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
 - Appropriation of remuneration to directors and supervisors and compensation to employees in 2018 (Please refer to the meeting agenda.)
 - Business report for 2018 (Please refer to the meeting agenda.) 2.
 - 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)

To ratify the 2018 financial statements Subject:

- 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.

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)

-		(en ran an Bonars)
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)		
			=Other equity +
			special capital
Special capital reserve	(90,571,380)		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 Investments accounted for under the equity method	4, 6(7)	- 51 470	-		
	4, 6(8)	51,470	2.076.450		
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	Ι	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		·	3,959,460		3,920,097			
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			600,981	<u> </u>	574,076			
Total liabilities			4,560,441	-	4,494,173			
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			3,890,519	<u> </u>	3,690,019			
Others	4		(166,117)		(92,974)			
Treasury stocks	6(18)		-		-			
Total equity attributable to	, ,							
shareholders of the parent			7,262,238		7,126,851			
Non-controlling interests	4, 6(18)		119,211		112,212			
Total equity	/		7,381,449	-	7,239,063			
Total liabilities and equity		\$	11,941,890	\$	11,733,236			

(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)	(7,650,007)	(9,058,315)
Gross profit		1,993,044	2,134,577
YY 11 1 1 C. 1			(0.5)
Unrealized sales profit or loss		1,002,044	(95)
Gross profit, net	4 ((22)	1,993,044	2,134,482
Operating expenses	4, 6(23)	(445, 404)	(472 (10)
Sales and marketing expenses		(445,484)	(473,619)
General and administrative expenses		(450,461)	(414,505)
Research and development expenses	((21)	(264,278)	(257,468)
Reversal of expected credit loss	6(21)	136,144	(1.145.500)
Total operating expenses		(1,024,079)	(1,145,592)
Operating income	5 (3 4)	968,965	988,890
Non-operating income and expenses	6(24)	40.020	27.115
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	1 6(9)	10.666	
equity method	4, 6(8)	19,666	(20.702)
Total non-operating income and expenses		(100,423)	(29,792)
Income before income tax	4 ((25)	868,542	959,098
Income tax expense	4, 6(25)	(189,068)	(212,553)
Net income of continuing operations		679,474	746,545
Net income	6(0.4)	679,474	746,545
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		33,400	24,130
comprehensive income that will not be			
reclassified subsequently		(11,098)	(4,102)
Items that may be reclassified subsequently to		(11,070)	(1,102)
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		(22,319)	1,673
Total comprehensive income		\$ 657,155	\$ 748,218
Net income (loss) attributable to:	4, 6(26)		
Shareholders of the parent		\$ 672,309	\$ 734,589
Non-controlling interests		7,165	11,956
		\$ 679,474	\$ 746,545

(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 Non-controlling interests		\$ 650,156 6,999 657,155	\$	736,316 11,902 748,218
Earnings per share (NT\$) Earnings per share - basic Earnings per share - diluted	4, 6(26)	\$ 3.22 3.18	\$ \$	3.55 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

	•	•		·	Retained Earnin	ngs	-	Othe	ers				
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchan Difference Translatio Foreig Operatio	nces on tion of ign tions	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Treasury Stocks	Total	Non- Controlling Interests	Total Equity
Balance as of January 1, 2017 Appropriation and distribution of 2016 earnings	\$ 2,083,252	\$ -	\$1,407,558	\$ 684,163	\$ 102,158	\$ 2,561,335	\$ (74	(74,673)	\$ -	\$ (98,744)	\$ 6,665,049	\$ 100,310	\$6,765,359
Legal capital reserve Cash dividends for common stocks Changes in other capital surplus				57,968		(57,968) (412,254)					(412,254)		(412,254)
Share-based payment	4,550	665	33,781							98,744	137,740		137,740
Net income for the year ended December 31, 2017 Other comprehensive income (loss) for the year						734,589					734,589	11,956	746,545
ended December 31, 2017						20,028	(18	(18,301)			1,727	(54)	1,673
Total comprehensive income		-	. <u> </u>			754,617	(15	(18,301)			736,316	11,902	748,218
Balance as of December 31, 2017	\$ 2,087,802	\$ 665	\$1,441,339	\$ 742,131	\$ 102,158	\$2,845,730	\$ (92	(92,974)	\$ -	\$ -	\$ 7,126,851	\$ 112,212	\$7,239,063
Balance as of January 1, 2018	\$ 2,087,802	\$ 665	\$1,441,339	\$ 742,131	\$ 102,158	\$2,845,730	\$ (92	(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 Appropriation and distribution of 2017 earnings	2,087,802	665	1,441,339	742,131	102,158	2,852,330	(92	(92,974)	(6,600)		7,126,851	112,212	7,239,063
Legal capital reserve Cash dividends for common stocks				73,459		(73,459) (522,799)					(522,799)	Į.	(522,799)
Changes in other capital surplus Changes in associates accounted for under the equity method Share-based payment	3,395	(665)	(1,553) 6,853								(1,553) 9,583		(1,553) 9,583
Reversal of special capital reserve					(26,612)	26,612					-		-
Net income for the year ended December 31, 2018 Other comprehensive income (loss) for the year ended December 31, 2018						672,309 44,390	(6	(66,543)			672,309 (22,153)	,	679,474 (22,319)
Total comprehensive income						716,699		(66,543)			650,156		657,155
Balance as of December 31, 2018	\$ 2,091,197	\$ -	\$1,446,639	\$ 815,590	\$ 75,546	\$2,999,383	\$ (159	59,517)	\$ (6,600)	\$ -	\$ 7,262,238	\$ 119,211	\$7,381,449
			(TTT)										

(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:		75,255		10,237	
Increase in financial assets mandatorily at fair value					
through profit or loss		(22,455)		(9,926)	
Decrease (increase) in notes receivable		809,759		(485,019)	
(Increase) decrease in accounts receivable		(792,315)		39,320	
Decrease (increase) in other receivables		2,428		(9,481)	
Decrease (increase) in inventories		82,720		(534,144)	
Decrease in prepayments		10,036		5,943	
Decrease in other current assets		1,393		542	
Increase in other non-current assets		(888)		(4,719)	
Decrease in contract liabilities		(199)		-	
Increase (decrease) in notes payable		65,448		(177,569)	
(Decrease) increase in accounts payable		(743,783)		283,256	
(Decrease) increase in other payables		(10,391)		97,262	
Increase (decrease) in other current liabilities		2,761		(10,122)	
Increase in net defined benefit liabilities		9,787		17,978	
Increase in other non-current liabilities		- -		209	
Cash generated from operations	-	480,274		636,768	
Interest received		19,366		18,607	
Interest paid		(50,153)		(64,929)	
Income tax paid		(175,367)		(166,045)	
Net cash generated by operating activities		274,120		424,401	
		,1_3		,	

(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 -				16.200	
current		(110,000)		16,388	
Increase in other non-current assets		(119,009)			
Net cash used in investing activities		(584,967)		(363,856)	
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		<u>-</u>		(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	-	277.442			
activities		277,442		(1,095,791)	
Effect of exchange rate changes on cash and cash equivalents		(38,285)		(12,686)	
•		(71,690)		(1,047,932)	
Net decrease in cash and cash equivalents Cash and cash equivalents at beginning of period		1,934,276		2,982,208	
	•	_	•	_	
Cash and cash equivalents at end of period	\$	1,862,586	\$	1,934,276	

(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	11000		
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		6,654,636	5,201,413
Non-current assets			
Financial assets at fair value through other comprehensive income - non-current	4, 6(6)	-	-
Financial assets carried at cost - non-current Investments accounted for under the equity	4, 6(7)	-	-
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		4,758,633	4,709,256

Total assets \$ 11,413,269 \$ 9,910,669

(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		3,589,858	2,304,309		
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		561,173	479,509		
Total liabilities		4,151,031	2,783,818		
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		3,890,519	3,690,019		
Others	4	(166,117)	(92,974)		
Treasury stocks	6(16)	-	-		
Total equity		7,262,238	7,126,851		
Total liabilities and equity		\$ 11,413,269	\$ 9,910,669		

(Concluded)

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		1,712,512		1,498,439
Unrealized sales profit or loss		(14,146)		_
Realized sales profit or loss		-		8,945
Gross profit, net		1,698,366		1,507,384
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		(686,911)		(735,146)
Operating income		1,011,455		772,238
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)	(235,459)		161,428
Total non-operating income and expenses		(140,266)		130,980
Income before income tax		871,189		903,218
Income tax expense	4, 6(23)	(198,880)		(168,629)
Net income of continuing operations		672,309		734,589
Net income		672,309		734,589
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		(05 051)		(22.050)
operations		(85,854)		(22,050)
Income tax related to components of other comprehensive income that may be reclassified	ı			
subsequently to profit or loss	6(23)	19,311		3,749
Total other comprehensive income, net of tax	0(23)	17,511		
Total comprehensive income	()	(22 153)		1 7777
Total comprehensive meonic		(22,153)	•	1,727
	, ,	\$ 650,156	\$	736,316
Earnings per share (NT\$)	4, 6(24)		\$	
Earnings per share (NT\$) Earnings per share - basic			\$	

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)

					(in Thousands of New Yarwan Bohars)										
						Retained Earni	ngs			Others	1017				
									hange		ed Gain/Loss				
		<i>a</i> .							ences on		icial Assets at				
		Capi			Legal	Special			lation of		alue through				
	Common	Collect		Capital	Capital	Capital	Unappropriated		reign		omprehensive				
	Stock	Adva	nce	Surplus	Reserve	Reserve	Earnings	Ope	rations	I	ncome	Treasury			l Equity
Balance as of January 1, 2017 Appropriation and distribution of 2016 earnings	\$ 2,083,252	\$	-	\$1,407,558	\$ 684,163	\$ 102,158	\$ 2,561,335	\$	(74,673)	\$	-	\$ (9	8,744)	\$	6,665,049
Legal capital reserve					57,968		(57,968)								
Cash dividends for common stocks					37,700		(412,254)								(412,254)
Changes in other capital surplus							(412,234)								(412,234)
Share-based payment	4,550		665	33,781								09	8.744		137,740
Share-based payment	4,550		003	33,781								20	5,744		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
0.1404 2.000.11042 21, 2017									(10,501)						1,727
Total comprehensive income							754,617		(18,301)						736,316
Balance as of December 31, 2017	\$ 2,087,802	\$	665	\$1,441,339	\$ 742,131	\$ 102,158	\$ 2,845,730	\$	(92,974)	\$	-	\$		\$	7,126,851
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	Ψ 2,007,002	Ψ	003	Ψ1,441,557	φ / 42,131	Ψ 102,130	6,600	Ψ	()2,)(4)	Ψ	(6,600)	Ψ		Ψ	
											, , , , ,				
Adjusted balance as of January 1, 2018	2,087,802		665	1,441,339	742,131	102,158	2,852,330		(92,974)		(6,600)				7,126,851
Appropriation and distribution of 2017 earnings					72 450		(72.450)								
Legal capital reserve Cash dividends for common stocks					73,459		(73,459)								(522,700)
							(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
Share-based payment	3,393		(003)	0,633											9,363
Reversal of special capital reserve						(26,612)	26,612								
Net income for the year ended December 31, 2018						(20,012)	672,309								672,309
Other comprehensive income (loss) for the year							072,309								072,309
ended December 31, 2018							44,390		(66,543)						(22,153)
chied Becomber 31, 2010							11,550	-	(00,515)			-			(22,133)
Total comprehensive income	-		-	-	-	-	716,699		(66,543)		-		-		650,156
-									· · · · · · · · · · · · · · · · · · ·						
Balance as of December 31, 2018	\$ 2,091,197	\$		\$1,446,639	\$ 815,590	\$ 75,546	\$ 2,999,383	\$	(159,517)	\$	(6,600)	\$	_	\$	7,262,238

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:		.0,020		(0,020)	
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	 (728,711)	 (584,745)
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	 808,602	(704,587)
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	\$ 1,065,055	\$ 1,230,607

(Concluded)

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

1 1 1 1	lon of Disposar of Assets		
Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Article 3	Scope of assets (1) Marketable securities: including investment in 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 (2) Real estate, plants and equipment (3) Membership certificates (4) Intangible assets: including patents, copyrights, trademarks and licenses (5) Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables) (6) Financial derivative instrument (7) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares (8) Other important assets	Scope of assets (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 (2) Real estate and equipment (3) Membership certificates (4) Intangible assets such as patents, copyrights, trademarks and licenses (5) Right-of-use assets (6) Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables) (7) Derivative instruments (8) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares (9) Other important assets	To comply with amendments made by the competent authority.
Article 4	Definition of terms (1) Financial derivative instrument: The term refers to contracts of forward, options, futures, leverage, or swaps with value derived from commodities such as assets, interest rates, foreign exchange rates, indexes or other interests, and hybrid contracts consisting of the above commodities. 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. (2) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares:	Definition of terms (1) Derivative instrument: The term refers to contracts of forward, options, futures, leverage, or swaps with value derived from 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. The aforementioned forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, and	amendments made by the competent

Articles	Before the amendment	After the amendment	The basis and reasons of the
	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 Paragraph 6 of Article 156 of the Company Act (hereinafter referred to as "transfer of shares"). (5) Professional appraiser: The term means real estate appraisers or others who are legally permitted to engage in real estate, plants and equipment appraisal business.	long-term purchase (sale) agreements. (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 Article 156-3 of the Company Act (hereinafter referred to as "transfer of shares"). (5) Professional appraiser: The term means real estate appraisers or others who are legally permitted to engage in real estate and equipment appraisal business.	amendment
Article 5	Investment limits of non-operating real estate and securities (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. (Omitted)	Investment limits of non-operating real estate and right-of-use assets thereof, and securities (1) The total amount of non-operating real estate and right-of-use assets thereof acquired individually by the Company and its subsidiaries shall not exceed 15 percent of the net worth. (Omitted)	To comply with amendments made by the competent authority.
Article 6	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 not be related parties to the trading parties.	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 meet the requirements in Article 5 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".	To comply with amendments made by the competent authority.

			The basis and
Articles	Before the amendment	After the amendment	reasons of the
			amendment
Article 7	Procedures for acquisition or disposal	_ = =	To comply
	of real estate, <u>plants and</u> equipment:	of real estate, equipment, or	with
	(1) Assessment and operation	<u>right-of-use assets thereof</u> :	amendments
	procedures	(1) Assessment and operation	made by the
	Acquisition or disposal of the	_	competent
	Company's real estate, plants and	Acquisition or disposal of the	authority.
	equipment shall be handled in	Company's real estate, equipment,	
	accordance with the real estate,	or right-of-use assets thereof shall	
	plants and equipment cycle	be handled in accordance with the	
	procedures under the Company's	real estate, equipment, or	
	internal control system.	right-of-use assets thereof cycle	
	(2) Determination of trading terms	procedures under the Company's	
	and authorization limit:	internal control system.	
	(ii) Againstian or disposal of	(2) Determination of trading terms and authorization limit:	
	(ii) Acquisition or disposal of		
	plants and equipment (iii) Regarding the Company's	(ii) Acquisition or disposal of	
	acquisition or disposal of assets which shall be passed		
	by the Board of Directors	acquisition or disposal of	
	according to the procedures	assets which shall be passed	
	stipulated herein or other		
	laws, if any director	according to the Procedures	
	expresses objections on the	or other laws, if any director	
	recorded or in writing, the		
	Company shall submit such		
	director's objection to each	Company shall submit such	
	audit committee member. In	director's objection to each	
	addition, when the Company	audit committee member. In	
	reports the transactions of		
	asset acquisition or disposal		
	to the Board of Directors	asset acquisition or disposal	
	pursuant to regulations, it	to the Board of Directors	
	shall fully consider each	pursuant to regulations, it	
	independent director's	shall fully consider each	
	opinions and include his/her	independent director's	
	comments and reasons for	opinions and include his/her	
	consent or objection in the	comments and reasons for	
	meeting minutes.	consent or objection in the	
		meeting minutes.	
	(3) Implementation departments		
	After approved by the	(3) Implementation departments	
	aforementioned approval authority,	After approved by the	
	the acquisition or disposal of the	aforementioned approval authority,	
	Company's real estate, plants and	the acquisition or disposal of the	
	equipment shall be implemented	Company's real estate and	
	by the user departments and the	equipment shall be implemented	

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

Articles	Before the amendment	After the amendment	The basis and reasons of the
	shall be implemented by the Finance <u>Division</u> . (4) Engagement in investments in China shall proceed in accordance with regulations by Investment Commission, Ministry of Economic Affairs.	shall be implemented by the Finance Department. (4) Engagement in investments in China shall proceed in accordance with regulations by Investment Commission, Ministry of Economic Affairs.	amendment
Article 9	Procedures for related party transaction (1) Regarding acquisition or disposal of assets between the Company and related parties, in addition to compliance with Article 7, "Procedures for acquisition or disposal of real estate, plants and equipment", the related resolution procedures and reasonableness assessment of the transaction, etc. shall be carried out in accordance with the following regulations. 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. Moreover, 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. (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 policy procedures or NT\$ 300,000,000, the following information shall be	Procedures for related party transaction (1) Regarding acquisition or disposal of assets between the Company and related parties, in addition to compliance with Article 7 of the Procedures for the related resolution procedures and reasonableness assessment of the transaction, etc., 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. (2) Assessment and operation procedures Where the Company acquires or disposes of real estate or right-of-use assets thereof 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	•

			The basis and
Articles	Before the amendment	After the amendment	reasons of the
THUES	Before the unionament	Titter the unenament	amendment
	passed by the Board of Directors	and acknowledged by the audit	
	and acknowledged by the audit	committee before signing the	
	committee before signing the	contract and making payments:	
	contract and making payments:	(i) Purpose, necessity and	
	(i) Purpose, necessity and	expected benefits of the	
	expected benefits of the	asset acquisition or disposal.	
	asset acquisition or disposal.	(ii) Reasons for choosing the	
	(ii) Reasons for choosing the	related party as trading	
	related party as trading	counterparty.	
	counterparty.	(iii) Information related to the	
	(iii) Information related to the	assessment of	
	assessment of	reasonableness of	
	reasonableness of	preliminary trading terms in	
	preliminary trading terms in	accordance with	
	accordance with	Subparagraphs 1 and 4 of	
	Subparagraphs 1 and 4 of	Paragraph 3 of this Article	
	Paragraph 3 of this Article	for real estate or right-of-use	
	for real estate acquisition	assets acquisition from	
	from related party.	related party.	
	(iv) Items such as the related	(iv) Items such as the related	
	party's original acquisition	party's original acquisition	
	date, price, trading	date, price, trading	
	counterparty and the	counterparty and the	
	counterparty's relations to	counterparty's relations to	
	the Company and the related	the Company and the related	
	party.	party.	
	(v) Monthly cash flow forecasts	(v) Monthly cash flow forecasts	
	of the coming year starting	of the coming year starting	
	from the estimated	from the estimated	
	contract-signing month and	contract-signing month and	
	the assessments on necessity	the assessments on necessity	
	of trading and	of trading and	
	reasonableness of fund	reasonableness of fund	
	utilization.	utilization.	
	(vi) Appraisal reports produced	(vi) Appraisal reports produced	
	by professional appraisers or	by professional appraisers or	
	CPAs' opinions which are	CPAs' opinions which are	
	obtained in accordance with	obtained in accordance with	
	the above paragraphs.	the above paragraphs.	
	(vii) Restrictions and other	(vii) Restrictions and other	
	important stipulations for the	important stipulations for the	
	trading.	trading.	
	(viii) The calculation of trading	The calculation of trading	
	amount shall be conducted	amount shall be conducted	
	in accordance with Article	in accordance with Article	
	14 herein. The term "within	14 herein. The term "within	
	one year" means one year	one year" means one year	

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

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Articles	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. B. Total loan value appraised by the	from a related party, the Company shall assess the reasonableness of trading cost in the following methods: 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	reasons of the amendment
	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.	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. B. Total loan value appraised by the financial institution if the related party has been granted a mortgage	
	But this shall not apply where the financial institution and one of the trading parties are related parties mutually. (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. (iii) To acquire real estate from a related party, the Company	loan on the subject matter from the financial institution, provided the accumulative loans from the financial institution exceed 70 percent of the total appraised loan value and the period of loan has been over one year. But this shall not apply where the financial institution and one of	

			701 1 · 1
Autialaa	Defense the consender and	A from the companders and	The basis and
Articles	Before the amendment	After the amendment	reasons of the
	actata in accordance with	moleted mentice may treally	amendment
	estate in accordance with Subparagraphs 1 and 2 of	related parties mutually. (ii) Where both land and	
	<u> </u>	buildings of the same subject	
	Paragraph 3 of this Article and contact CPAs to review	matter are purchased or	
		<u> </u>	
	1	<u>leased</u> , the Company may use one of the above	
	comments. (iv) Regarding the Company's	use one of the above methods to assess the trading	
	real estate acquisitions from	cost of land and buildings	
	related parties, if all values	separately.	
	assessed in accordance with	(iii) To acquire real estate or	
	Subparagraphs 1 and 2 of	right-of-use assets thereof	
	Paragraph 3 of this Article	from a related party, the	
	are lower than the trading	Company shall assess the	
	price, actions shall be taken	cost of real estate or	
	in accordance with	right-of-use assets thereof in	
	Subparagraphs 5 of	accordance with the	
	Paragraph 3 of this Article.	preceding two	
	The rule does not apply to	subparagraphs and contact	
	the following circumstances	CPAs to review and express	
	with objective evidences and	specific comments.	
	professional real estate	(iv) If all values assessed in	
	appraisers' and CPAs'	accordance with	
	concrete opinions on	Subparagraphs 1 and 2 of	
	reasonableness provided.	this Paragraph are lower	
	A. Where the related party	than the trading price,	
	acquired bare land or	actions shall be taken in	
	leased land for	accordance with	
	construction, the	Subparagraphs 5 of this	
	Company may submit	Paragraph. The rule does not	
	evidences of compliance	apply to the following	
	with one of the	circumstances with objective	
	following conditions:	evidences and professional	
	a. With the bare land	real estate appraisers' and	
	assessed in an	CPAs' concrete opinions on	
	aforementioned	reasonableness provided.	
	method and the	A. Where the related party	
	buildings assessed	acquired bare land or leased land for	
	on the basis of the related party's	construction, the	
	related party's construction cost	Company may submit	
	plus reasonable	evidences of compliance	
	construction profit,	with one of the	
	the total assessed	following conditions:	
	amount exceeds the	a. With the bare land	
	actual trading price.	assessed in an	
	The term	aforementioned	
	"reasonable	method and the	
<u> </u>			<u> </u>

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

Articles	Before the amendment	After the amendment	The basis and reasons of the
Anderes	Defore the amendment	And the amendment	amendment
	standard real estate	e evidence that the real	amendment
	leasing practices.	estate purchased or real	
	B. The Company provide	-	
	evidence that the rea	_	
	estate purchased from		
	•	1 .	
	related party has trading		
	terms equivalent to rea		
	estate transactions by	•	
	non-related partie	•	
	within one year of item		
	with similar land area	E	
	in the neighborhood		
	The said <u>case</u>		
	transacted "in the	\mathcal{E}	
	neighborhood" basically		
	refers to those in the	9	
	same or neighbored		
	street within 500 meter	3	
	from the subject matte	=	
	of trading or with	1	
	similar publicly		
	announced curren		
	values. The said "with		
	similar land areas	j	
	basically means the land		
	areas of cases transacted		
	by non-related parties i no less than 50% of the	-	
	subject matter o		
	trading. <u>The said</u> "within one year" mean	=	
		•	
	one year calculated retrospectively from the	•	
	transaction date, which	± •	
	is considered as the base		
	date.	or right-of-use assets	
	(v) Regarding the Company'	· · · · · · · · · · · · · · · · · · ·	
	real estate acquisitions from		
	related parties, if all of the		
	results assessed in		
	accordance with		
	Subparagraphs 1 and 2 o	=	
	Paragraph 3 of this Article	_	
	are lower than the trading	=	
	price, the following matter		
	shall be carried out:	Subparagraphs 1 and 2 of	
	A. In respect of the		
	A. III Tespect of the	uns ratagraph are lower	

		461	The basis and
Articles	Before the amendment	After the amendment	reasons of the
	1100		amendment
	difference between the	than the trading price, the	
	trading price and the	following matters shall be	
	assessed cost of the real	carried out:	
	estate, the Company	A. In respect of the	
	shall recognize a special	difference between the	
	reserve in accordance	trading price and the	
	with Paragraph 1 of	assessed cost of the real	
	Article 41 of the Act. It	estate <u>or right-of-use</u>	
	shall not be distributed	<u>assets</u> thereof, the	
	or used for capital	Company shall	
	increase and issuance of	recognize a special	
	bonus share. If an	reserve in accordance	
	investor, who accounts	with Paragraph 1 of	
	for its investment in	Article 41 of the Act. It	
	another company under	shall not be distributed	
	equity method, is a	or used for capital	
	publicly listed company,	increase and issuance of	
	the special reserve	bonus share. If an	
	pursuant to Paragraph 1	investor, who accounts	
	of Article 41 of the Act	for its investment in	
	shall be recognized in	another company under	
	proportion to the	equity method, is a	
	shareholding percentage	publicly listed company,	
	of the investor in the	the special reserve	
	investee company.	pursuant to Paragraph 1	
	B. Audit committee	of Article 41 of the Act	
	members shall comply	shall be recognized in	
	with Article 218 of the	proportion to the	
	Company Act.	shareholding percentage	
	C. Actions taken pursuant	of the investor in the	
	to Subparagraphs 1 and	investee company.	
	2 shall be reported to the	B. Audit committee	
	shareholders' meeting	members shall comply	
	and the trading details shall be disclosed in the	with Article 218 of the	
		Company Act. C. Actions taken pursuant	
	annual report and prospectus.	to the preceding two	
	The <u>publicly listed</u> company	Items shall be reported	
	which recognizes a special	to the shareholders'	
	reserve in accordance with	meeting and the trading	
	the <u>preceding paragraph</u> may	details shall be disclosed	
	use such reserve upon	in the annual report and	
	approvals from competent	prospectus.	
	securities authority and after	The <u>C</u> ompany which	
	assets purchased at a	recognizes a special reserve	
	premium had recognized	in accordance with the said	
	losses from decline of	provisions may use such	
<u> </u>	1035C5 HOIH UCCINC OI	provisions may use such	l

			The basis and
Articles	Before the amendment	After the amendment	reasons of the
Afficies	Defore the amendment	After the amendment	amendment
	market value; or been	reserve upon approvals from	amendment
	disposed of; compensated	competent securities	
	appropriately; or restored to	authority and after assets	
	original status, or there are	purchased or leased at a	
	other evidences indicating	premium had recognized	
	the transaction is not	losses from decline of	
	unreasonable.	market value; or been	
	(vi) Regarding the Company's	disposed of; or lease	
	acquisition of real estate	agreement terminated; or	
	from related parties, if any	been compensated	
	of the following exists,	appropriately, or restored to	
	actions shall be taken in	original status; or there are	
	accordance with the	other evidences indicating	
	provisions related to	the transaction is not	
	assessment and operation	unreasonable.	
	procedures in Paragraphs 1	(vi) Regarding the Company's	
	and 2 of this Article. The	acquisition of real estate or	
	provisions related to	right-of-use assets thereof	
	assessment of	from related parties, if any	
	reasonableness of trading	of the following exists,	
	cost in Subparagraphs 1, 2	assessment and operation	
	and 3 of Paragraph 3 of this	procedures shall be	
	Article are not applicable.	conducted in accordance	
	A. The related party	with the preceding	
	acquired real estate by	Paragraph. The provisions	
	inheritance or gift.	related to assessment of	
	B. It is more than five	reasonableness of trading	
	years from the time the	cost in Subparagraphs 1 to 3	
	related party signed the	of this Paragraph are not	
	acquisition contract of	applicable.	
	real estate to the date of	A. The related party	
	this trading.	acquired real estate or	
	C. The Company acquired	right-of use assets	
	real estate by signing a	thereof by inheritance or	
	joint construction	gift.	
	contract with the related	B. It is more than five	
	party.	years from the time the	
	(vii) Regarding the Company's	related party signed the	
	acquisition of real estate	acquisition contract of	
	from related parties, if there	real estate or right-of	
	are other evidences showing	use assets thereof to the	
	non-compliance of business	date of this trading.	
	practices, actions shall be	C. The Company acquired	
	taken in accordance with	real estate by signing a	
	Subparagraph 5 of Paragraph	joint construction	
	3 of this Article.	contract with the related	
		party.	

Autialaa	Defens the amondment	After the emendment	The basis and
Articles	Before the amendment	After the amendment	reasons of the amendment
		D. Agguigition of operating	amendment
		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.	
		(vii) Regarding the Company's	
		acquisition of real estate or	
		right-of use assets thereof	
		from related parties, if there	
		are other evidences showing	
		non-compliance of business	
		practices, actions shall be	
		taken in accordance with	
		Subparagraph 5 of this	
		Paragraph.	
Article 10	= =	Procedures for acquisition or disposal	To comply
	of <u>membership</u> certificates or		with
	intangible assets	assets thereof, or membership	amendments
	(1) Assessment and operation		made by the
	procedures	(1) Assessment and operation	competent
	The acquisition or disposal of the	procedures	authority.
	Company's membership	The acquisition or disposal of the	
	certificates or intangible assets	Company's intangible assets or	
	shall be conducted in accordance	right-of-use assets thereof, or	
	with the real estate, plants and equipment cycle procedures under	membership certificates shall be conducted in accordance with	
	the Company's internal control	relevant operation procedures of	
	system.	the Company.	
	(2) Determination of trading terms	= -	
	and authorization limit	and authorization limit	
	(i) Regarding the acquisition or	(i) Regarding the acquisition or	
	disposal of membership	disposal of intangible assets	
	certificates or intangible	or right-of-use assets	
	assets, the Company shall	thereof, or membership	
	refer to the fair value of the	certificates, the Company	
	market in determining the	shall refer to the fair value of	
	trading terms and trading	the market in determining	
	price and submit an analysis	the trading terms and trading	
	report to the Chairperson.	price and submit an analysis	
	Amounts below 1 percent of	_ · · · · · · · · · · · · · · · · · · ·	
	the paid-in capital or NT\$		

l			The basis and
Articles	Before the amendment	After the amendment	reasons of the
			amendment
	3,000,000 shall be submitted	the paid-in capital or NT\$	
	to the Chairperson for	3,000,000 shall be submitted	
	approval. Amounts exceed	to the Chairperson for	
	NT\$ 3,000,000 must be	approval. Amounts exceed	
	passed by the Board of	NT\$ 3,000,000 must be	
	Directors.	passed by the Board of	
	(ii) The Company's acquisition	Directors.	
	or disposal of membership	(ii) The Company's acquisition	
	certificates or intangible	or disposal of <u>intangible</u>	
	assets shall be approved by	assets or right-of-use assets	
	the majority of all audit	thereof, or membership	
	committee members and	<u>certificates</u> shall be approved	
	submitted to the Board of	by the majority of all audit	
	Directors for resolutions.	committee members and	
	The transaction may be undertaken	submitted to the Board of	
	upon the consent of two-thirds of	Directors for resolutions.	
	the total number of directors if the	The transaction may be undertaken	
	majority of audit committee	upon the consent of two-thirds of	
	members does not approve. In	the total number of directors if the	
	such a case, the resolutions of the	majority of audit committee	
	audit committee shall be recorded	members does not approve. In	
	in the minutes of the Board of	such a case, the resolutions of the	
	Directors' meeting.	audit committee shall be recorded	
	(3) Implementation departments	in the minutes of the Board of	
	After approval from the approving	Directors' meeting.	
	authority pursuant to the above	(3) Implementation departments	
	paragraphs, the Company's	After approval from the approving	
	acquisition or disposal of	authority pursuant to the above	
	membership certificates or	paragraphs, the Company's	
	intangible assets shall be	acquisition or disposal of	
	implemented by the user	intangible assets or right-of-use assets thereof, or membership	
	departments and the finance	_	
	department or the management	certificates shall be implemented	
	department. (4) Expert assessment reports for	by the user departments and the finance department or the	
	(4) Expert assessment reports for membership certificates or	management department.	
	membership certificates or intangible assets	(4) Expert assessment reports for	
	(i) Where the trading amount of	intangible assets or right-of-use	
	the Company's acquisition or	assets thereof, or membership	
	disposal of membership	certificates	
	certificates exceeds 1	(i) Where the trading amount of	
	percent of the paid-in capital	the Company's acquisition or	
	or NT\$ 3,000,000, the	disposal of membership	
	Company shall ask an expert	certificates exceeds 1	
	to produce an appraisal	percent of the paid-in capital	
	report.	or NT\$ 3,000,000, the	
	(ii) Where the trading amount of	Company shall ask an expert	
i	· , ,	,	

			The basis and
Articles	Before the amendment	After the amendment	reasons of the
Tittletes	Before the amendment	Titter the differential	
	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. (iii) Where the trading amount of the Company's acquisition or disposal of membership certificates 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.	to produce an appraisal report. (ii) Where the trading amount of the Company's acquisition or disposal of intangible assets or right-of-use assets thereof exceeds 10 percent of the paid-in capital or NT\$ 20,000,000, the Company shall ask an expert to produce an appraisal report. (iii) Where the trading amount of the Company's acquisition or disposal of intangible assets or right-of-use assets thereof, or membership certificates 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.	amendment
Article 12	Procedures for <u>acquisition or disposal</u> of <u>financial</u> derivative instruments	Procedures for derivative instruments transactions	To make organizational
	(1) Trading principles and guidelines	(1) Trading principles and guidelines	name change
	(i) Types of trading	(i) Types of trading	and comply
	A. The <u>financial</u> derivative	A. The derivative	with
	instruments in which the	instruments in which the	amendments
	Company engages refer	Company engages refer	-
	to trading contracts	to trading contracts	competent
	where the value is	where the value is	authority.
	derived from commodities such as	derived from commodities such as	
	commodities such as assets, interest rates,	commodities such as assets, interest rates,	
	foreign exchange rates,	foreign exchange rates,	
	indexes or other	indexes or other	
	interests (for instance,	interests (for instance,	
	forward, option, futures,	forward, option, futures,	

Articles	I	Before the amendment		After the amendment	The basis and reasons of the
					amendment
		interest rates, foreign		interest rates, foreign	
		exchange rates and swap		exchange rates and swap	
		contracts and hybrid		contracts and hybrid	
		contracts consisting of		contracts consisting of	
		the above commodities)		the above commodities)	
		B. Regarding bond margin		B. Regarding bond margin	
		trading, the provisions		trading, the provisions	
		hereof shall also apply		hereof shall also apply	
		mutatis mutandis. The		mutatis mutandis. The	
		provisions hereof may		provisions hereof may	
		not apply to engagement		not apply to engagement	
		in bond repurchase		in bond repurchase	
		trading.		trading.	
	(ii)	Operating (hedging)	(ii)	Operating (hedging)	
		strategies (neaging)	(/	strategies	
		The trading of <u>financial</u>		The trading of derivative	
		derivative instruments		instruments engaged by the	
		engaged by the Company		Company shall be for	
		shall be for hedging		hedging purposes. The	
		purposes. The Company		Company shall mainly	
		shall mainly choose to use		choose to use trading	
		trading commodities which		commodities which hedge	
		hedge risks arising from its		risks arising from its	
		operations. The foreign		operations. The foreign	
		currencies held must be		currencies held must be	
		consistent with the demand		consistent with the demand	
		of foreign currencies		of foreign currencies	
		resulting from the import		resulting from the import	
		and export transactions of		and export transactions of	
		the Company. It is mainly		the Company. It is mainly	
		for squaring off the		for squaring off the	
		Company's overall internal		Company's overall internal	
		positions (refers to the		positions (refers to the	
		inflows and outflows of		inflows and outflows of	
		foreign currency) so as to		foreign currency) so as to	
		reduce the Company's		reduce the Company's	
		overall foreign exchange		overall foreign exchange	
		risks and the cost of		risks and the cost of	
		exchange trading. Other		exchange trading. Other	
		trading for specific purposes		trading for specific purposes	
		must be subject to thorough		must be subject to thorough	
		evaluation and shall be		evaluation and shall be	
		approved by the Board of		approved by the Board of	
		Directors before		Directors before	
		implementation.		implementation.	
	(iii)	Division of responsibilities	(iii)	Division of responsibilities	
	\ \ \	A. Finance department	` '	A. Finance department	

Articles	Before the amendment	After the amendment	The basis and reasons of the
			amendment
	a. Trading staff	a. Trading staff	
	i. Responsible for	i. Responsible for	
	establishing the	establishing the	
	Company's	Company's	
	trading strategies	trading strategies	
	of <u>financial</u>	of derivative	
	derivative	instrument.	
	instrument.	ii. Every two	
	ii. Every two	weeks, the	
	weeks, the	trading staff	
	trading staff	shall calculate	
	shall calculate	exposures,	
	exposures,	collect market	
	collect market	information,	
	information,	conduct trend	
	conduct trend	analysis and risk	
	analysis and risk	assessment and	
	assessment and	establish trading	
	establish trading	strategies which	
	strategies which	will be the basis	
	will be the basis	for trading after	
	for trading after	being approved	
	being approved	by the approval	
	by the approval	authority.	
	authority.	iii. Execute	
	iii. Execute	transactions as	
	transactions as	per authorization	
	per authorization	limit and the	
	limit and the	established	
	established	strategies.	
	strategies.	iv. When there are	
	iv. When there are	significant	
	significant	changes in the	
	changes in the	financial markets	
	financial markets	and the trading	
	and the trading	staffs deem the	
	staffs deem the	established	
	established	strategies	
	strategies	inapplicable,	
	inapplicable,	they can submit	
	they can submit	an evaluation	
	an evaluation	report at any	
	report at any	time and	
	time and	reformulate	
	reformulate	strategies. After	
	strategies. After	approval of the	
	approval of the	General	

Articles	Before the amendment	After the amendment	The basis and reasons of the
			amendment
	General	Manager, it will	
	Manager, it will	be the basis for	
	be the basis for	trading.	
	trading.	b. Accounting staff	
	b. Accounting staff	i. Confirmation of	
	i. Confirmation of	transaction	
	transaction	execution.	
	execution.	ii. Review whether	
	ii. Review whether	trading is	
	trading is	conducted as per	
	conducted as per	authorization	
	authorization	limit and the	
	limit and the	established	
	established	strategies.	
	strategies.	iii. Conduct	
	iii. Conduct	evaluation	
	evaluation	monthly and	
	monthly and	present the	
	present the	evaluation report	
	evaluation report	to the General	
	to the General	Manager.	
	Manager.	iv. Accounting	
	iv. Accounting	bookkeeping.	
	bookkeeping.	v. Make filing and	
	v. Make filing and	public	
	public	announcements	
	announcements	in accordance	
	in accordance	with regulations	
	with regulations	of the competent	
	of the competent	securities	
	securities	authority.	
	authority.	c. Settlement staff:	
	c. Settlement staff:	Implement	
	Implement	settlement tasks.	
	settlement tasks.	d. Approval authority	
	d. Approval authority	of derivative	
	of <u>financial</u>	instruments:	
	derivative	i. Hedge trading -	
	instruments:	approval	
	i. Hedge trading -	authority of	
	approval	preorder/presale	
	authority of	forward	
	preorder/presale	exchange rates	
	forward	contracts	
	exchange rates		
	contracts	B. Audit department	
		Audit Department is	
		Audit Department 18	<u> </u>

Articles	Before the amendment	After the amendment	The basis and reasons of the
	Before the unionament	There are amendment	amendment
	B. Audit department	responsible for	annonament
	Audit Department is	understanding the	
	responsible for	adequacy of internal	
	understanding the	control over trading of	
	adequacy of internal	derivative instruments	
	control over trading of	and auditing the trading	
	financial derivative	department's compliance	
	instruments and auditing		
	<u> </u>	with operation procedures. It should	
	the trading department's	<u>*</u>	
	compliance with	analyze the trading	
	operation procedures. It	cycle in order to prepare	
	should analyze the	audit reports and report	
	trading cycle in order to	to the audit committee	
	prepare audit reports	and the Board of	
	and report to the audit	Directors when	
	committee and the Board of Directors when	significant negligence	
		occurs. C. Performance evaluation	
	significant negligence		
	occurs. C. Performance evaluation	a. Hedge trading	
		i. The profit/loss	
	a. Hedge trading	arising from the	
	i. The profit/loss	difference	
	arising from the	between the cost	
	difference	of exchange rate	
	between the cost	and the trading of derivative	
	of exchange rate		
	and the trading	instruments is	
	of <u>financial</u>	used as a basis	
	derivative	for performance	
	instruments is	evaluation.	
	used as a basis	ii. To fully control	
	for performance	and express the	
	evaluation.	evaluation risk	
	ii. To fully control	of trading, the	
	and express the	Company adopts	
	evaluation risk	the monthly	
	of trading, the	evaluation	
	Company adopts	method to	
	the monthly	evaluate	
	evaluation	profit/loss.	
	method to	iii. The Finance	
	evaluate	Department shall	
	profit/loss.	provide	
	iii. The Finance	evaluation of	
	Department shall	foreign exchange	
	provide	position and	
	evaluation of	foreign exchange	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	foreign exchange	market trends	
	position and	together with	
	foreign exchange	market analysis	
	market trends	to the General	
	together with	Manager as	
	market analysis	reference and	
	to the General	guidance for	
	Manager as	management.	
	reference and	b. Trading for specific	
	guidance for	purposes	
	management.	The actual profit/loss	
	b. Trading for specific	incurred is used as a	
	purposes	basis for	
	The actual profit/loss	performance	
	incurred is used as a	evaluation, and the	
	basis for	accounting staff shall	
	performance	prepare position	
	evaluation, and the	reports regularly as a	
	accounting staff shall	reference for	
	prepare position	management.	
	reports regularly as a	D. Total contract amount	
	reference for	and the upper limit for	
	management.	loss	
	D. Total contract amount	a. Total contract	
	and the upper limit for	amount	
	loss	i. Hedge trading	
	a. Total contract	The Finance	
	amount	<u>Department</u> shall	
	i. Hedge trading	understand the	
	The Finance	Company's	
	<u>Division</u> shall	overall positions	
	understand the	when hedging	
	Company's	for trading risks.	
	overall positions	The amount of	
	when hedging	hedge trading is	
	for trading risks.	capped at	
	The amount of	two-thirds of the	
	hedge trading is	Company's net	
	capped at	positions of	
	two-thirds of the	foreign currency	
	Company's net	assets (such as	
	positions of	accounts	
	foreign currency	receivable and	
	assets (such as	bank deposits)	
	accounts	less liabilities as	
	receivable and	of the end of	
	bank deposits)	previous month.	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
	less liabilities as	ii. Trading for	amenament
	of the end of	specific purposes	
	previous month.	The Finance	
	1		
	ii. Trading for	<u>Department</u> shall formulate	
	specific purposes		
	The Finance	strategies based	
	<u>Division</u> shall	on the market	
	formulate	forecasts and the	
	strategies based	strategies can	
	on the market	only be carried	
	forecasts and the	out upon	
	strategies can	approvals from	
	only be carried	the General	
	out upon	Manager and the	
	approvals from	Chairperson. The	
	the General	total contract	
	Manager and the	amount of the	
	Chairperson. The	Company's	
	total contract	trading for	
	amount of the	specific purposes	
	Company's	is capped at US\$	
	trading for	10,000,000.	
	specific purposes	b. Upper limit for loss	
	is capped at US\$	i. Loss is capped at	
	10,000,000.	10 percent of the	
	b. Upper limit for loss	overall trading	
	i. Loss is capped at	amount.	
	10 percent of the	ii. The loss of	
	overall trading	individual	
	amount.	contract is	
	ii. The loss of	capped at 10	
	individual	percent of the	
	contract is	contract.	
	capped at 10	iii. If it is a contract	
	percent of the	of specific	
	contract.	purposes, the	
	iii. If it is a contract	loss of individual	
	of specific	contract is	
	purposes, the	capped at US\$	
	loss of individual	50,000 or 10	
	contract is	percent of the	
	capped at US\$	trading amount,	
	50,000 or 10	whichever is	
	percent of the	lower.	
	trading amount,	iv. The Company's	
	whichever is	annual loss on	
	lower.	trading for	

Articles	ī	Before the amendment	After the amendment	The basis and reasons of the
Afficies	1	Defore the amendment	After the amendment	amendment
		iv. The Company's	specific purposes	umenament
		annual loss on	is capped at US\$	
		trading for	300,000.	
		specific purposes	(2) Risk management measures	
		is capped at US\$	(i) Credit risk management:	
		300,000.	A. As market fluctuates by	
	(2) Risk	management measures	various factors, trading	
	(i)	Credit risk management:	of derivative	
		A. As market fluctuates by	instruments is easily	
		various factors, trading	exposed to risks.	
		of financial derivative	Therefore, market risk	
		instruments is easily	management shall be	
		exposed to risks.	conducted in accordance	
		Therefore, market risk	with the following	
		management shall be	principles:	
		conducted in accordance	B. Trading counterparty:	
		with the following	Mainly the well-known	
		principles:	domestic and foreign	
		B. Trading counterparty:	financial institutions.	
		Mainly the well-known	C. Trading commodity:	
		domestic and foreign	Commodities provided	
		financial institutions.	by well-known domestic	
		C. Trading commodity:	and foreign financial	
		Commodities provided	institutions only.	
		by well-known domestic	D. Trading amount: The	
		and foreign financial	outstanding amount of	
		institutions only.	the same trading	
		D. Trading amount: The	counterparty shall not	
		outstanding amount of	exceed 10 percent of the	
		the same trading	total amount authorized	
		counterparty shall not	unless approved by the	
		exceed 10 percent of the total amount authorized	General Manager.	
		unless approved by the	(ii) Market risk management: Transactions are conducted	
		General Manager.	mainly in public foreign	
	(ii)	Market risk management:	exchange markets provided	
	(11)	Transactions are conducted	by banks; futures markets	
		mainly in public foreign	are not taken into	
		exchange markets provided	consideration for now.	
		by banks; futures markets	(iii) Liquidity risk management:	
		are not taken into	To ensure market liquidity,	
		consideration for now.	derivative instruments with	
	(iii)	Liquidity risk management:	higher liquidity (i.e., readily	
		To ensure market liquidity,	available on market for	
		<u>financial</u> derivative	trading) are chosen in	
		instruments with higher	principle. The financial	
		liquidity (i.e., readily	institutions entrusted with	

Articles	Before the amendment	After the amendment	The basis and reasons of the amendment
Articles	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. (iv) Cash flow risk management To ensure the stability of working capital, the trading of financial 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. (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 financial 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	trading must have sufficient information and the ability to readily conduct trading at any market. (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. (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	amendment
	Directors or to top executives who do not assume the	trading or position. D. Positions held in the trading of derivative	

			The basis and
Articles	Before the amendment	After the amendment	reasons of the
			amendment
	decision-making	instruments shall be	
	responsibilities for	assessed at least once a	
	trading or position.	week. However, the	
	D. Positions held in the	hedge trading required	
	trading of <u>financial</u>	in business shall be	
	derivative instruments	assessed at least twice a	
	shall be assessed at least	month. The assessment	
	once a week. However,	report shall be presented	
	the hedge trading	to the top executives	
	required in business	authorized by the Board	
	shall be assessed at least	of Directors.	
	twice a month. The	(vi) Commodity risk	
	assessment report shall	management	
	be presented to the top	The internal staff shall have	
	executives authorized	complete and correct	
	by the Board of	professional knowledge in	
	Directors.	derivative instruments and	
	(vi) Commodity risk	demand banks to fully	
	management	disclose risks involved to	
	The internal staff shall have	avoid the risk of misusing	
	complete and correct	the instruments.	
	professional knowledge in	(vii) Legal risk management	
	<u>financial</u> derivative	Documents to be signed with	
	instruments and demand	financial institutions shall be	
	banks to fully disclose risks	reviewed by specialists in	
	involved to avoid the risk of	foreign exchange and legal	
	misusing the instruments.	affairs or legal consultancy	
	(vii) Legal risk management:	before they are officially	
	Documents to be signed with	signed so as to avoid legal	
	financial institutions shall be	risks.	
	reviewed by specialists in	•	
	foreign exchange and legal	(i) The internal auditors shall	
	affairs or legal consultancy	regularly review the	
	before they are officially	adequacy of internal control	
	signed so as to avoid legal	on the trading of derivative	
	risks.	instruments. They shall	
	(3) Internal audit system	monthly audit the trading	
	(i) The internal auditors shall	department's compliance	
	regularly review the	with relevant procedures and	
	adequacy of internal control	analyze the trading cycle to	
	on the trading of <u>financial</u>	prepare audit reports. If	
	derivative instruments. They	significant violation is	
	shall monthly audit the	found, they shall notify the	
	trading department's	audit committee in writing.	
	compliance with relevant	(ii) The internal auditors shall,	
	procedures and analyze the	by the end of February of	
	trading cycle to prepare	next year, declare the audit	

		T	The besis and
Autialas	Defens the amondment	A from the common durant	The basis and
Articles	Before the amendment	After the amendment	reasons of the
	1.4		amendment
	audit reports. If significant		
	violation is found, they shall		
	notify the audit committee in	to the Securities and Futures	
	writing.	Institute. Improvements on	
	(ii) The internal auditors shall,	abnormal items shall be filed	
	by the end of February of	1	
	next year, declare the audit	<u> </u>	
	reports together with the annual internal audit results	(4) Methods for regular assessment (i) The Board of Directors shall	
	to the Securities and Futures	. ,	
		authorize top executives to regularly supervise and	
	Institute. Improvements on abnormal items shall be filed		
	to the same institute by the	trading complies with the	
	end of May the latest. (4) Methods for regular assessment	trading procedures stipulated by the Company and	
	(i) The Board of Directors shall		
	authorize top executives to		
	regularly supervise and	-	
	assess whether derivatives	price indicates an abnormal	
	trading complies with the	situation (such as when the	
	trading procedures stipulated	· ·	
	by the Company and	upper limit for loss), it shall	
	whether the risks undertaken	be reported to the Board of	
	are acceptable. When the	Directors immediately and	
	assessment report on market	-	
	price indicates an abnormal		
	situation (such as when the	(ii) Positions held in the trading	
	positions held exceed the	of derivative instruments	
	upper limit for loss), it shall	shall be assessed at least	
	be reported to the Board of	once a week. The hedge	
	Directors immediately and	trading required in business	
	countermeasures shall be	shall be assessed at least	
	taken.	twice a month. The	
	(ii) Positions held in the trading	assessment report shall be	
	of <u>financial</u> derivative	presented to the top	
	instruments shall be assessed	1	
	at least once a week. The	Board of Directors.	
	hedge trading required in	1	
	business shall be assessed at	principles of the Board of	
	least twice a month. The	Directors when engaging in the	
	assessment report shall be	trading of derivative instruments	
	presented to the top	(i) The Board of Directors shall	
	executives authorized by the	designate top executives to	
	Board of Directors.	constantly monitor the	
	(5) Supervision and management		
	principles of the Board of		
<u> </u>	Directors when engaging in the	instruments trading. The	

					The basis and
Articles	F	Before the amendment		After the amendment	reasons of the
riticies	_	serore the unionament		The inclination	amendment
	tradir	ng of <u>financial</u> derivative		management principles are	
		iments		as follows:	
	(i)	The Board of Directors shall		A. Regularly assess	
	()	designate top executives to		whether the risk	
		constantly monitor the		management measures	
		supervision and control of		currently in use are	
		risks of financial derivative		adequate and proceeded	
		instruments trading. The		in accordance with the	
		management principles are		"Regulations Governing	
		as follows:		the Acquisition and	
		A. Regularly assess		Disposal of Assets by	
		whether the risk		Public Companies" and	
		management measures		the Procedures.	
		currently in use are		B. Monitor trading and	
		adequate and proceeded		profit/loss. When an	
		in accordance with the		abnormal event is	
		procedures for trading		identified,	
		of financial derivative		countermeasures shall	
		instruments stipulated		be taken and the Board	
		by the Company.		of Directors shall be	
		B. Monitor trading and		notified immediately. If	
		profit/loss. When an		the Company has	
		abnormal event is		independent directors,	
		identified,		they shall attend the	
		countermeasures shall		Board of Directors'	
		be taken and the Board		meeting and express	
		of Directors shall be	(**)	opinions.	
		notified immediately. If	(ii)	Regularly assess whether the	
		the Company has		performance of derivative	
		independent directors, they shall attend the		instruments trading meets	
		Board of Directors'		the established management strategies and whether the	
		meeting and express		1 1 1	
		opinions.		risks undertaken are acceptable.	
	(ii)	Regularly assess whether the	(iii)	When the Company engages	
	(11)	performance of financial	(111)	in the trading of derivative	
		derivative instruments		instruments, matters	
		trading meets the established		delegated to related staff	
		management strategies and		according to relevant	
		whether the risks undertaken		procedures shall be reported	
		are acceptable.		afterwards to the Board of	
	(iii)	When the Company engages		Directors.	
	` '	in the trading of <u>financial</u>	(iv)	When engaged in the trading	
		derivative instruments,		of derivative instruments,	
		matters delegated to related		the Company shall establish	
		staff according to relevant		a memorandum book to	
		procedures shall be reported		record details on transaction	

Articles Before the amendment After the amendment afterwards to the Board of Directors. (iv) When engaged in the trading of financial derivative instruments, the Company After the amendment type and amount, resolution date of the Board Directors and matters which shall be carefully assessed according to Subparagraph	of h
Directors. (iv) When engaged in the trading of <u>financial</u> derivative date of the Board of Directors and matters which shall be carefully assessed.	n f h
Directors. (iv) When engaged in the trading of <u>financial</u> derivative date of the Board of Directors and matters which shall be carefully assessed.	of h
(iv) When engaged in the trading of <u>financial</u> derivative Directors and matters which shall be carefully assessed	h
of <u>financial</u> derivative shall be carefully assessed	
l	d
instruments the Company according to Subparagraph	
	2
shall establish a of Paragraph 4 ar	
memorandum book to record Subparagraphs 1 and 2	of
details on transaction type Paragraph 5 of this Article.	
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.	
Article 14 Procedures for public disclosure of Procedures for public disclosure	of To comply
information information	with
(1) Items to be announced and (1) Items to be announced ar	
declared and the standards for declared and the standards for	
announcement and declaration announcement and declaration	competent
(i) Acquisition or disposal of (i) Acquisition or disposal	-
real estate from or to a real estate or right-of-us	•
related party or non-real <u>assets thereof</u> from or to	
estate assets from or to a related party or non-re	ા
related party with trading estate assets or right-of-us	<u>e</u>
amount exceeds 20 percent <u>assets thereof</u> from or to	a
of the Company's paid-in related party with tradir	g
capital, 10 percent of the amount exceeds 20 perce	
Company's total assets or of the Company's paid-	
NT\$ 300,000,000. This does capital, 10 percent of the	
not apply to the purchase or Company's total assets	
sale of government bonds or NT\$ 300,000,000. This do	
bonds with repurchase or not apply to the purchase	
resale agreements. sale of <u>domestic</u> governme	
(ii) Engagement in a merger, bonds or bonds wi	
spin off, acquisition or repurchase or resa transfer of shares. agreements.	
(iii) Engagement in the trading of (ii) Engagement in a merge	r.
financial derivative spin off, acquisition	
instruments with losses transfer of shares.	-
exceeding the upper limit for (iii) Engagement in the trading	$ \mathbf{f} $
aggregate or individual derivative instruments wi	
contracts as stipulated in the losses exceeding the upp	
	or
	S

			The basis and
Articles	Before the amendment	After the amendment	reasons of the
	Before the unionament		amendment
	preceding subparagraphs,	stipulated in the <u>Procedures</u> .	
	any trading of assets,	(iv) Other than the three	
	disposals of financial	preceding subparagraphs,	
	institutions' claims or	any trading of assets,	
	engagement in investment in	disposals of financial	
	China with trading amount	institutions' claims or	
	exceeding 20 percent of the	engagement in investment in	
	Company's paid-in capital or	China with trading amount	
	NT\$ 300,000,000. The	exceeding 20 percent of the	
	following situations are	Company's paid-in capital or	
	exceptions:	NT\$ 300,000,000. The	
	A. Purchase or sale of	following situations are	
	government bonds.	exceptions:	
	B. If the Company	A. Purchase or sale of	
	specializes in	domestic government	
	investment, the purchase	bonds.	
	or sale of marketable	B. If the Company	
	securities in domestic or	specializes in	
	<u>overseas</u> securities	investment, the purchase	
	exchanges or OTC	or sale of marketable	
	markets.	securities in securities	
	C. Purchase or sale of	exchanges or OTC	
	bonds with repurchase	markets.	
	or resale agreements.	C. Purchase or sale of	
	D. Acquisition or disposal	bonds with repurchase	
	of assets classified as	or resale agreements.	
	operating <u>machines and</u>	D. Acquisition or disposal	
	equipment from or to a	of operating equipment	
	non-related party with	or right-of-use assets	
	trading amount less than	thereof from or to a	
	NT\$ 500,000,000.	non-related party with	
	E. For companies in the	trading amount less than	
	construction business,	NT\$ 500,000,000.	
	the real estate acquired	E. For companies in the	
	or disposed of for	construction business,	
	construction use from or	the real estate <u>or</u>	
	to a non-related party	<u>right-of-use</u> <u>assets</u> <u>thereof</u> acquired or	
	with trading amount less than NT\$ 500,000,000.	<u>thereof</u> acquired or disposed of for	
	F Real estate acquired by	construction use from or	
	means of contracting	to a non-related party	
	others to construct on	with trading amount less	
	the Company's own	than NT\$ 500,000,000.	
	land, contracting others	F. Real estate acquired by	
	to construct on rented	means of contracting	
	land, distributing	others to construct on	
	housing units in a joint	the Company's own	
]	nousing units in a joint	the Company's Own	

			The basis and
A mti al a a	Defens the amondment	A ft on the compand or ant	
Articles	Before the amendment	After the amendment	reasons of the
		land southeating others	amendment
	construction project,	land, contracting others	
	distributing profit in a	to construct on rented	
	joint construction	land, distributing housing units in a joint	
	project or selling of	· ·	
	housing units separately in a joint construction	construction project,	
	project with expected	distributing profit in a joint construction	
	investment less than	project or selling of	
	NT\$ 500,000,000.	2 3	
		housing units separately	
	(v) The trading amount in the preceding Subparagraph 4	in a joint construction	
	shall be calculated <u>in</u> the	project <u>from non-related</u> <u>parties</u> with expected	
	following methods. In	investment less than	
	addition, the said "within	NT\$ 500,000,000.	
	one year" means one year	(v) The trading amount in the	
	calculated retrospectively	preceding Subparagraph	
	from the trading date, which	shall be calculated by the	
	is considered as the base	following methods (The said	
	date. The part which has	"within one year" means one	
	been publicly announced in	year calculated	
	accordance with	retrospectively from the	
	requirements shall not be	trading date, which is	
	included.	considered as the base date.	
	A. Every transaction	The part which has been	
	amount.	publicly announced in	
	B. The accumulative	accordance with	
	amount of acquisition or	requirements shall not be	
	disposal of subject	included):	
	matters of the same	A. Every transaction	
	category from the same	amount.	
	counterparty within one	B. The accumulative	
	year.	amount of acquisition or	
	C. The accumulative	disposal of subject	
	amount of acquisition or	matters of the same	
	disposal of real estate of	category from the same	
	the same development	counterparty within one	
	project within one year	year.	
	(the acquisition and	C. The accumulative	
	disposal amounts shall	amount of acquisition or	
	be accumulated	disposal of real estate or	
	separately).	<u>right-of-assets thereof</u> of	
	D. The accumulative	the same development	
	amount of acquisition or	project within one year	
	disposal of the same	(the acquisition and	
	securities within one	disposal amounts shall	
	year (the acquisition and	be accumulated	
<u> </u>	disposal amounts shall	separately).	

			The basis and
Articles	Before the amendment	After the amendment	reasons of the
Titleles	Before the amendment	After the amendment	amendment
	be accumulated	D. The accumulative	unichament
	separately).	amount of acquisition or	
	(2) Deadline for public announcement	disposal of the same	
	and declaration	securities within one	
	If the Company's acquisition or	year (the acquisition and	
	disposal of assets meets criteria in	disposal amounts shall	
	Paragraph 1 of this article, "Items	be accumulated	
	to be announced and declared",	separately).	
	and the trading amount meets the	(2) Deadline for public announcement	
	criteria for public announcement	and declaration	
	and declaration, the Company	If the Company's acquisition or	
	shall announce and declare it	disposal of assets meets criteria in	
	within two days from the date of	Paragraph 1 of this article, "Items	
	the occurrence (the date of	to be announced and declared",	
	occurrence being the first day).	and the trading amount meets the	
	(3) Procedures for public	criteria for public announcement	
	announcement and declaration	and declaration, the Company	
	(i) The Company shall	shall announce and declare it	
	announce and declare related	within two days from the date of	
	information on the website	the occurrence (the date of	
	designated by the competent	occurrence being the first day).	
	securities authority.	(3) Procedures for public	
	(ii) The Company shall update	announcement and declaration	
	the status of derivative	(i) The Company shall	
	trading of the Company and	announce and declare related	
	its non-domestic subsidiaries	information on the website	
	as of the end of previous	designated by the competent	
	month in the prescribed	securities authority.	
	format at the information declaration website	(ii) The Company shall update the status of derivative	
	designated by the competent	trading of the Company and	
	securities authority by the	its non-domestic, publicly	
	tenth of each month.	listed subsidiaries as of the	
	(iii) If the Company has to	end of previous month in the	
	amend errors or omissions in	prescribed format at the	
	items announced, the	information declaration	
	Company shall announce	website designated by the	
	and declare all items again.	competent securities	
	(iv) Regarding the Company's	authority by the tenth of	
	acquisition or disposal of		
	assets, the Company shall	(iii) If the Company has to	
	keep related contracts,	amend errors or omissions in	
	minutes, memorandum	items announced, the	
	books, appraisal reports and	Company shall announce	
	opinions of CPAs, lawyers	and declare all items again	
	or securities underwriters	within two days from the	
	available at its office. Unless	date when it becomes aware	

	D.C. I.		The basis and
Articles	Before the amendment	After the amendment	reasons of the
	otherwise provided in other laws, these documents shall be retained for five years at least. (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. A. The contract signed in relation to the original trading is changed, terminated or cancelled. B. The merger, spin off, acquisition or transfer of shares fails to be completed as scheduled. C. The original announcement and declaration have been changed.	of the mistake (the date of occurrence being the first day). (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. (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 (the date of occurrence being the first day). A. The contract signed in relation to the original trading is changed, terminated or cancelled. B. The merger, spin off, acquisition or transfer of shares fails to be completed as scheduled. C. The original announcement and declaration have been changed.	
Article 15	The Company's subsidiaries shall take actions in accordance with the	The Company's subsidiaries shall take actions in accordance with the	To comply with
	following provisions: (1) The subsidiary shall also establish	following provisions: (1) The subsidiary shall also establish	amendments made by the

			The basis and
Articles	Before the amendment	After the amendment	reasons of the amendment
	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. (2) Acquisition or disposal of assets by subsidiaries shall be in compliance with "Procedures for Acquisition or Disposal of Assets". (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 Article 30 of "Regulations Governing the Acquisition or Disposal of Assets by Public Companies", the parent company shall make public announcement and declaration on behalf of the subsidiary. (4) In the subsidiary's standards for announcement and declaration, the 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).	by subsidiaries shall be in compliance with "Procedures for Acquisition or Disposal of Assets". (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 the preceding Article, the Company (parent company) shall make public announcement and declaration on behalf of the subsidiary.	-
Article 18	regulations. The Procedures was established on April 15, 2000. The first amendment was made on March 7, 2003.	l _	_

1	50.		The basis and
Articles	Before the amendment	After the amendment	reasons of the
			amendment
	The third amendment was made on	The third amendment was made on	
	June 3, 2008.	June 3, 2008.	
	The fourth amendment was made on	The fourth amendment was made on	
	June 18, 2010.	June 18, 2010.	
	The fifth amendment was made on	The fifth amendment was made on	
	August 30, 2010.	August 30, 2010.	
	The sixth amendment was made on	The sixth amendment was made on	
	June 9, 2011.	June 9, 2011.	
	The seventh amendment was made on	The seventh amendment was made on	
	June 13, 2012.	June 13, 2012.	
	The eighth amendment was made on	The eighth amendment was made on	
	June 17, 2013.	June 17, 2013.	
	·	The ninth amendment was made on	
	May 26, 2017.	May 26, 2017.	
		The tenth amendment was made on	
		May 29, 2019.	