

TAIFLEX SCIENTIFIC CO., LTD.

Meeting Minutes 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

Attendance: The shareholders present in person or by proxy represented 146,542,367 shares (including 45,424,625 shares attended through electronic means), which accounted for 70.07% of the total shares outstanding.

Directors present: Ta-Wen Sun, Ching-Yi Chang, Re-Zhang Lin, Chun-Yen Chiang and Fu-Le Lin

Independent Directors present: Wen-I Lo, convener of the Audit Committee; Chein-Ming Hsu

Guests: Fang-Wun Li, CPA; Zhi-Ming Yen, General Manager.

Chairperson: Ta-Wen Sun, Chairperson of the Board

Recorder: Yi-Han Lin

I. Chairperson's Opening Remarks (omitted)

II. Report Items

1. Appropriation of remuneration to directors and supervisors and compensation to employees in 2018 (Please refer to the meeting agenda.)
2. Business report for 2018 (Please refer to the meeting agenda.)
3. Audit Committee's review report on the 2018 financial statements. Please refer to Attachment I.

III. 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 II for the financial statements.
3. Please ratify the above-mentioned financial statements.

Resolution: The voting result showed that 140,394,237 votes were in favor of the proposal, which accounted for 95.80% of the total represented shares present; 10,386 votes were against the proposal; 6,137,744 votes were abstained/withhold; and there was no invalid vote. The proposal was ratified as it was approved by the majority of voting rights represented at the time of voting.

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: The voting result showed that 140,701,217 votes were in favor of the proposal, which accounted for 96.01% of the total represented shares present; 10,385 votes were against the proposal; 5,830,765 votes were abstained/withhold; and there was no invalid vote. The proposal was ratified as it was approved by the majority of voting rights represented at the time of voting.

IV. 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 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: The voting result showed that 140,698,189 votes were in favor of the proposal, which accounted for 96.01% of the total represented shares present; 7,868 votes were against the proposal; 5,836,310 votes were abstained/withhold; and there was no invalid vote. The proposal was approved by the majority of voting rights represented at the time of voting.

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: The voting result showed that 140,693,709 votes were in favor of the proposal, which accounted for 96.00% of the total represented shares present; 6,399 votes were against the proposal; 5,842,259 votes were abstained/withhold; and there was no invalid vote. The proposal was approved by the majority of voting rights represented at the time of voting.

V. Extempore Motions: None.

VI. Meeting Adjourned: 9:25 a.m., May 29, 2019

The minutes of the shareholders' meeting only states the key points of the meeting, and the results of the resolution. The content, procedures and shareholders' speeches of the meeting are based on the video of the meeting.

Attachment I 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

**Attachment II 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
Current assets			
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		8,425,059	8,532,677
Non-current assets			
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		3,516,831	3,200,559
Total assets		\$ 11,941,890	\$ 11,733,236

(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
Current liabilities			
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>
Non-current liabilities			
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>
Equity attributable to shareholders of the parent			
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>
Total liabilities and equity		<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		-	(95)
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	Non-Controlling Interests	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				
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	<u>480,274</u>	<u>636,768</u>
Interest received	19,366	18,607
Interest paid	(50,153)	(64,929)
Income tax paid	<u>(175,367)</u>	<u>(166,045)</u>
Net cash generated by operating activities	<u><u>274,120</u></u>	<u><u>424,401</u></u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 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.)

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
Current assets			
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>
Non-current assets			
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>
Total assets		<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
Current liabilities			
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>
Non-current liabilities			
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>
Equity			
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>
Total liabilities and equity		<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</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 of the Company Act</u> (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>long-term purchase (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 of the Company Act</u> (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</u> and 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</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>by the user departments and the Management Division.</p> <p>(4) Appraisal reports for <u>assets</u> Regarding the acquisition or disposal of real estate, <u>equipment, 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</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</p>	To make organizational name change.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>shall be implemented by the Finance <u>Division</u>.</p> <p>(4) Engagement in investments in China shall proceed in accordance with regulations by Investment Commission, Ministry of Economic Affairs.</p>	<p>shall be implemented by the Finance <u>Department</u>.</p> <p>(4) Engagement in investments in China shall proceed in accordance with regulations by Investment Commission, Ministry of Economic Affairs.</p>	
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 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</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 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</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>passed by the Board of Directors and acknowledged by the audit committee before signing the contract and making payments:</p> <ul style="list-style-type: none"> (i) Purpose, necessity and expected benefits of the asset acquisition or disposal. (ii) Reasons for choosing the related party as trading counterparty. (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. (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. (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. (vi) Appraisal reports produced by professional appraisers or CPAs' opinions which are obtained in accordance with the above paragraphs. (vii) Restrictions and other important stipulations for the trading. <u>(viii)</u> The calculation of trading amount shall be conducted in accordance with Article 14 herein. The term "within one year" means one year 	<p>and acknowledged by the audit committee before signing the contract and making payments:</p> <ul style="list-style-type: none"> (i) Purpose, necessity and expected benefits of the asset acquisition or disposal. (ii) Reasons for choosing the related party as trading counterparty. (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. (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. (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. (vi) Appraisal reports produced by professional appraisers or CPAs' opinions which are obtained in accordance with the above paragraphs. (vii) Restrictions and other important stipulations for the trading. <p>The calculation of trading amount shall be conducted in accordance with Article 14 herein. The term "within one year" means one year</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>calculated retrospectively from the transaction date, which is considered as the base date. The part which has 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</p>	<p>calculated retrospectively from the transaction date, which is considered as the base date. The part which has been approved by the Board 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><u>A. Acquisition or disposal of operating equipment or right-of use assets thereof.</u></p> <p><u>B. 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></p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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.</p> <p>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</p>	<p>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 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.</p> <p>But this shall not apply where the financial institution and one of the trading parties are</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>estate in accordance with Subparagraphs 1 and 2 of Paragraph 3 of this Article and contact CPAs to review and express specific 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 Paragraph 3 of this Article are lower than the trading price, actions shall be taken in accordance with Subparagraphs 5 of Paragraph 3 of this Article. 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</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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>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</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p style="text-align: center;"><u>standard real estate leasing practices.</u></p> <p>B. The Company provides evidence that the real estate purchased from a 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</p>	<p>evidence that the real estate purchased <u>or real estate right-of-use assets lease</u> from a related party has trading terms equivalent to real estate <u>completed transactions</u> 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>difference between the trading price and the assessed cost of the real estate, the 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>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</u> company 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</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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>(vi) Regarding the Company's acquisition of real estate from related parties, if any of the following exists, <u>actions shall be taken</u> in accordance with the <u>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 <u>this Article</u> 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 <u>this Article</u>.</p>	<p>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 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>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
		<p><u>D. 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> <p>(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></p>	
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\$</p>	<p>Procedures for acquisition or disposal of intangible assets <u>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 intangible assets <u>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</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>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 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</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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</u> or intangible 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>to produce an appraisal report.</p> <p>(ii) Where the trading amount of the Company's acquisition or disposal of intangible assets <u>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> <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,</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,</p>	To make organizational name change and comply with amendments made by the competent authority.

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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 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</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>a. Trading staff</p> <p>i. Responsible for establishing the Company's trading strategies of <u>financial derivative</u> instrument.</p> <p>ii. Every two weeks, the trading staff shall calculate exposures, 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</p>	<p>a. Trading staff</p> <p>i. Responsible for establishing the Company's trading strategies of derivative instrument.</p> <p>ii. Every two weeks, the trading staff shall calculate exposures, 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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> <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>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> <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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<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 report to the audit committee and the Board of Directors when significant negligence occurs.</p> <p>C. Performance evaluation a. Hedge trading 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. ii. To fully control and express the evaluation risk of trading, the Company adopts the monthly evaluation method to evaluate profit/loss. iii. The Finance Department shall provide evaluation of</p>	<p>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 significant negligence occurs.</p> <p>C. Performance evaluation a. Hedge trading 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. ii. To fully control and express the evaluation risk of trading, the Company adopts the monthly evaluation method to evaluate profit/loss. iii. The Finance Department shall provide evaluation of foreign exchange position and foreign exchange</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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 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)</p>	<p>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 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>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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 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>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<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 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</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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 into account the capital needs forecasted by the cash in and outflows for the next three months.</p> <p>(v) Operational risk management A. The Company's authorization limit and operation procedures shall be followed thoroughly and incorporated into internal audit to avoid operational risks. B. The staff engaged in trading of <u>financial</u> derivative instruments and the staff engaged in confirmation and settlement shall segregate their duties. 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</p>	<p>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 A. The Company's authorization limit and operation procedures shall be followed thoroughly and incorporated into internal audit to avoid operational risks. B. The staff engaged in trading of derivative instruments and the staff engaged in confirmation and settlement shall segregate their duties. 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. D. Positions held in the trading of derivative</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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>(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</p>	<p>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 The internal staff shall have complete and correct professional knowledge in 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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>audit reports. If significant violation is found, they shall notify the audit committee in writing.</p> <p>(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</p> <p>(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 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</p>	<p>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</p> <p>(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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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 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</u> 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 <u>financial</u> derivative instruments, matters delegated to related staff according to relevant procedures shall be reported</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>afterwards to the Board of Directors.</p> <p>(iv) When engaged in the trading of <u>financial</u> 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>	<p>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	<p>Procedures for public disclosure of 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 procedures.</p> <p>(iv) Other than the three</p>	<p>Procedures for public disclosure of 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</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>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 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</p>	<p>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 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</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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 in 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 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</p>	<p>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 "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 <u>or right-of-assets thereof</u> of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).</p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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</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 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</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</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</u></p>	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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, 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><u>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 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</p>	<p>The Company's subsidiaries shall take actions in accordance with the following provisions:</p> <p>(1) The subsidiary shall also establish</p>	<p>To comply with amendments made by the</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<p>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 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>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 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 based on the paid-in capital or total assets of the Company (parent company).</u></p>	<p>competent authority.</p>
<p>Article 18</p>	<p>Additional provisions Any other matter not set forth in the Procedures shall be handled in accordance with related laws and regulations. The Procedures was established on April 15, 2000. The first amendment was made on March 7, 2003. The second amendment was made on May 9, 2007.</p>	<p>Additional provisions Any other matter not set forth in the Procedures shall be handled in accordance with related laws and regulations. The Procedures was established on April 15, 2000. The first amendment was made on March 7, 2003. The second amendment was made on May 9, 2007.</p>	<p>To add the amendment date.</p>

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	<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>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>	