved by the Board of Directors before implementation.</p> <p>(iii) Division of responsibilities A. Finance department a. Trading staff i. Responsible for establishing the Company's trading strategies of derivative instrument. ii. Every two weeks, the trading staff shall calculate exposures, collect market</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>collect market information, conduct trend analysis and risk assessment and establish trading strategies which will be the basis for trading after being approved by the approval authority.</p> <p>iii. Execute transactions as per authorization limit and the established strategies.</p> <p>iv. When there are significant changes in the financial markets and the trading staffs deem the established strategies inapplicable, they can submit an evaluation report at any time and reformulate strategies. After approval of the General Manager, it will be the basis for trading.</p> <p>b. Accounting staff</p> <p>i. Confirmation of transaction execution.</p> <p>ii. Review whether trading is conducted as per authorization limit and the established</p>	<p>information, conduct trend analysis and risk assessment and establish trading strategies which will be the basis for trading after being approved by the approval authority.</p> <p>iii. Execute transactions as per authorization limit and the established strategies.</p> <p>iv. When there are significant changes in the financial markets and the trading staffs deem the established strategies inapplicable, they can submit an evaluation report at any time and reformulate strategies. After approval of the General Manager, it will be the basis for trading.</p> <p>b. Accounting staff</p> <p>i. Confirmation of transaction execution.</p> <p>ii. Review whether trading is conducted as per authorization limit and the established strategies.</p>	



Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>strategies.</p> <p>iii. Conduct evaluation monthly and present the evaluation report to the General Manager.</p> <p>iv. Accounting bookkeeping.</p> <p>v. Make filing and public announcements in accordance with regulations of the competent securities authority.</p> <p>c. Settlement staff: Implement settlement tasks.</p> <p>d. Approval authority of <u>financial</u> derivative instruments:</p> <p>i. Hedge trading - approval authority of preorder/presale forward exchange rates contracts</p> <p>.....</p> <p>B. Audit department Audit Department is responsible for understanding the adequacy of internal control over trading of <u>financial</u> derivative instruments and auditing the trading department's compliance with operation procedures. It should analyze the trading cycle in order to prepare audit reports and</p>	<p>iii. Conduct evaluation monthly and present the evaluation report to the General Manager.</p> <p>iv. Accounting bookkeeping.</p> <p>v. Make filing and public announcements in accordance with regulations of the competent securities authority.</p> <p>c. Settlement staff: Implement settlement tasks.</p> <p>d. Approval authority of derivative instruments:</p> <p>i. Hedge trading - approval authority of preorder/presale forward exchange rates contracts</p> <p>.....</p> <p>B. Audit department Audit Department is responsible for understanding the adequacy of internal control over trading of derivative instruments and auditing the trading department's compliance with operation procedures. It should analyze the trading cycle in order to prepare audit reports and report to the audit committee and the Board of Directors when</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>report to the audit committee and the Board of Directors when significant negligence occurs.</p> <p>C. Performance evaluation</p> <p>a. Hedge trading</p> <p>i. The profit/loss arising from the difference between the cost of exchange rate and the trading of <u>financial</u> derivative instruments is used as a basis for performance evaluation.</p> <p>ii. To fully control and express the evaluation risk of trading, the Company adopts the monthly evaluation method to evaluate profit/loss.</p> <p>iii. The Finance Department shall provide evaluation of foreign exchange position and foreign exchange market trends together with market analysis to the General Manager as reference and guidance for management.</p> <p>b. Trading for specific purposes The actual profit/loss</p>	<p>significant negligence occurs.</p> <p>C. Performance evaluation</p> <p>a. Hedge trading</p> <p>i. The profit/loss arising from the difference between the cost of exchange rate and the trading of derivative instruments is used as a basis for performance evaluation.</p> <p>ii. To fully control and express the evaluation risk of trading, the Company adopts the monthly evaluation method to evaluate profit/loss.</p> <p>iii. The Finance Department shall provide evaluation of foreign exchange position and foreign exchange market trends together with market analysis to the General Manager as reference and guidance for management.</p> <p>b. Trading for specific purposes The actual profit/loss incurred is used as a basis for performance evaluation, and the</p>	

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	<p>incurred is used as a basis for performance evaluation, and the accounting staff shall prepare position reports regularly as a reference for management.</p> <p>D. Total contract amount and the upper limit for loss</p> <p>a. Total contract amount</p> <p>i. Hedge trading The Finance <u>Division</u> shall understand the Company's overall positions when hedging for trading risks. The amount of hedge trading is capped at two-thirds of the Company's net positions of foreign currency assets (such as accounts receivable and bank deposits) less liabilities as of the end of previous month.</p> <p>ii. Trading for specific purposes The Finance <u>Division</u> shall formulate strategies based on the market forecasts and the strategies can only be carried out upon approvals from</p>	<p>accounting staff shall prepare position reports regularly as a reference for management.</p> <p>D. Total contract amount and the upper limit for loss</p> <p>a. Total contract amount</p> <p>i. Hedge trading The Finance <u>Department</u> shall understand the Company's overall positions when hedging for trading risks. The amount of hedge trading is capped at two-thirds of the Company's net positions of foreign currency assets (such as accounts receivable and bank deposits) less liabilities as of the end of previous month.</p> <p>ii. Trading for specific purposes The Finance <u>Department</u> shall formulate strategies based on the market forecasts and the strategies can only be carried out upon approvals from the General Manager and the Chairperson. The total contract</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>the General Manager and the Chairperson. The total contract amount of the Company's trading for specific purposes is capped at US\$ 10,000,000.</p> <p>b. Upper limit for loss</p> <p>i. Loss is capped at 10 percent of the overall trading amount.</p> <p>ii. The loss of individual contract is capped at 10 percent of the contract.</p> <p>iii. If it is a contract of specific purposes, the loss of individual contract is capped at US\$ 50,000 or 10 percent of the trading amount, whichever is lower.</p> <p>iv. The Company's annual loss on trading for specific purposes is capped at US\$ 300,000.</p> <p>(2) Risk management measures</p> <p>(i) Credit risk management:</p> <p>A. As market fluctuates by various factors, trading of <u>financial</u> derivative instruments is easily exposed to risks. Therefore, market risk management shall be</p>	<p>amount of the Company's trading for specific purposes is capped at US\$ 10,000,000.</p> <p>b. Upper limit for loss</p> <p>i. Loss is capped at 10 percent of the overall trading amount.</p> <p>ii. The loss of individual contract is capped at 10 percent of the contract.</p> <p>iii. If it is a contract of specific purposes, the loss of individual contract is capped at US\$ 50,000 or 10 percent of the trading amount, whichever is lower.</p> <p>iv. The Company's annual loss on trading for specific purposes is capped at US\$ 300,000.</p> <p>(2) Risk management measures</p> <p>(i) Credit risk management:</p> <p>A. As market fluctuates by various factors, trading of derivative instruments is easily exposed to risks. Therefore, market risk management shall be conducted in accordance with the following principles:</p> <p>B. Trading counterparty: Mainly the well-known</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>conducted in accordance with the following principles:</p> <p>B. Trading counterparty: Mainly the well-known domestic and foreign financial institutions.</p> <p>C. Trading commodity: Commodities provided by well-known domestic and foreign financial institutions only.</p> <p>D. Trading amount: The outstanding amount of the same trading counterparty shall not exceed 10 percent of the total amount authorized unless approved by the General Manager.</p> <p>(ii) Market risk management: Transactions are conducted mainly in public foreign exchange markets provided by banks; futures markets are not taken into consideration for now.</p> <p>(iii) Liquidity risk management: To ensure market liquidity, <u>financial</u> derivative instruments with higher liquidity (i.e., readily available on market for trading) are chosen in principle. The financial institutions entrusted with trading must have sufficient information and the ability to readily conduct trading at any market.</p> <p>(iv) Cash flow risk management: To ensure the stability of working capital, the trading of <u>financial</u> derivative instruments are limited to the Company's equity funds and the trading amount shall take</p>	<p>domestic and foreign financial institutions.</p> <p>C. Trading commodity: Commodities provided by well-known domestic and foreign financial institutions only.</p> <p>D. Trading amount: The outstanding amount of the same trading counterparty shall not exceed 10 percent of the total amount authorized unless approved by the General Manager.</p> <p>(ii) Market risk management: Transactions are conducted mainly in public foreign exchange markets provided by banks; futures markets are not taken into consideration for now.</p> <p>(iii) Liquidity risk management: To ensure market liquidity, derivative instruments with higher liquidity (i.e., readily available on market for trading) are chosen in principle. The financial institutions entrusted with trading must have sufficient information and the ability to readily conduct trading at any market.</p> <p>(iv) Cash flow risk management: To ensure the stability of working capital, the trading of derivative instruments are limited to the Company's equity funds and the trading amount shall take into account the capital needs forecasted by the cash in and outflows for the next three months.</p> <p>(v) Operational risk management</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>into account the capital needs forecasted by the cash in and outflows for the next three months.</p> <p>(v) Operational risk management</p> <p>A. The Company's authorization limit and operation procedures shall be followed thoroughly and incorporated into internal audit to avoid operational risks.</p> <p>B. The staff engaged in trading of <u>financial</u> derivative instruments and the staff engaged in confirmation and settlement shall segregate their duties.</p> <p>C. The staff involved in risk evaluation, supervision and control and the staff in the preceding paragraph shall belong to different departments, and shall report to the Board of Directors or to top executives who do not assume the decision-making responsibilities for trading or position.</p> <p>D. Positions held in the trading of <u>financial</u> derivative instruments shall be assessed at least once a week. However, the hedge trading required in business shall be assessed at least twice a month. The assessment report shall be presented to the top executives authorized by the Board of Directors.</p>	<p>A. The Company's authorization limit and operation procedures shall be followed thoroughly and incorporated into internal audit to avoid operational risks.</p> <p>B. The staff engaged in trading of derivative instruments and the staff engaged in confirmation and settlement shall segregate their duties.</p> <p>C. The staff involved in risk evaluation, supervision and control and the staff in the preceding paragraph shall belong to different departments, and shall report to the Board of Directors or to top executives who do not assume the decision-making responsibilities for trading or position.</p> <p>D. Positions held in the trading of derivative instruments shall be assessed at least once a week. However, the hedge trading required in business shall be assessed at least twice a month. The assessment report shall be presented to the top executives authorized by the Board of Directors.</p> <p>(vi) Commodity risk management</p> <p>The internal staff shall have complete and correct professional knowledge in derivative instruments and demand banks to fully</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>(vi) Commodity risk management The internal staff shall have complete and correct professional knowledge in <u>financial</u> derivative instruments and demand banks to fully disclose risks involved to avoid the risk of misusing the instruments.</p> <p>(vii) Legal risk management: Documents to be signed with financial institutions shall be reviewed by specialists in foreign exchange and legal affairs or legal consultancy before they are officially signed so as to avoid legal risks.</p> <p>(3) Internal audit system (i) The internal auditors shall regularly review the adequacy of internal control on the trading of <u>financial</u> derivative instruments. They shall monthly audit the trading department's compliance with relevant procedures and analyze the trading cycle to prepare audit reports. If significant violation is found, they shall notify the audit committee in writing. (ii) The internal auditors shall, by the end of February of next year, declare the audit reports together with the annual internal audit results to the Securities and Futures Institute. Improvements on abnormal items shall be filed to the same institute by the end of May the latest.</p> <p>(4) Methods for regular assessment (i) The Board of Directors shall authorize top executives to</p>	<p>disclose risks involved to avoid the risk of misusing the instruments.</p> <p>(vii) Legal risk management Documents to be signed with financial institutions shall be reviewed by specialists in foreign exchange and legal affairs or legal consultancy before they are officially signed so as to avoid legal risks.</p> <p>(3) Internal audit system (i) The internal auditors shall regularly review the adequacy of internal control on the trading of derivative instruments. They shall monthly audit the trading department's compliance with relevant procedures and analyze the trading cycle to prepare audit reports. If significant violation is found, they shall notify the audit committee in writing. (ii) The internal auditors shall, by the end of February of next year, declare the audit reports together with the annual internal audit results to the Securities and Futures Institute. Improvements on abnormal items shall be filed to the same institute by the end of May the latest.</p> <p>(4) Methods for regular assessment (i) The Board of Directors shall authorize top executives to regularly supervise and assess whether derivatives trading complies with the trading procedures stipulated by the Company and whether the risks undertaken are acceptable. When the assessment report on market</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>regularly supervise and assess whether derivatives trading complies with the trading procedures stipulated by the Company and whether the risks undertaken are acceptable. When the assessment report on market price indicates an abnormal situation (such as when the positions held exceed the upper limit for loss), it shall be reported to the Board of Directors immediately and countermeasures shall be taken.</p> <p>(ii) Positions held in the trading of <u>financial</u> derivative instruments shall be assessed at least once a week. The hedge trading required in business shall be assessed at least twice a month. The assessment report shall be presented to the top executives authorized by the Board of Directors.</p> <p>(5) Supervision and management principles of the Board of Directors when engaging in the trading of <u>financial</u> derivative instruments</p> <p>(i) The Board of Directors shall designate top executives to constantly monitor the supervision and control of risks of <u>financial</u> derivative instruments trading. The management principles are as follows:</p> <p>A. Regularly assess whether the risk management measures currently in use are adequate and proceeded in accordance with the <u>procedures for trading of financial derivative</u></p>	<p>price indicates an abnormal situation (such as when the positions held exceed the upper limit for loss), it shall be reported to the Board of Directors immediately and countermeasures shall be taken.</p> <p>(ii) Positions held in the trading of derivative instruments shall be assessed at least once a week. The hedge trading required in business shall be assessed at least twice a month. The assessment report shall be presented to the top executives authorized by the Board of Directors.</p> <p>(5) Supervision and management principles of the Board of Directors when engaging in the trading of derivative instruments</p> <p>(i) The Board of Directors shall designate top executives to constantly monitor the supervision and control of risks of derivative instruments trading. The management principles are as follows:</p> <p>A. Regularly assess whether the risk management measures currently in use are adequate and proceeded in accordance with the <u>“Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the Procedures.</u></p> <p>B. Monitor trading and profit/loss. When an abnormal event is identified, countermeasures shall be taken and the Board</p>	



Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p><u>instruments stipulated by the Company.</u></p> <p>B. Monitor trading and profit/loss. When an abnormal event is identified, countermeasures shall be taken and the Board of Directors shall be notified immediately. If the Company has independent directors, they shall attend the Board of Directors' meeting and express opinions.</p> <p>(ii) Regularly assess whether the performance of <u>financial derivative instruments</u> trading meets the established management strategies and whether the risks undertaken are acceptable.</p> <p>(iii) When the Company engages in the trading of <u>financial derivative instruments</u>, matters delegated to related staff according to relevant procedures shall be reported afterwards to the Board of Directors.</p> <p>(iv) When engaged in the trading of <u>financial derivative instruments</u>, the Company shall establish a memorandum book to record details on transaction type and amount, resolution date of the Board of Directors and matters which shall be carefully assessed according to Subparagraph 2 of Paragraph 4 and Subparagraphs 1 and 2 of Paragraph 5 of this Article.</p>	<p>of Directors shall be notified immediately. If the Company has independent directors, they shall attend the Board of Directors' meeting and express opinions.</p> <p>(ii) Regularly assess whether the performance of derivative instruments trading meets the established management strategies and whether the risks undertaken are acceptable.</p> <p>(iii) When the Company engages in the trading of derivative instruments, matters delegated to related staff according to relevant procedures shall be reported afterwards to the Board of Directors.</p> <p>(iv) When engaged in the trading of derivative instruments, the Company shall establish a memorandum book to record details on transaction type and amount, resolution date of the Board of Directors and matters which shall be carefully assessed according to Subparagraph 2 of Paragraph 4 and Subparagraphs 1 and 2 of Paragraph 5 of this Article.</p>	
Article 14	Procedures for public disclosure of	Procedures for public disclosure of	To comply

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>information</p> <p>(1) Items to be announced and declared and the standards for announcement and declaration</p> <p>(i) Acquisition or disposal of real estate from or to a related party or non-real estate assets from or to a related party with trading amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$ 300,000,000. This does not apply to the purchase or sale of government bonds or bonds with repurchase or resale agreements.</p> <p>(ii) Engagement in a merger, spin off, acquisition or transfer of shares.</p> <p>(iii) Engagement in the trading of <u>financial</u> derivative instruments with losses exceeding the upper limit for aggregate or individual contracts as stipulated in the <u>procedures</u>.</p> <p>(iv) Other than the three preceding subparagraphs, any trading of assets, disposals of financial institutions' claims or engagement in investment in China with trading amount exceeding 20 percent of the Company's paid-in capital or NT\$ 300,000,000. The following situations are exceptions:</p> <p>A. Purchase or sale of government bonds.</p> <p>B. If the Company specializes in investment, the purchase or sale of marketable securities in <u>domestic or overseas</u> securities</p>	<p>information</p> <p>(1) Items to be announced and declared and the standards for announcement and declaration</p> <p>(i) Acquisition or disposal of real estate <u>or right-of-use assets thereof</u> from or to a related party or non-real estate assets <u>or right-of-use assets thereof</u> from or to a related party with trading amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$ 300,000,000. This does not apply to the purchase or sale of <u>domestic</u> government bonds or bonds with repurchase or resale agreements.</p> <p>(ii) Engagement in a merger, spin off, acquisition or transfer of shares.</p> <p>(iii) Engagement in the trading of derivative instruments with losses exceeding the upper limit for aggregate or individual contracts as stipulated in the <u>Procedures</u>.</p> <p>(iv) Other than the three preceding subparagraphs, any trading of assets, disposals of financial institutions' claims or engagement in investment in China with trading amount exceeding 20 percent of the Company's paid-in capital or NT\$ 300,000,000. The following situations are exceptions:</p> <p>A. Purchase or sale of <u>domestic</u> government bonds.</p> <p>B. If the Company specializes in</p>	<p>with amendments made by the competent authority.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>exchanges or OTC markets.</p> <p>C. Purchase or sale of bonds with repurchase or resale agreements.</p> <p>D. Acquisition or disposal of <u>assets classified as operating machines and equipment</u> from or to a non-related party with trading amount less than NT\$ 500,000,000.</p> <p>E. For companies in the construction business, the real estate acquired or disposed of for construction use from or to a non-related party with trading amount less than NT\$ 500,000,000.</p> <p>F Real estate acquired by means of contracting others to construct on the Company's own land, contracting others to construct on rented land, distributing housing units in a joint construction project, distributing profit in a joint construction project or selling of housing units separately in a joint construction project with expected investment less than NT\$ 500,000,000.</p> <p>(v) The trading amount in the preceding Subparagraph 4 shall be calculated <u>in</u> the following methods. <u>In addition</u>, the said "within one year" means one year calculated retrospectively from the trading date, which is considered as the base date. The part which has been</p>	<p>investment, the purchase or sale of marketable securities in securities exchanges or OTC markets.</p> <p>C. Purchase or sale of bonds with repurchase or resale agreements.</p> <p>D. Acquisition or disposal of operating equipment or <u>right-of-use assets thereof</u> from or to a non-related party with trading amount less than NT\$ 500,000,000.</p> <p>E. For companies in the construction business, the real estate <u>or right-of-use assets thereof</u> acquired or disposed of for construction use from or to a non-related party with trading amount less than NT\$ 500,000,000.</p> <p>F. Real estate acquired by means of contracting others to construct on the Company's own land, contracting others to construct on rented land, distributing housing units in a joint construction project, distributing profit in a joint construction project or selling of housing units separately in a joint construction project <u>from non-related parties</u> with expected investment less than NT\$ 500,000,000.</p> <p>(v) The trading amount in the preceding Subparagraph shall be calculated <u>by</u> the following methods (The said</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>publicly announced in accordance with requirements shall not be included.</p> <p>A. Every transaction amount.</p> <p>B. The accumulative amount of acquisition or disposal of subject matters of the same category from the same counterparty within one year.</p> <p>C. The accumulative amount of acquisition or disposal of real estate of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).</p> <p>D. The accumulative amount of acquisition or disposal of the same securities within one year (the acquisition and disposal amounts shall be accumulated separately).</p> <p>(2) Deadline for public announcement and declaration If the Company's acquisition or disposal of assets meets criteria in Paragraph 1 of this article, "Items to be announced and declared", and the trading amount meets the criteria for public announcement and declaration, the Company shall announce and declare it within two days from the date of the occurrence (the date of occurrence being the first day).</p> <p>(3) Procedures for public announcement and declaration (i) The Company shall announce and declare related</p>	<p>"within one year" means one year calculated retrospectively from the trading date, which is considered as the base date. The part which has been publicly announced in accordance with requirements shall not be included);</p> <p>A. Every transaction amount.</p> <p>B. The accumulative amount of acquisition or disposal of subject matters of the same category from the same counterparty within one year.</p> <p>C. The accumulative amount of acquisition or disposal of real estate or <u>right-of-assets thereof</u> of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).</p> <p>D. The accumulative amount of acquisition or disposal of the same securities within one year (the acquisition and disposal amounts shall be accumulated separately).</p> <p>(2) Deadline for public announcement and declaration If the Company's acquisition or disposal of assets meets criteria in Paragraph 1 of this article, "Items to be announced and declared", and the trading amount meets the criteria for public announcement and declaration, the Company shall announce and declare it within two</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>information on the website designated by the competent securities authority.</p> <p>(ii) The Company shall update the status of derivative trading of the Company and its non-domestic subsidiaries as of the end of previous month in the prescribed format at the information declaration website designated by the competent securities authority by the tenth of each month.</p> <p>(iii) If the Company has to amend errors or omissions in items announced, the Company shall announce and declare all items again.</p> <p>(iv) Regarding the Company's acquisition or disposal of assets, the Company shall keep related contracts, minutes, memorandum books, appraisal reports and opinions of CPAs, lawyers or securities underwriters available at its office. Unless otherwise provided in other laws, these documents shall be retained for five years at least.</p> <p>(v) After the Company announces and declares trading in accordance with the preceding Article, the Company shall, under any of the following circumstances, announce and declare related information on the website designated by the competent securities authority within two days from the date of the occurrence.</p> <p>A. The contract signed in relation to the original trading is changed,</p>	<p>days from the date of the occurrence (the date of occurrence being the first day).</p> <p>(3) Procedures for public announcement and declaration</p> <p>(i) The Company shall announce and declare related information on the website designated by the competent securities authority.</p> <p>(ii) The Company shall update the status of derivative trading of the Company and its non-domestic, <u>publicly listed</u> subsidiaries as of the end of previous month in the prescribed format at the information declaration website designated by the competent securities authority by the tenth of each month.</p> <p>(iii) If the Company has to amend errors or omissions in items announced, the Company shall announce and declare all items again <u>within two days from the date when it becomes aware of the mistake (the date of occurrence being the first day).</u></p> <p>(iv) Regarding the Company's acquisition or disposal of assets, the Company shall keep related contracts, minutes, memorandum books, appraisal reports and opinions of CPAs, lawyers or securities underwriters available at its office. Unless otherwise provided in other laws, these documents shall be retained for five years at least.</p> <p>(v) After the Company announces and declares</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>terminated or cancelled.</p> <p>B. The merger, spin off, acquisition or transfer of shares fails to be completed as scheduled.</p> <p>C. The original announcement and declaration have been changed.</p>	<p>trading in accordance with the preceding Article, the Company shall, under any of the following circumstances, announce and declare related information on the website designated by the competent securities authority within two days from the date of the occurrence (<u>the date of occurrence being the first day</u>).</p> <p>A. The contract signed in relation to the original trading is changed, terminated or cancelled.</p> <p>B. The merger, spin off, acquisition or transfer of shares fails to be completed as scheduled.</p> <p>C. The original announcement and declaration have been changed.</p>	
Article 15	<p>The Company's subsidiaries shall take actions in accordance with the following provisions:</p> <p>(1) The subsidiary shall also establish the "Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies". After being approved by the Board of Directors of the subsidiary, it shall be reported to the shareholders' meeting of the subsidiary. The same applies to amendments.</p> <p>(2) Acquisition or disposal of assets by subsidiaries shall be in compliance with "Procedures for Acquisition or Disposal of Assets".</p> <p>(3) Where the subsidiary is a non-publicly listed company and its asset acquisition or disposal</p>	<p>The Company's subsidiaries shall take actions in accordance with the following provisions:</p> <p>(1) The subsidiary shall also establish the "Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies". After being approved by the Board of Directors of the subsidiary, it shall be reported to the shareholders' meeting of the subsidiary. The same applies to amendments.</p> <p>(2) Acquisition or disposal of assets by subsidiaries shall be in compliance with "Procedures for Acquisition or Disposal of Assets".</p> <p>(3) Where the subsidiary is a non-publicly listed company and its asset acquisition or disposal</p>	<p>To comply with amendments made by the competent authority.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>meets the standards for announcement and declaration as stipulated in <u>Article 30 of "Regulations Governing the Acquisition or Disposal of Assets by Public Companies"</u>, the <u>parent company</u> shall make public announcement and declaration on behalf of the subsidiary.</p> <p>(4) In the subsidiary's standards for announcement and declaration, the <u>said "over 20 percent of the company's paid-in capital or 10 percent of the company's total assets" is based on the paid-in capital or total assets of the parent company (the Company).</u></p>	<p>meets the standards for announcement and declaration as stipulated in <u>the preceding Article</u>, the <u>Company (parent company)</u> shall make public announcement and declaration on behalf of the subsidiary.</p> <p>(4) In the <u>preceding subparagraph where</u> subsidiary's standards for announcement and declaration <u>as subject to the preceding Article</u>, the <u>criteria concerning paid-in capital or total assets are</u> based on the paid-in capital or total assets of the <u>Company (parent company).</u></p>	
Article 18	<p>Additional provisions</p> <p>Any other matter not set forth in the Procedures shall be handled in accordance with related laws and regulations.</p> <p>The Procedures was established on April 15, 2000.</p> <p>The first amendment was made on March 7, 2003.</p> <p>The second amendment was made on May 9, 2007.</p> <p>The third amendment was made on June 3, 2008.</p> <p>The fourth amendment was made on June 18, 2010.</p> <p>The fifth amendment was made on August 30, 2010.</p> <p>The sixth amendment was made on June 9, 2011.</p> <p>The seventh amendment was made on June 13, 2012.</p> <p>The eighth amendment was made on June 17, 2013.</p> <p>The ninth amendment was made on May 26, 2017.</p>	<p>Additional provisions</p> <p>Any other matter not set forth in the Procedures shall be handled in accordance with related laws and regulations.</p> <p>The Procedures was established on April 15, 2000.</p> <p>The first amendment was made on March 7, 2003.</p> <p>The second amendment was made on May 9, 2007.</p> <p>The third amendment was made on June 3, 2008.</p> <p>The fourth amendment was made on June 18, 2010.</p> <p>The fifth amendment was made on August 30, 2010.</p> <p>The sixth amendment was made on June 9, 2011.</p> <p>The seventh amendment was made on June 13, 2012.</p> <p>The eighth amendment was made on June 17, 2013.</p> <p>The ninth amendment was made on May 26, 2017.</p> <p><u>The tenth amendment was made on May 29, 2019.</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, 2019) for the 2019 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	15,713,729
Director	Representative: Chun-Yen Chiang	
Director	Ching-Yi Chang	4,699,282
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		21,823,260

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 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 2019 annual shareholders' meeting from March 22, 2019 to April 1, 2019. 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.