

Stock Code : 3093

The logo consists of the letters 'TKK' in a bold, green, sans-serif font. The letters are slightly shadowed, giving them a 3D appearance as if they are floating above a white surface.

**TAIWAN KONG KING CO., LTD.**

Annual Shareholders' Meeting 2019  
**Meeting Agenda**

May 24, 2019

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# **Taiwan Kong King Co., Ltd.**

## Procedure of the 2019 Shareholders' Meeting

1 、 Call Meeting to Order

2 、 Chairman's Address

3 、 Report Items

4 、 Matters for Ratification

5 、 Matters for Discussion

6 、 Extempore motion

7 、 Adjournment

# Taiwan Kong King Co., Ltd.

## Procedure of the 2019 Shareholders' Meeting

Time : Fri, May 24, 2019 at 10 a.m

Place : Taiwan Kong King Co., Ltd.

(Rm. 1, 5F., No. 65, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338)

### 1.Meeting Procedure

(1) Call Meeting to Order

(2) Chairman's Address

(3) Report Items

<1>Business Report of 2018

<2> Review Report of Supervisor of 2018

<3>Compensation Distribution for Employees and Directors of 2018

<4>Updated "Taiwan Kong King Co., Ltd. Ethical Code of Conduct"

(4) Matters for Ratification

<1>Business Report and Financial Statements of 2018

<2>Appropriation of 2018 earnings

(5) Matters for Discussion

<1>Amend some of the provisions of Measures for the Administration  
of Obtaining or Disposing of Assets (R-28)

<2>Amend some of the provisions of the "Operational Procedures for  
Loaning Funds to Others (R-29)"

(6) Extempore motion

(7) Adjournment

## 2. Meeting Agenda

### (1) Report Items

<1>

Proposed by the Board of Directors

#### **Proposal: Business Report of 2018**

Explanation: Business Report of 2018, attached in Attachment 1 of the Meeting Agenda.

<2>

Proposed by the Board of Directors

#### **Proposal : Supervisor's review report of 2018**

Explanation: Inspection Report of Supervisor of 2018, attached in Attachment 2 of the Meeting Agenda

<3>

Proposed by the Board of Directors

#### **Proposal: Compensation Distribution for Employees and Directors of 2018**

Explanation:

[1] On March 5, 2019, the Board of Directors has resolved that the compensation for employees and directors of 2018 will be paid in cash. The compensation for employees and directors is NT\$763,764 and NT\$763,764, respectively.

[2] There is no difference between the above resolutions and the number of 2018 recognitions.

<4>

Proposed by the Board of Directors

#### **Proposal: The company updated the "Ethical Code of Conduct" report.**

Explanation:

[1] In order to make the company's directors and supervisors and managers' comply with, and to make the company's internal and external stakeholders more aware of the company's ethical standards, the ethical

Code of Conduct referred to the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies”.

[2] Please refer to the the Code of Ethical Conduct in <attachment 5>.

## (2) Matters for Ratification

<1>

Proposed by the Board of Directors

### **Proposal: Business Report and Financial Statement of 2018.**

Explanation:

- [1] The financial statements of 2018 were verified by Ernst & Young accountants Hsh, Jung-Huang and Lin, Li-Huang, and an audit report was issued.
- [2] The financial statements of 2017 together with the business report were approved in the directors meeting, and then were sent to the supervisor to audit and issue a written audited report.
- [3] For the business report, supervisor's review report and financial statement, please refer to [Attachment 1], [Attachment 2], [Attachment 3] and [Attachment 4].
- [4] For your adoption.

Resolution:

<2>

Proposed by the Board of Directors

### **Proposal: Appropriation of 2018 earnings.**

Explanation:

1. 2018 after-tax net profit is NTD 59,165,293, deducted the legal reserve NTD 5,916,529 and special reserve NTD 12,271,402, and added other comprehensive profit and loss NTD 2,560,467. The affection of retrospective application and retrospective restatement is NTD 4,684,196 and the distributable earnings at the beginning of the peroid is NTD99,232,600. The total distributable earnings is NTD 147,454,625.
2. The available earnings for the year is allocated according to The Company Act and TKK Aticles of Incorporation as follows:

## 2018 annual earnings allocation table

Unit: NTD

2018 net profit	
2018 after-tax net profit	59,165,293
Less: Legal reserve	(5,916,529)
Less: Special reserve	(12,271,402)
Plus: Other consolidated profit or loss (Actuarial profit or loss on the defined benefit plan)	2,560,467
Plus: The affection of retrospective application and retrospective restatement	4,684,196
2018 distributable earnings	48,222,025
Plus: Beginning distributable earnings	99,232,600
Accumulated Distributable Earnings	147,454,625
Distributable items	
Less: Shareholder bonus - cash (NTD 1,300/ thousand shares)	(47,175,562)
Unappropriated retained earnings	100,279,063

3. The cash dividend distribution less than NTD 1 was transferred to Taiwan Kong King Employees' Welfare Committee.
4. After the resolution of the shareholders' meeting is passed, it is proposed to authorize the board of directors to issue the ex-dividend date.
5. For your adoption.

Resolution:

### (3) Matters for Discussion

<1>

Proposed by the Board of Directors

**Proposal: Amend some of the provisions of Measures for the Administration of Obtaining or Disposing of Assets (R-28)**

Explanation:

1. Please refer to [Attachemt 6] for amendments.
2. Please proceed with resolution.

Resolution:

**Proposal: Amend some of the provisions of the "Operational Procedures for Loaning Funds to Others (R-29)"**

Explanation:

1. Please refer to [Attachemt 7] for amendments.
2. Please proceed with resolution.

Resolution:

(4) Extempore motion

(5) Adjournment



## 《Attachment 1》 Business Report

Dear shareholders, distinguished guests:

It is expected that the prosperity of Taiwan's electronics industry will maintain a stable growth trend due to the saturation of the terminal product market in the coming year. As a professional agent in the electronics industry, in order to be the most solid backing for our customers, in addition to maintain the distributorship of existing advanced equipment, materials and key components, we also actively step into the new process of the electronics industry. We are eager to have a place in the rapidly changing electronics industry and together grow with our customers and suppliers.

The performance in 2018 grew significantly compared with the previous two years. In the future, we will continue to adhere to the solid operation, and endeavor to maintain profitability by controlling operating costs and improving business performance. The results of the 2018 business are as follows:

The consolidated operating income of the Company as of December 31, 2018 was NTD 1,136.575 million, an increase of 43.94% compared with NTD 789.602 million in 2017. The net profit attributable to owners of the parent company was NTD 59.165 million, which was 141.53% increase from NTD 24.496 million in 2017. The earnings per share was NTD 1.63, an increase of 139.71% from NTD 0.68 in 2017.

Under the global concern about corporate social responsibility and environmental protection issues, Taiwan Kong King will fulfill its corporate social responsibility with a sense of mission to society. In order to protect the earth, we will continue to introduce the most advanced green energy equipment, materials and key technologies from the electronics industry to the Taiwan market to provide products with low energy consumption and high production value.

Finally, I would like to thank all the shareholders of Taiwan Kong King. With the long-term support of the shareholders and the efforts of the company's employees, I believe Taiwan Kong King can continue to grow in stability. I wish you good health and good luck!

Taiwan Kong King Co., Ltd.

Chairman: Ho, Shu-Chan

General Manager: Liao, Hung-Ying

Accounting Supervisor: Zhou, Cui-Xia

《Attachment 2》 Supervisors' Review Report

Taiwan Kong King Co., Ltd.

Supervisors' Review Report

The Board of Directors made the 2018 consolidated and individual balance sheet, consolidated profit and loss statement, equity change statement and cash flow statement of the Company. It has been verified by Ernst & Young accountants Hsh, Jung-Huang and Lin, Li-Huang, together with the business report and earnings distribution. It is considered that there is no disagreement, and in accordance with the provisions of Article 219 of the Company Act made a report to review.

To

2019 Annual Shareholders' Meeting

Taiwan Kong King Co. ,Ltd.

Supervisor: Wu, Guo-Xian

Supervisor: Cai, Zhi-Wei

Supervisor: Chou, Ken

March 5, 2019

## 《Attachment 3》 Consolidated Financial Statements and Independent Auditor's Report

### **Independent Auditors' Report Translated from Chinese**

To TAIWAN KONG KING CO., LTD.

### **Opinion**

We have audited the accompanying consolidated balance sheets of TAIWAN KONG KING CO., LTD and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of a Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of

our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company and its subsidiaries amounted to NT\$191,140 thousand and NT\$449 thousand as of December 31, 2018, respectively. The net amount of accounts receivables was approximately 18% of total assets and which is significant to the Company. Considering the assessment of allowance for impairment losses is measured by lifetime expected credit loss; the process of measurement must appropriately divide accounts receivables into groups, determine and analyze the use of relevant assumptions in the process of measurement, including appropriate aging intervals, the aging loss rate for each interval and the use of forward-looking information, that reflected the measurement of the expected credit loss involving judgment, analysis and estimates, and the result of measurement affect the net amount of accounts receivables, we determined this as a key audit matter.

Our audit procedures included, but not limited to, evaluating whether the accounting policy and the loss rate are reasonable; when performing internal control, randomly selecting sales orders and vouching them to aging schedule to ensure the accuracy of aging intervals of accounts receivables; confirming whether the customer properly grouped by significantly different loss types, and evaluating the reasonableness of management's estimates of assumptions; testing provision matrix, including evaluating the appropriateness of aging intervals and the accuracy of raw data by vouching them to supporting evidences, testing statistical information for the credit loss rate computed by roll rate over a one-year period, considering the reasonableness of forward-looking information used on the credit loss rate, and evaluating whether such forward-looking information would affect credit loss rate. In addition, performing the analytical review procedure to identify whether any material unusual fluctuations between the two-period of accounts receivables turnover exist. Also, reviewing the collections of accounts receivables during the subsequent period for customers with material period-end balances.

We also assessed the adequacy of disclosures of accounts receivables. Please refer to Note 5, 6 and 12 to the Company's consolidated financial statements.

#### Valuation of inventories

Net inventories by the Company and its subsidiaries amounted to NT\$51,555 thousand, was approximately 5% of total assets as of December 31, 2018 and which is significant to the Company. Considering the possibility of impairment of the inventory driven by economic conditions, the industry competition, and the unexpected decrease of total sales, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding the internal control of

management's inventory valuation process. When performing internal control, sampling purchase orders and vouching them to supporting evidences to ensure the inventory aging and the calculation of write-downs from slow-moving inventories are accurate and reasonable; performing the analytical review procedure to assess whether any material unusual fluctuation of ending balances, inventory turnover and gross margin per product between the year ended December 31, 2018 and the prior year exists; sampling sales orders and purchase orders to verify the calculation of allowance for inventory valuation losses to evaluate whether the valuation of inventories is appropriate.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 4, 5 and 6 to the Company's consolidated financial statement.

### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These assets of NT\$165,053 thousand and NT\$192,959 thousand, constituting 16% and 18% of consolidated total assets as of December 31, 2018 and 2017, respectively. The operating revenues from the subsidiaries amounted to NT\$31,232 thousand and NT\$48,359 thousand, constituting 3% and 6% of consolidated operating revenues for the years ended December 31, 2018 and 2017, respectively. Furthermore, we did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, 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 cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other**

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

HSU, JUNG-HUANG

LIN, LI-HUANG

Ernst & Young, Taipei, Taiwan

March 5, 2019

#### Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 December 31, 2018 and 2017  
 (Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4,6&12	\$478,514	\$497,147
Notes receivable, net	4,6&12	7,289	1,225
Accounts receivable, net	4,6&12	190,691	138,495
Other receivables	12	2,768	4,184
Current tax assets	7&12	5,480	4,988
Inventories, net	4&6	51,555	60,780
Prepayments		12,664	19,365
Other current assets		3,631	4,588
Total Current Assets		<u>752,592</u>	<u>730,772</u>
<b>NON-CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss, noncurrent	4,6&12	14,123	-
Financial assets at fair value through other comprehensive income, noncurrent	4,6&12	37,313	-
Available-for-sale financial assets, noncurrent	4,6&12	-	13,843
Financial assets measured at cost, noncurrent	4,6&12	-	47,457
Property, plant and equipment	4&6	222,188	247,849
Investment property, net	4&6	4,194	4,236
Intangible assets	4&6	3,555	4,228
Deferred tax assets	4&6	19,894	13,370
Other noncurrent assets	4&12	11,269	12,107
Total Non-Current Assets		<u>312,536</u>	<u>343,090</u>
<b>TOTAL ASSETS</b>		<u><u>\$1,065,128</u></u>	<u><u>\$1,073,862</u></u>

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 December 31, 2018 and 2017  
 (Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2018	2017
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Contract liabilities, current	6	\$16,308	\$-
Notes payable	12	16	48
Accounts payable	12	101,769	68,445
Accounts payable-related parties, net	7&12	7,436	694
Other payables	12	71,483	55,703
Other payables-related parties	7	122	8,490
Current tax liabilities	4	21,425	-
Other current liabilities		980	31,567
Total Current Liabilities		<u>219,539</u>	<u>164,947</u>
<b>NON-CURRENT LIABILITIES</b>			
Non-current provisions	4&6	29,595	33,321
Deferred tax liabilities	4&6	1,279	28
Other non-current liabilities		24	24
Total Non-Current Liabilities		<u>30,898</u>	<u>33,373</u>
<b>TOTAL LIABILITIES</b>		<u>250,437</u>	<u>198,320</u>
<b>EQUITY ATTRIBUTABLE TO THE PARENT COMPANY</b>			
Capital	6		
Common stock		362,888	362,888
Total Capital stock		<u>362,888</u>	<u>362,888</u>
Additional paid-in capital	6	46,759	49,699
Retained earnings			
Legal reserve		251,247	248,797
Special reserve		11,697	-
Unappropriated earnings		165,642	133,339
Total Retained earnings		<u>428,586</u>	<u>382,136</u>
Other components of equity		(23,968)	(11,697)
<b>NON-CONTROLLING INTERESTS</b>	6	426	92,516
<b>TOTAL EQUITY</b>		<u>814,691</u>	<u>875,542</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$1,065,128</u>	<u>\$1,073,862</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
**TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

ITEM	NOTES	For the years ended December 31,	
		2018	2017
OPERATING REVENUES	4,6&7	\$1,136,575	\$789,602
COST OF GOODS SOLD	4&7	(801,409)	(512,721)
GROSS PROFIT		<u>335,166</u>	<u>276,881</u>
OPERATING EXPENSES	4&7		
Sales and marketing expense		(137,013)	(125,908)
General and administrative expense		(132,338)	(125,524)
Research and development expenses		(5,846)	(5,012)
Total Operating Expense		<u>(275,197)</u>	<u>(256,444)</u>
OPERATING INCOME		<u>59,969</u>	<u>20,437</u>
NON-OPERATING INCOME AND EXPENSES			
Other income	6	14,681	15,073
Other gains and losses	6	969	(3,376)
Subtotal		<u>15,650</u>	<u>11,697</u>
INCOME BEFORE INCOME TAX		75,619	32,134
INCOME TAX EXPENSE	4&6	(18,560)	(6,026)
PROFIT FROM CONTINUING OPERATIONS		<u>57,059</u>	<u>26,108</u>
NET INCOME		<u>57,059</u>	<u>26,108</u>
OTHER COMPREHENSIVE (LOSS) INCOME	6		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		3,281	(3,283)
Unrealized gains (losses) from investments in equity instruments			
measured at fair value through other comprehensive income		(9,604)	-
Income tax related to items that will not be reclassified subsequently		1,192	558
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		902	(9,137)
Unrealized gains (losses) on valuation of available-for-sale financial assets		-	(3,917)
Income tax related to items that may be reclassified subsequently		-	666
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		<u>(4,229)</u>	<u>(15,113)</u>
TOTAL COMPREHENSIVE INCOME		<u>\$52,830</u>	<u>\$10,995</u>
NET INCOME ATTRIBUTABLE TO:			
Stockholders of the parent		59,165	24,496
Non-controlling interests		(2,106)	1,612
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Stockholders of the parent		53,916	9,860
Non-controlling interests		(1,086)	1,135
Earnings per share (NTD)			
Basic earnings per share	6		
Basic earnings (loss) per share from continuing operations		1.63	0.68

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 For the years ended December 31, 2018 and 2017  
 (Expressed in Thousands of New Taiwan Dollars)  
 Equity Attributable to the Parent Company

	Retained earnings					Other components of equity			Total	Non-Controlling Interests	Total Equity
	Capital	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets			
Balance as of January 1, 2017	\$362,888	\$49,699	\$241,430	\$-	\$184,775	\$(7,515)	\$-	\$7,935	\$839,212	\$100,487	\$939,699
Appropriation and distribution of 2016 retained earnings:											
Legal reserve	-	-	7,367	-	(7,367)	-	-	-	-	-	-
Cash Dividends	-	-	-	-	(66,046)	-	-	-	(66,046)	-	(66,046)
Net income for the year ended December 31, 2017	-	-	-	-	24,496	-	-	-	24,496	1,612	26,108
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(2,519)	(8,866)	-	(3,251)	(14,636)	(477)	(15,113)
Total comprehensive income	-	-	-	-	21,977	(8,866)	-	(3,251)	9,860	1,135	10,995
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(9,106)	(9,106)
Balance as of December 31, 2017	\$362,888	\$49,699	\$248,797	\$-	\$133,339	\$(16,381)	\$-	\$4,684	\$783,026	\$92,516	\$875,542
Balance as of December 31,	\$362,888	\$49,699	\$248,797	\$-	\$133,339	\$(16,381)	\$4,684	\$-	\$783,026	\$92,516	\$875,542

2017											
Impact of retroactive applications	-	-	-	-	4,684	-	(4,462)	-	222	-	222
Adjusted balance as of January 1, 2018	<u>362,888</u>	<u>49,699</u>	<u>248,797</u>	<u>-</u>	<u>138,023</u>	<u>(16,381)</u>	<u>222</u>	<u>-</u>	<u>783,248</u>	<u>92,516</u>	<u>875,764</u>
Appropriation and distribution of 2017 retained earnings:											
Legal reserve	-	-	2,450	-	(2,450)	-	-	-	-	-	-
Special reserve	-	-	-	11,697	(11,697)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(19,959)	-	-	-	(19,959)	-	(19,959)
Other changes in capital surplus:											
Difference between consideration and carrying amount of subsidiaries acquired	-	(2,940)	-	-	-	-	-	-	(2,940)	-	(2,940)
Net income for the year ended December 31, 2018	-	-	-	-	59,165	-	-	-	59,165	(2,106)	57,059
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	2,560	(126)	(7,683)	-	(5,249)	1,020	(4,229)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,725</u>	<u>(126)</u>	<u>(7,683)</u>	<u>-</u>	<u>53,916</u>	<u>(1,086)</u>	<u>52,830</u>
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(91,004)	(91,004)
Balance as of December 31, 2018	<u>\$362,888</u>	<u>\$46,759</u>	<u>\$251,247</u>	<u>\$11,697</u>	<u>\$165,642</u>	<u>\$(16,507)</u>	<u>\$(7,461)</u>	<u>\$-</u>	<u>\$814,265</u>	<u>\$426</u>	<u>\$814,691</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
**TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

ITEM	For the years ended December 31,		ITEM	For the years ended December 31,	
	2018	2017		2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net income before tax	\$75,619	\$32,134	Proceeds from disposal of financial assets at cost	-	1,081
Adjustments to reconcile net income before tax to net cash provided by operating activities:			Acquisition of property, plant and equipment	(3,095)	(13,361)
Depreciation expense	26,986	27,277	Disposal of property, plant and equipment	1,279	3,584
Amortization expense	2,761	1,938	Acquisition of intangible assets	(2,091)	(3,679)
Net loss on financial assets or liabilities at fair value through profit or loss	(279)	-	Decrease (increase) in refundable deposits	838	(5,778)
Interest income	(6,812)	(7,024)	Net cash used in investing activities	<u>(3,069)</u>	<u>(18,153)</u>
Dividend income	(4,068)	(3,596)			
Gain on disposal of property, plant and equipment	(581)	(3,435)			
Total adjustments to reconcile profit (loss)	<u>18,007</u>	<u>15,160</u>	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Changes in operating assets and liabilities:			Cash dividends paid	(19,959)	(66,046)
(Increase) decrease in notes receivable	(6,063)	1,528	Acquisition of ownership interests in subsidiaries	<u>(91,004)</u>	<u>-</u>
(Increase) decrease in accounts receivable	(52,196)	66,528	Net cash used in financing activities	<u>(110,963)</u>	<u>(66,046)</u>
Decrease (increase) in other receivable	527	(169)			
Decrease in other receivable-related parties	-	15			
Decrease in inventories	9,225	9,482	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(114)	(16,183)
Decrease (increase) in prepayments	6,701	(9,039)	NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(18,633)</u>	<u>(39,315)</u>
Decrease in other current assets	958	1,457	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	497,147	536,462
Increase in contract liabilities	16,308	-	CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$478,514</u>	<u>\$497,147</u>
Decrease in notes payable	(33)	(33)			
Increase (decrease) in accounts payable	33,325	(53,170)			
Increase (decrease) in accounts payable-related parties	6,741	(3,592)			
Increase (decrease) in other payable	15,780	(14,416)			
(Decrease) increase in other payable-related parties	(8,369)	5,963			
(Decrease) increase in other current liabilities	(30,587)	16,725			
Decrease in provisions	(437)	(337)			
Total changes in operating assets and liabilities	<u>(8,120)</u>	<u>20,942</u>			
Cash generated from operations	<u>85,506</u>	<u>68,236</u>			
Interest received	7,701	6,467			
Dividends received	4,068	3,596			
Income taxes paid	(1,762)	(17,232)			
Net cash flows from operating activities	<u>95,513</u>	<u>61,067</u>			

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

## 《Attachment 4》 Stand-alone Financial Statements and Independent Auditor's Report

### **Independent Auditors' Report Translated from Chinese**

To TAIWAN KONG KING CO., LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of TAIWAN KONG KING CO., LTD. (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 for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of a Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 parent company only financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and

we do not provide a separate opinion on these matters.

#### Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company amounted to NT\$169,509 thousand and NT\$449 thousand as of December 31, 2018, respectively. The net amount of accounts receivables was approximately 16% of total assets and which is significant to the Company. Considering the assessment of allowance for impairment losses is measured by lifetime expected credit loss; the process of measurement must appropriately divide accounts receivables into groups, determine and analyze the use of relevant assumptions in the process of measurement, including appropriate aging intervals, the aging loss rate for each interval and the use of forward-looking information, that reflected the measurement of the expected credit loss involving judgment, analysis and estimates, and the result of measurement affect the net amount of accounts receivables, we determined this as a key audit matter.

Our audit procedures included, but not limited to, evaluating whether the accounting policy and the loss rate are reasonable; testing provision matrix, including evaluating the appropriateness of aging intervals and the accuracy of raw data by vouching them to supporting evidences, testing statistical information for the credit loss rate computed by roll rate over a one-year period, considering the reasonableness of forward-looking information used on the credit loss rate, and evaluating whether such forward-looking information would affect credit loss rate. When performing internal control, randomly selecting sales orders and vouching them to aging schedule to ensure the accuracy of aging intervals of accounts receivables; confirming whether the customer properly grouped by significantly different loss types, and evaluating the reasonableness of management's estimates of assumptions. In addition, performing the analytical review procedure to identify whether any material unusual fluctuations between the two-period of accounts receivables turnover exist. Also, reviewing the collections of accounts receivables during the subsequent period for customers with material period-end balances.

We also assessed the adequacy of disclosures of accounts receivables. Please refer to Note 5, 6 and 12 to the parent company only financial statements.

#### Valuation of inventories

Net inventories by the Company amounted to NT\$20,998 thousand, was approximately 2% of total assets as of December 31, 2018 and which is significant to the Company. Considering the possibility of impairment of the inventory driven by economic conditions, the industry competition, and the unexpected decrease of total sales, we determined this as a key audit matter.



Our audit procedures included, but not limited to, understanding the internal control of management's inventory valuation process. When performing internal control, sampling purchase orders and vouching them to supporting evidences to ensure the inventory aging and the calculation of write-downs from slow-moving inventories are accurate and reasonable; performing the analytical review procedure to assess whether any material unusual fluctuation of ending balances, inventory turnover and gross margin per product between the year ended December 31, 2018 and the prior year exists; sampling sales orders and purchase orders to verify the calculation of allowance for inventory valuation losses to evaluate whether the valuation of inventories is appropriate.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 4, 5 and 6 to the parent company only financial statement.

### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT\$105,107 thousand and NT\$127,909 thousand, representing 10% and 13% of total assets as of December 31, 2018 and 2017, respectively. The related shares of profits (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(25,426) thousand and NT\$(10,951) thousand, representing (34)% and (37)% of the income before tax for the years ended December 31, 2018 and 2017, respectively, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(3,505) thousand and NT\$5,963 thousand, representing 67% and (41)% of the comprehensive income (loss) for the years ended December 31, 2018 and 2017, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, 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 cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in

internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HSU, JUNG-HUANG

LIN, LI-HUANG

Ernst & Young, Taipei, Taiwan

March 5, 2019

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
**TAIWAN KONG KING CO., LIMITED**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2018	2017
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4,6&12	\$301,341	\$286,682
Notes receivable, net	4,6&12	1,096	461
Accounts receivable, net	4,6&12	168,158	111,419
Accounts receivable-related parties, net	6,7&12	902	450
Other receivables	12	2,057	3,289
Other receivables-related parties, net	7&12	532	768
Current tax assets		4,017	3,526
Inventories, net	4&6	20,998	22,347
Prepayments		15,747	23,083
Other current assets		3,631	4,559
Total Current Assets		518,479	456,584
<b>NON-CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss, noncurrent	4,6&12	14,123	-
Financial assets at fair value through other comprehensive income, noncurrent	4,6&12	18,400	-
Available-for-sale financial assets, noncurrent	4,6&12	-	13,843
Financial assets measured at cost, noncurrent	4,6&12	-	30,000
Investments accounted for using equity method	4&6	293,829	254,964
Property, plant and equipment	4&6	146,709	160,575
Investment property, net	4&6	19,418	19,632
Intangible assets	4&6	2,222	1,755
Deferred tax assets	4&6	18,359	12,085
Other noncurrent assets	4&12	9,441	11,054
Total Non-Current Assets		522,501	503,908
<b>TOTAL ASSETS</b>		<b>\$1,040,980</b>	<b>\$960,492</b>

(continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
**TAIWAN KONG KING CO., LIMITED**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2018	2017
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Contract liabilities, current	6	\$16,259	\$-
Notes payable	12	16	49
Accounts payable	12	76,196	45,153
Accounts payable-related parties, net	7&12	34,477	30,033
Other payables	12	50,451	38,560
Other payables-related parties	7&12	139	4,859
Current tax liabilities	4	18,700	-
Other current liabilities		799	26,548
Total Current Liabilities		<u>197,037</u>	<u>145,202</u>
<b>NON-CURRENT LIABILITIES</b>			
Non-current provisions	4	28,375	32,212
Deferred tax liabilities	4&6	1,279	28
Other non-current liabilities		24	24
Total Non-Current Liabilities		<u>29,678</u>	<u>32,264</u>
<b>TOTAL LIABILITIES</b>		<u>226,715</u>	<u>177,466</u>
<b>EQUITY</b>			
Capital	6		
Common stock		362,888	362,888
Total Capital stock		<u>362,888</u>	<u>362,888</u>
Additional paid-in capital	6	46,759	49,699
Retained earnings			
Legal reserve		251,247	248,797
Special reserve		11,697	-
Unappropriated earnings		165,642	133,339
Total Retained earnings		<u>428,586</u>	<u>382,136</u>
Other components of equity		<u>(23,968)</u>	<u>(11,697)</u>
<b>TOTAL EQUITY</b>		<u>814,265</u>	<u>783,026</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$1,040,980</u>	<u>\$960,492</u>

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
**TAIWAN KONG KING CO., LIMITED**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

ITEM	NOTES	For the years ended December 31,	
		2018	2017
OPERATING REVENUES	4,6&7	\$856,148	\$625,817
COST OF GOODS SOLD	4&7	(591,566)	(426,076)
GROSS PROFIT		<u>264,582</u>	<u>199,741</u>
OPERATING EXPENSES	4&7		
Sales and marketing expense		(137,024)	(125,932)
General and administrative expense		(46,405)	(42,892)
Total Operating Expense		<u>(183,429)</u>	<u>(168,824)</u>
OPERATING INCOME		<u>81,153</u>	<u>30,917</u>
NON-OPERATING INCOME AND EXPENSES			
Other income	6	8,567	8,670
Other gains and losses	6	6,347	(3,432)
Share of profit (loss) of subsidiaries, associates and joint ventures			
accounted for using equity method, net		(21,218)	(6,864)
Subtotal		<u>(6,304)</u>	<u>(1,626)</u>
INCOME BEFORE INCOME TAX		74,849	29,291
INCOME TAX EXPENSE	4&6	(15,684)	(4,795)
PROFIT FROM CONTINUING OPERATIONS		<u>59,165</u>	<u>24,496</u>
NET INCOME		<u>59,165</u>	<u>24,496</u>
OTHER COMPREHENSIVE (LOSS) INCOME	6		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		3,259	(2,993)
Unrealized gains (losses) from investments in equity instruments			
measured at fair value through other comprehensive income		(9,604)	-
Income tax related to items that will not be reclassified subsequently		1,222	474
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		5,181	(16,903)
Unrealized gains (losses) on valuation of available-for-sale financial assets		-	(3,917)
Share of other comprehensive income of associates and joint ventures			
accounted for using equity method		(5,307)	8,037
Income tax related to items that may be reclassified subsequently		-	666
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		<u>(5,249)</u>	<u>(14,636)</u>
TOTAL COMPREHENSIVE INCOME		<u><u>\$53,916</u></u>	<u><u>\$9,860</u></u>
Earnings per share (NTD)			
Basic earnings per share	6		
Basic earnings (loss) per share from continuing operations		1.63	0.68

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
 TAIWAN KONG KING CO., LIMITED  
 PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
 For the years ended December 31, 2018 and 2017  
 (Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other components of equity				Total equity
	Capital	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets		
Balance as of January 1, 2017	\$362,888	\$49,699	\$241,430	\$-	\$184,775	\$(7,515)	\$-	\$7,935	\$839,212	
Appropriation and distribution of 2016 retained earnings:										
Legal reserve	-	-	7,367	-	(7,367)	-	-	-	-	
Cash Dividends	-	-	-	-	(66,046)	-	-	-	(66,046)	
Net income for the year ended December 31, 2017	-	-	-	-	24,496	-	-	-	24,496	
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(2,519)	(8,866)	-	(3,251)	(14,636)	
Total comprehensive income	-	-	-	-	21,977	(8,866)	-	(3,251)	9,860	
Balance as of December 31, 2017	\$362,888	\$49,699	\$248,797	\$-	\$133,339	\$(16,381)	\$-	\$4,684	\$783,026	
Balance as of December 31, 2017	\$362,888	\$49,699	\$248,797	\$-	\$133,339	\$(16,381)	\$4,684	\$-	\$783,026	
Impact of retroactive applications	-	-	-	-	4,684	-	(4,462)	-	222	
Adjusted balance as of January 1, 2018	362,888	49,699	248,797	-	138,023	(16,381)	222	-	783,248	
Appropriation and distribution of 2017 retained earnings:										
Legal reserve	-	-	2,450	-	(2,450)	-	-	-	-	
Special reserve	-	-	-	11,697	(11,697)	-	-	-	-	
Cash dividends	-	-	-	-	(19,959)	-	-	-	(19,959)	
Other changes in capital surplus:										
Difference between consideration and carrying amount of subsidiaries acquired	-	(2,940)	-	-	-	-	-	-	(2,940)	
Net income for the year ended December 31, 2018	-	-	-	-	59,165	-	-	-	59,165	
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	2,560	(126)	(7,683)	-	(5,249)	
Total comprehensive income	-	-	-	-	61,725	(126)	(7,683)	-	53,916	
Balance as of December 31, 2018	\$362,888	\$46,759	\$251,247	\$11,697	\$165,642	\$(16,507)	\$(7,461)	\$-	\$814,265	

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

Note:

The Company recognized the employees' compensation and remuneration to directors and supervisors on December 31, 2018 were NT\$764 thousand and NT\$764 thousand, respectively.

The Company recognized the employees' compensation and remuneration to directors and supervisors on December 31, 2017 were NT\$299 thousand and NT\$299 thousand, respectively.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
 TAIWAN KONG KING CO., LIMITED

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

ITEM	For the years ended		ITEM	For the years ended	
	December 31,			December 31,	
	2018	2017		2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net income before tax	\$74,849	\$29,291	Acquisition of investments accounted for using equity method	(64,417)	-
Adjustments to reconcile net income before tax to net cash provided by operating activities:			Acquisition of property, plant and equipment	(1,568)	(10,619)
Depreciation expense	14,596	14,573	Disposal of property, plant and equipment	2,500	3,486
Amortization expense	1,248	637	Acquisition of intangible assets	(1,716)	(1,493)
Net loss on financial assets or liabilities at fair value through profit or loss	(279)	-	Decrease (increase) in refundable deposits	1,613	(5,951)
Interest income	(4,441)	(4,649)	Net cash used in investing activities	<u>(63,588)</u>	<u>(14,577)</u>
Share of loss (profit) of associates and joint ventures accounted for using equity method	21,218	6,864			
Gains on disposals of investments	-	-			
Gain on disposal of property, plant and equipment	<u>(1,944)</u>	<u>(3,486)</u>			
Total adjustments to reconcile profit (loss)	<u>30,398</u>	<u>13,939</u>			
Changes in operating assets and liabilities:					
(Increase) decrease in notes receivable	(635)	679			
(Increase) decrease in accounts receivable	(56,739)	75,737	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Increase) decrease in accounts receivable-related parties	(452)	2,912	Cash dividends paid	<u>(19,959)</u>	<u>(66,046)</u>
Decrease (increase) in other receivable	1,232	(724)	Net cash used in financing activities	<u>(19,959)</u>	<u>(66,046)</u>
Decrease (increase) in other receivable-related parties	236	(139)			
Decrease in inventories	1,350	7,106	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,659	(11,224)
Decrease (increase) in prepayments	7,336	(18,726)	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	286,682	297,906
Decrease in other current assets	1,426	886	CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$301,341</u>	<u>\$286,682</u>
Increase in contract liabilities	16,259	-			
Decrease in notes payable	(33)	(32)			
Decrease (increase) in accounts payable	31,043	(63,323)			
Decrease in accounts payable-related parties	4,444	6,820			
Increase (decrease) in other payable	11,891	(13,037)			
(Decrease) increase in other payable-related parties	(4,721)	4,836			
(Decrease) increase in other current liabilities	(25,750)	22,370			
Decrease in provisions	(342)	(394)			
Total changes in operating assets and liabilities	<u>(13,455)</u>	<u>24,971</u>			
Cash generated from operations	<u>91,792</u>	<u>68,201</u>			
Interest received	4,440	4,649			
Dividends received	3,306	9,106			
Income taxes paid	<u>(1,332)</u>	<u>(12,557)</u>			
Net cash flows from operating activities	<u>98,206</u>	<u>69,399</u>			

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



## 《Attachment 5》 Code of Ethical Conduct (Updated)

### **1.Setting purpose and basis**

In order to guide the conduct of directors, supervisors and managers in line with ethical standards and to make the stakeholders more aware of the company's ethical standards, the guidelines are based on the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies”.

### **2.Suitable**

This Code applies to the directors, supervisors and managers of the Company.

The so-called managers include general manager and equivalents, deputy general manager and equivalents, senior manager and equivalents, head of finance department, head of accounting department, and others who have the authority to manage affairs and signature.

### **3.Prevent conflicts of interest**

The directors, supervisors and managers of the company shall handle official duties in an objective and efficient manner and shall not cause improper interests of their relatives, spouses, parents, children or third-degree relatives, etc., in their positions in the company.

When the above-mentioned personnel belong to the relationship enterprise and the company for the loan or guarantee, major asset transaction, import (sale) goods, the relevant directors, supervisors, managers and employees of the company should take the initiative to explain to the company whether they have a potential conflict of interest.

#### **4.Prevent opportunities for self-interest**

The directors, supervisors and managers of the Company shall not: 1) take an opportunity to make personal gain through the use of company property, information or by virtue of their position; 2) through the use of company property, information or by virtue of their position to gain private benefits; 3) to compete with the company. When the company has a profit opportunity, the directors, supervisors and managers have the responsibility to increase the legitimate interests that the company can obtain.

#### **5.Confidentiality responsibility**

The directors, supervisors and managers shall have confidentiality obligations for the company itself or its import (sale) customers, except for the disclosure by authorization or by law. Information that should be kept confidential includes all undisclosed information that may be harmed by the company or customer after being exploited or leaked by competitors.

#### **6.Fair trade**

The directors, supervisors and managers shall treat the company's import (sale) customers, competitors and employees fairly. They shall not obtain improper benefits by manipulating, concealing, or abusing information that is based on their position, making false statements about important matters, or other unfair trading practices.

#### **7.Protection and proper use of company assets**

Directors, supervisors and managers are responsible for protecting the company's assets and ensuring that they can be used effectively and legally in official business. If stolen, neglected or wasted, it will directly affect the company's profitability.

## **8. Follow the laws and regulations**

Directors, supervisors, and managers should abide by all the laws, regulations, and policies governing Company activities, such as the Company Act and the Securities Exchange Act.

## **9. Encourage the reporting of any illegal conduct or violation of ethical conduct**

The company should strengthen its ethics and encourage employees to report to supervisors, managers, internal auditors or other appropriate personnel when they suspect or discover that the company's directors, supervisors, and managers have violated laws and regulations or ethical conduct. If the report is found to be true, the company will reward the employee according to relevant regulations.

The company will do its utmost to secretly report the identity of the reporter and protect the security of the reporter from any form of retaliation or threat.

## **10. Disciplinary measures**

When the directors, supervisors and managers violate the ethical code of conduct, the company shall deal with it according to relevant regulations, immediately disclose at market observatory post system information such as the violator's job title, name, date of violation, the incident of the violation, violated regulation and handling of the violation. Violators may file an appeal in accordance with the relevant regulations when they are punished for violating the provisions of this Code.

## **11. Exemption procedure**

If it is necessary for the directors, supervisors and managers of the company to be exempted from complying with the requirements of this standard, the exemption shall be approved by the board of directors. And the information shall be

immediately disclosed at market observatory post system such as the exempted person's title, name and the date of waiver, the applicable period and the applicable criteria, so that the shareholders may assess whether the resolutions of the board are appropriate to avoid any or suspected exemption compliance, and ensure that the exemptions are followed by appropriate controls to protect the company.

## **12.Exposure method**

The Company shall disclose this Code in its annual report, its prospectus and market observatory post system. The same applies to the amendment.

**13.**The Code is implemented after the approval of the board of directors and is sent to the supervisors and to the shareholders' meeting. The same applies to the amendment.

**14.**This Code was enacted on March 5, 2019.

**《Attachment 6》 Amended Comparison Table of Measures for the Administration of Obtaining or Disposing of Assets**

Amended Comparison Table of Measures for the Administration of Obtaining or Disposing of Assets(R-28)

Article	Modified provisions	Current provisions	Change cause
Article 1	<p>Article 1 The scope of application of the assets referred to in this procedure is defined as follows:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, bonds, corporate bonds, financial bonds, securities of the commendation fund, depositary receipts, subscription (sales) warrants, beneficiary securities and asset-based securities.</li> <li>2. Real property (including land, housing and construction, investment real property, land use rights, inventory of the construction industry) and equipment.</li> <li>3. Membership card.</li> <li>4. Intangible assets such as patents, copyrights, trademarks, and concessions.</li> <li>5. <u>Right-of-use assets.</u></li> <li>6. Claims of financial institutions (including receivables, buying exchange, discount and loans, collections).</li> <li>7. Derivative products.</li> <li>8. Assets acquired or disposed of in accordance with legal mergers, divisions, acquisitions or transfer of shares.</li> <li>9. Other important assets.</li> </ol>	<p>Article 1 The scope of application of the assets referred to in this procedure is defined as follows:</p> <ol style="list-style-type: none"> <li>1. Investment in stocks, bonds, corporate bonds, financial bonds, securities of commendable funds, depositary receipts, subscription (sales) warrants, beneficiary securities and asset-based securities.</li> <li>2. Real property (including land, housing and construction, investment real property, <del>land access</del>, inventory of the construction industry) and equipment.</li> <li>3. Membership card.</li> <li>4. Intangible assets such as patents, copyrights, trademarks, and concessions.</li> <li>5. Claims of financial institutions (including receivables, buying exchange, discount and loans, collections)</li> <li>6. Derivative products.</li> <li>7. Assets acquired or disposed of in accordance with legal mergers, divisions, acquisitions or transfer of shares.</li> <li>8. Other important assets.</li> </ol>	<ol style="list-style-type: none"> <li>1. In conjunction with the applicable International Financial Reporting Standard No. 16 Lease Notice, the fifth article is added to expand the scope of the right to use assets and the current second land use right is moved to the fifth article.</li> <li>2. Articles 5 to 8 of the current article are moved to articles 6 to 9.</li> </ol>
Article 2	<p>Article 2</p> <ol style="list-style-type: none"> <li>1. Derivative products: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate,</u></li> </ol>	<p>Article 2</p> <ol style="list-style-type: none"> <li>1. Derivative products: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign</li> </ol>	<ol style="list-style-type: none"> <li>1. With International Financial Reporting Standards definition of financial instruments number nine,</li> </ol>

Article	Modified provisions	Current provisions	Change cause
	<p><u>index of prices or rates, credit rating or credit index, or other variable</u>; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed of by legal merger, division, acquisition or transfer of shares: assets acquired or disposed of by merger, division or acquisition in accordance with the Corporate Mergers Act, the Financial Holding Company Act, the Financial Institutions Consolidation Act or other laws, or In accordance with the provisions of Article 156, Paragraph 6, of the Company Act, the issue of new shares shall be transferred to the shares of the company (hereinafter referred to as share transfer).</p> <p>3. Related parties, subsidiaries: should be identified in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: refers to the real property appraiser or other legal person who is engaged in real property and equipment valuation.</p> <p>5. The date of the occurrence: refers to the first date of the transaction signing date, payment date, entrusted transaction date, transfer date, board resolution date or other date on which the transaction object and transaction amount are fully determined. However,</p>	<p>exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2. Assets acquired or disposed of by legal merger, division, acquisition or transfer of shares: assets acquired or disposed of by merger, division or acquisition in accordance with the Corporate Mergers Act, the Financial Holding Company Act, the Financial Institutions Consolidation Act or other laws, or In accordance with the provisions of Article 156, Paragraph 6, of the Company Act, the issue of new shares shall be transferred to the shares of the company (hereinafter referred to as share transfer).</p> <p>3. Related parties, subsidiaries: should be identified in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: refers to the real property appraiser or other legal person who is engaged in real property and equipment valuation.</p> <p>5. The date of the occurrence: refers to the first date of the transaction signing date, payment date, entrusted transaction date, transfer date, board resolution date or other date on which the transaction object and transaction amount are fully determined. However, investors who are subject to the approval of the competent authority shall take the above date or the date of approval by the competent authority,</p>	<p>correction range of derivative products first article of this Code, and as appropriate, amend the text.</p> <p>3. Consideration of futures dealers, securities investment trusts and securities investment advisory businesses operating in self-operated businesses with professional investment securities, which may be based on hedging needs or the use of its own funds, often buying and selling securities, and including them as investment professionals.</p> <p>4. In order to clearly define the domestic and international stock exchanges and securities firms' business premises, to facilitate the company to follow. In accordance with Paragraph 5 of Rules Governing Securities Firms Engaging in Consigned Trading of Foreign Securities and the Paragraph</p>

Article	Modified provisions	Current provisions	Change cause
	<p>investors who are subject to the approval of the competent authority shall take the above date or the date of approval by the competent authority, whichever is the first.</p> <p>6. Investment in the mainland China: refers to the investment in the mainland that is subject to the provisions of the “Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China” according to the “Investment Board, Ministry of Economic Affairs”.</p> <p>7. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>8. <u>Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>9. <u>Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing</u></p>	<p>whichever is the first.</p> <p>6. Investment in the mainland China: refers to the investment in the mainland that is subject to the provisions of the “Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China” according to the “Investment Board, Ministry of Economic Affairs”.</p>	<p>2 of the Regulations Governing Trading of Securities on Over-The-Counter Markets, Paragraphs 8 and 9 are added. ‘ Stipulate stock exchange and scope of business places of securities at home and abroad.</p>

Article	Modified provisions	Current provisions	Change cause
	<p><u>Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		
Article 3	<p>Article 3 dispose of real property or equipment</p> <p>In acquiring or disposing of real property, equipment, <u>or right-of-use assets</u> thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: :</p> <p>The company obtains or disposes of the assets of real property, equipment or its users, except for transactions with domestic government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use or its user assets. If the company's paid-up capital is 20% or NT\$300 million or more, the valuation report issued by the professional valuer shall be obtained before the date of the fact, and the following provisions shall be met:</p> <ol style="list-style-type: none"> <li>Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval</li> </ol>	<p>Article 3 dispose of real property or equipment</p> <p>The company obtains or disposes of real property, or equipment. Except for transactions with government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use, the transaction amount reaches 20% of the company's paid-up capital. Or NT\$300 million or more, the valuation report issued by the professional valuer should be obtained before the factual date and meet the following requirements:</p> <ol style="list-style-type: none"> <li>Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and <del>the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</del></li> </ol> <p><u>(Below omitted)</u></p>	<ol style="list-style-type: none"> <li>The government agency designated in the first article refers to the central and local government agencies of R.O.C. The main considerations are to deal with the central and local government agencies in R.O.C, and it is necessary to handle the bidding or bidding according to relevant regulations. The price is less likely to be manipulated, and the acquisition of expert opinions is exempted. As for foreign government agency transactions, because the relevant regulations and bargaining mechanism are relatively unclear, the scope of this article is not exempted. The first amendment is limited to domestic government agencies.</li> <li>In accordance with the provisions of the International Financial Reporting Standard No. 16, the first item is amended and the</li> </ol>



Article	Modified provisions	Current provisions	Change cause
	<p>in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>For special reasons, when the price is limited, the specific price or the special price is used as the reference basis for the transaction price, the transaction shall be approved by the board of directors first; otherwise, when the trading conditions are changed, the same is true.</p> <p>(Below omitted)</p>		<p>right-of-use asset is included in the specification.</p> <p>3.The first Paragraph of the first article is subject to textual amendments to operate in accordance with the law. .</p>
Article 5	<p>Article 5 Acquires or disposes of memberships or intangible assets</p> <p>Where the company acquires or disposes of intangible <u>assets or right-of-use assets</u> thereof or <u>memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Article 5 Acquires or disposes of memberships or intangible assets</p> <p>Where the company acquires or disposes of <del>memberships or</del> intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>The reason for the amendment is the same as Article 3, with a slight text correction.</p>
Article 7	<p>Article 7 Acquire or dispose of real property from or to a related party</p> <p>When the company intends to acquire or dispose of real property <u>or right-of-use assets</u> thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets</u> thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under</p>	<p>Article 7 Acquire or dispose of real property from or to a related party</p> <p>When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of</p>	<p>1.The public debt of Paragraph 1 refers to the domestic public debt. The main department considers that the central and local government debts of our country are clear and easy to inquire, and the procedures for submitting to the board of directors and the supervisor's recognition are</p>

Article	Modified provisions	Current provisions	Change cause
	<p>repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. With respect to the acquisition of real property <u>or right-of-use assets</u> thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 8 and Article 9.</li> <li>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the funds utilization.</li> <li>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</li> <li>7. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 21, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted</p>	<p>domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 8 and Article 9.</li> <li>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the funds utilization.</li> <li>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</li> <li>7. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 21, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the <del>acquisition or disposal of business-use equipment</del> between the company and its parent or subsidiaries, the company's board of</p>	<p>exempted. As for foreign government debts, the scope of the exemption is not yet covered, and it is only limited to domestic bonds. In addition, in accordance with the provisions of the International Financial Reporting Standards No. 16, the right-of-use asset is included in the specification of this article, and section 1 is amended to make it clear.</p> <ol style="list-style-type: none"> <li>2. Considering the need for and transfer of the publicly-issued company and its parent company, its subsidiaries, or its directly or indirectly 100%-owned subsidiaries, due to the overall planning of the business, there is a need to coordinate the collective purchase or lease of equipment (including trading or subletting) for business use, or the possibility of subscribing to real property, and the risk of such transactions is low. Amendment of the Paragraph 3, the relaxation of the equipment acquired or disposed of by the company for business use, its right-of-use assets or the real property use right assets for</li> </ol>

Article	Modified provisions	Current provisions	Change cause
	<p>toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the company and its parent or subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <ol style="list-style-type: none"> <li>1. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></li> <li>2. <u>Acquisition or disposal of real property right-of-use assets held for business use.</u></li> </ol> <p>When a matter is submitted for discussion by the board of directors pursuant to preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted for discussion by the board of directors pursuant to preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>business use, may be authorized to the chairman to handle first and text correction.</p>
Article 8	<p>Article 8</p> <p>The company that acquires real property <u>or right-of-use assets</u> thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry</li> </ol>	<p>Article 8</p> <p>The company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry</li> </ol>	<ol style="list-style-type: none"> <li>1. In accordance with the provisions of the International Financial Reporting Standard No. 16, in the amendments of Paragraph 1 to 4, the assets of the real property use right leased from the related parties will be included in the provisions of this Article.</li> <li>2. Considering the possibility that the</li> </ol>

Article	Modified provisions	Current provisions	Change cause
	<p>of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The company that acquires real property <u>or right-of-use assets</u> thereof from a related party and appraises the cost of the real property <u>or right-of-use assets</u> thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>Where a public company acquires real property <u>or right-of-use assets</u> thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the <u>preceding</u> article, and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property <u>or right-of-use assets</u> thereof through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract</li> </ol>	<p>of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The company that acquires real property from a related party and appraises the cost of the real property in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>Where the company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 7 and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint</li> </ol>	<p>public company and its parent company, its subsidiaries, or its directly or indirectly 100%-owned subsidiaries, will have a collective lease of real property and sub-leasing due to the overall planning of the business. Moreover, the risk of non-conventional transactions in the previous listed transaction is relatively low, and the paragraph 4 of the Paragraph 4 is added. Excluding the transactions, the transaction costs should be assessed in accordance with this article (the price at which the related party obtains the price of the real property transaction or the price paid for the leased real property). In addition, the application of this article has been excluded from such transactions.</p> <p>3. In the Paragraph 3 and 4, the preamble is subject to textual amendments to operate in</p>

Article	Modified provisions	Current provisions	Change cause
	<p>to obtain the real property <u>or right-of-use assets</u> thereof to the signing date for the current transaction.</p> <p>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>4. <u>The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>development contract with the related party.</p>	<p>accordance with the law.</p>
<p>Article 9</p>	<p>If the evaluation results in accordance with the first and second paragraphs of the preceding article are lower than the transaction price, they shall be handled in accordance with Article 10. However, if the following circumstances occur and the objective evidence and the specific reasonable opinions of the real property appraisers and accountants are taken, this is not limited:</p> <p>1. If the related party rebuiled by acquiring a plain land or a leased land, one of the following conditions must be proved:</p> <p>(1) According to the method stipulated in the preceding article to value the plain land, the building is calculated according to the construction cost of the related party plus the reasonable construction profit, and the total amount exceeds the actual transaction price. The</p>	<p>Article 9</p> <p>If the evaluation results in accordance with the first and second paragraphs of the preceding article are lower than the transaction price, they shall be handled in accordance with Article 10. However, if the following circumstances occur and the objective evidence and the specific reasonable opinions of the real property appraisers and accountants are taken, this is not limited: :</p> <p>3. If the related party rebuiled by acquiring a plain land or a leased land, one of the following conditions must be proved:</p> <p>(1) According to the method stipulated in the preceding article to value the plain land, the building is calculated according to the construction cost of the related party plus the reasonable construction profit, and the total amount exceeds the actual transaction price. The</p>	<p>1. In conjunction with the actual operation of real property leasing such as factory buildings, the company has relaxed the right to acquire real property use rights from related parties, and has been able to use the non-relevant lease transactions in the adjacent area for one year as a reference case for calculating and estimating the reasonableness of the transaction price. And the current Order 3 of Subparagraph 1 of Paragraph 1 is consolidated to the Item 2, and the updated rental</p>

Article	Modified provisions	Current provisions	Change cause
	<p>alleged reasonable construction profit shall be based on the average operating gross profit margin of the related party construction department in the last three years or the lower of the latest construction industry gross profit margin announced by the Ministry of Finance.</p> <p>(2) Other non-relevant cases within one year of other floors or adjacent areas of the same subject. The areas are similar and the terms of the transaction are equivalent to those assessed on the basis of reasonable floor or regional spreads as determined by the practice of real property transactions.</p> <p>2. Where the company acquiring real property, or <u>obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of <u>completed transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p><u>Completed transactions</u> involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized</p>	<p>alleged reasonable construction profit shall be based on the average operating gross profit margin of the related party construction department in the last three years or the lower of the latest construction industry gross profit margin announced by the Ministry of Finance.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms <del>are similar</del> after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p><del>(3) — The leased transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market leasing practices.</del></p>	<p>case is also a transaction case, and the Item 2 of the Subparagraph 1 of the Paragraph 1, Paragraph 2 and the Spuparagraph 2 are amended.</p>

Article	Modified provisions	Current provisions	Change cause
	<p>parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets</u> thereof.</p>	<p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property thereof.</p>	
<p>Article 10</p>	<p>Article 10</p> <p>Where a public company acquires real property <u>or right-of-use assets</u> thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use assets</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</li> <li>2. Supervisors shall comply with</li> </ol>	<p>Article 10</p> <p>Where a public company acquires real property thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</li> <li>2. Supervisors shall comply with Article 218 of the Company Act.</li> <li>3. Actions taken pursuant to the</li> </ol>	<ol style="list-style-type: none"> <li>1. In conjunction with the provisions of the International Financial Reporting Standard No. 16, the Subparagraph 1,2 and 3 of the preamble of Paragraph 1 are amended. The real property use right assets that are leased from the related parties are included in the requirements for the assessment when the cost is lower than the transaction price.</li> <li>2. The preamble of Paragraph 1 and the Subparagraph 3 are subject to textual amendments to operate in accordance with the law.</li> </ol>

Article	Modified provisions	Current provisions	Change cause
	<p>Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to the Subparagraph 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the company obtains real property <u>or right-of-use assets</u> thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>Subparagraph 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the company obtains real property thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	
Article 12	<p>Article 12</p> <p>The Company is engaged in the trading of derivative commodities and shall establish a checklist for matters that should be carefully evaluated in respect of the type and amount of derivative commodity transactions, the date of passage of the board of directors and the Paragraph 3 of Article 7 of the “Guidelines for Derivatives Trading by Public Companies”. Details are published in the checklist for future reference.</p> <p>The internal auditor shall regularly understand the admissibility of the internal control of the derivative commodity transaction, and make an audit report on the compliance of the monthly auditing transaction</p>	<p>Article 12</p> <p>The Company is engaged in the trading of derivative commodities and shall establish a checklist for matters that should be carefully evaluated in respect of the type and amount of derivative commodity transactions, the date of passage of the board of directors and the Paragraph 3 of Article 7 of the “Guidelines for Derivatives Trading by Public Companies”. Details are published in the checklist for future reference.</p> <p>The internal auditor shall regularly understand the admissibility of the internal control of the derivative commodity transaction, and make an audit report on the compliance of the monthly auditing transaction</p>	<p>1. In accordance with Article 15 of the “Regulations Governing Establishment of Internal Control Systems by Public Companies”, the Paragraph 3 is added. † Those who have established independent directors in accordance with the law shall also notify the independent directors in writing of the</p>



Article	Modified provisions	Current provisions	Change cause
	<p>department with the transaction procedures for the derivative commodity transaction. If a major violation is discovered, the supervisors should be notified in writing.</p> <p><u>Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors.</u></p>	<p>department with the transaction procedures for the derivative commodity transaction. If a major violation is discovered, the supervisors should be notified in writing.</p>	<p>discovery of major derivative product transaction violations.</p>
<p>Article 21</p>	<p>Article 21</p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property <u>or right-of-use assets</u> thereof from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets</u> thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on</li> </ol>	<p>Article 21</p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. 1. Acquisition or disposal of real property thereof from or to a related party, or acquisition or disposal of assets other than real property thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in</li> </ol>	<ol style="list-style-type: none"> <li>1. Amend the government debt specified in the Subparagraph 1 of Paragraph 1 and Item 1 of the Subparagraph 1. The main consideration is the central and local government debts are clear and easy to inquire, and they are exempt from announcements. As for foreign government debts, the scope of the exemption is not yet covered, and the amendments are limited to domestic bonds.</li> <li>2. In accordance with the provisions of the International Financial Reporting Standard No. 16. Amend the Subparagraph 1, 4 and 5 of Paragraph 1, and the Subparagraph</li> </ol>

Article	Modified provisions	Current provisions	Change cause
	<p>individual contracts set out in the procedures adopted by the company.</p> <p>4. Where equipment <u>or right-of-use assets</u> thereof for <u>asset type belong to</u> business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>(1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property <u>or right-of-use assets</u> thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; <u>among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u></p> <p>6. Where land is acquired under an arrangement on engaging others to build on the</p>	<p>the procedures adopted by the company.</p> <p>4. Where equipment thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>(1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Acquisition or disposal by a public company in the construction business of real property thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NTD500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial</p>	<p>3 of Paragraph 2. The right to use assets are included in the specification of this article.</p> <p>3. In view of the fact that the construction industry sells the real property that is built and completed on its own, it is necessary for the company to conduct daily business sales. The project of a large-scale construction company is likely to reach the announcement reporting standard due to the high amount, which may lead to frequent announcements. Based on the significant consideration of information disclosure, the company has obtained or disposed of equipment specifications for business use, and added the latter paragraph in the Subparagraph 5 of Paragraph 1. Relaxation of the aforesaid disposal transactions, and the transaction object is not the</p>

Article	Modified provisions	Current provisions	Change cause
	<p>company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of <u>domestic</u> government bonds.</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (<u>excluding subordinated debt</u>) that are offered and issued in the primary market, <u>or subscription or redemption of securities investment trust funds or futures trust funds</u>, or</p>	<p>institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NTD300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC domestic and overseas markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p>	<p>announcement standard of the related party.</p> <p>4. Considering the Subparagraph 1 of the Paragraph 1 has clearly defined the announcement of the related party transaction, the Subparagraph of the same Paragraph is to regulate the non-relevant transaction, for the benefit of the company to follow, to amend the Subparagraph of Paragraph 6.</p> <p>5. Amendment of the Item 2 of the Spubparagraph 7 of the Paragraph 1:</p> <p>(1) Considering the investment as a professional, the trading of securities on the stock exchanges of securities companies or securities firms at domestic and oversea is a regular business operation, which may lead to frequent announcements. Based on the materiality considerations of the information disclosure, the announcements</p>

Article	Modified provisions	Current provisions	Change cause
	<p>subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets</u> thereof within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in the Paragraph 2 refers to the year</p>	<ol style="list-style-type: none"> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in the Paragraph 2 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>The company acquiring or disposing of assets shall keep all</p>	<p>are exempted, and the terms of the standard are standardized. The principles of the subject matter or institutions referred to in this regulation are consistently included at domestic and oversea, and the terms at domestic and oversea are deleted.</p> <p>(2) Considering the investment as a professional, the act of subscribing to ordinary corporate bonds in the everseas primary market is a regular act, and its commodity nature is pure. In addition, domestic securities investment trusts and futures trusts are regulated by the Financial Management Association, and the purchase or buy back funds raised by them (excluding overseas funds) is also a regular act of investing professionals. Amendment to the relaxation of the exemption from the investment of the professional to buy and sell the aforementioned securities.</p>

Article	Modified provisions	Current provisions	Change cause
	<p>preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>Considering the higher risk of subordinated bonds, it also specifies the general corporate bonds and general financial bonds that are not involved in equity, and does not include subordinated bonds.</p> <p>6. Amend Subparagraph 3 of the Paragraph 1 by words to operate in accordance with the law.</p> <p>7. The Paragraph 4 and 6 are subject to textual amendments.</p>
<p>Article 23</p>	<p>Article 23</p> <p>The company's subsidiary is not a domestic public company. Those who have obtained or disposed of assets in accordance with Articles 21 and 24 shall be notified by the Company.</p> <p>The subsidiary of the preceding paragraph shall apply the applicable reporting standard for the first paragraph of Article 21 regarding the amount of paid-in capital or total assets, calculated based on the paid-in capital of the company and the total assets in the most recent</p>	<p>Article 23</p> <p>The company's subsidiary is not a domestic public company. Those who have obtained or disposed of assets in accordance with Articles 21 and 24 shall be notified by the Company.</p> <p>The subsidiary of the preceding paragraph shall apply the applicable reporting standard for the first paragraph of Article 21 regarding the amount of <del>20%</del> of paid-in capital or <del>40%</del> of total assets, calculated based on the paid-in capital of the company and the total assets in the most recent</p>	<p>1. The announcement standard of the subsidiary shall be the same as that of its parent company.</p> <p>Cooperate with the first paragraph of Article 21 to add an announcement standard for the amount of paid-in capital of NTD10 billion, and amend</p>

Article	Modified provisions	Current provisions	Change cause
	individual financial report.	individual financial report.	the second paragraph so that the subsidiary can apply the announcement standard. 2. Amend Paragraph by words to operate in accordance with the law.

**《Attachment 7》 Amended Comparison Table of Operational Procedures for Loaning Funds to Others**

Amended Comparison Table of Operational Procedures for Loaning Funds to Others

(R-29)

Article	Modified provisions	Current provisions	Change cause
Article 2	<p>Article 2</p> <p>The company shall comply with these procedures when making loans to others; <u>provided that where another financial act or regulation provides otherwise, the provisions of such act shall prevail.</u></p>	<p>Article 2</p> <p>The company shall comply with these procedures when making loans to others.</p>	<p>According to the current provisions, the term "other regulations" refers to the publicly-issued banking, insurance, ticketing, securities and futures industries and other financial related businesses engaged in financial loans or endorsements for others, priority should be applied to the relevant industry. Amend some text correction.</p>
Article 3	<p>Article 3 Entities to which the company may loan funds:</p> <p>The company's funds are subject to the following circumstances, except for those who have the necessary funds for short-term financing:</p> <p>1. The company directly and indirectly holds more than 50% of the voting shares, and the company has the necessary short-term financing for business needs.</p> <p>2. Other companies or firms are necessary for short-term financing due to purchase material or operational turnover. Such financing amount shall</p>	<p>Article 3 Entities to which the company may loan funds:</p> <p>The company's funds are subject to the following circumstances, except for those who have the necessary funds for short-term financing:</p> <p>1. The company directly and indirectly holds more than 50% of the voting shares, and the company has the necessary short-term financing for business needs.</p> <p>2. Other companies or firms are necessary for short-term financing due to purchase material or operational turnover. Such financing amount shall</p>	<p>Amend the company's internal procedures in accordance with the correction checklist issued by the Financial Supervisory Commission.</p>

Article	Modified provisions	Current provisions	Change cause
	<p>not exceed 40% of the lender's net worth.</p> <p>3. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the company holds, directly or indirectly, 100% of the voting shares <u>or between overseas companies in which the public company holds, directly or indirectly, 100% of the voting shares.</u> However, <u>the setting of the aggregate amount of loans and the maximum amount permitted to a single borrower amount limits and the durations of loans shall still apply.</u></p> <p><u>The responsible person of the company who has violated the provisions of the first Paragraph and preceding Paragraph shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.</u></p>	<p>not exceed 40% of the lender's net worth.</p> <p>3. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the company holds, directly or indirectly, 100% of the voting shares. However, the provisions of Article 4, concerning the setting of the amount limits, and Article 5, the durations of loans, shall still apply.</p>	
Article 15	<p>Article 15</p> <p>The company formulates the Operational Procedures for Loaning Funds to Others, and, after passage by the board of directors, submit the Procedures to each supervisor and submit them for approval by the shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p>When the company submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions</p>	<p>Article 15</p> <p>The company formulates the Operational Procedures for Loaning Funds to Others, and, after passage by the board of directors, submit the Procedures to each supervisor and submit them for approval by the shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p>When the company submits its Operational Procedures for Loaning Funds to Others for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions</p>	<p>With reference to the provisions of Article 14-3 of the Securities Exchange Act, the text of Paragraph 2 shall be adjusted as appropriate. In accordance with Article 14-5 of the Securities Exchange Act, the audit committee's powers include determining or amending major financial business actions of Operational Procedures for</p>



Article	Modified provisions	Current provisions	Change cause
	<p>specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p><u>If the company has set up an audit committee, the establishment or amendment of the Operational Procedures for Loaning Funds to Others shall be approved by more than one-half of all members of the audit committee, and the resolution of the board of directors shall be submitted, and the provision of Paragraph 2 shall not apply.</u></p> <p><u>If the preceding paragraph is not approved by more than one-half of all members of the audit committee, it may be agreed by more than two-thirds of all directors, and the resolutions of the audit committee shall be stated in the proceedings of the board of directors.</u></p> <p><u>All members of the audit committee referred to in the Paragraph 3 and all directors referred to in the preceding Paragraph shall be counted as actual incumbents.</u></p>	<p>specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p>	<p>Loaning Funds to Others.</p>

## 《Appendix 1》 TKK Rules and Procedure of Shareholders' Meeting

- Article 1 The shareholders' meeting shall be handled in accordance with these rules, unless otherwise provided by the law.
- Article 2 The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in an attendance card in lieu of signing on the attendance book.
- The number of shares in attendance is calculated according to the signature book or the signed card and the shareholding of the voting rights in writing or electronically.
- Article 3 Voting and attendance at a shareholders' meeting shall be calculated based the number of shares.
- Article 4 The venue for the shareholders' meeting shall be within the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 5 If a shareholders meeting is called by the board of directors, the board chairman shall preside at the said shareholders meeting. In case the chairman is on leave of absence, or cannot exercise his powers and authority, the vice chairman shall act in lieu of him. there is no vice chairman, or the vice chairman is also on leave of absence, or cannot exercise his powers and authority, the chairman shall designate a managing director to act in lieu of him; if there is no managing director, the chairman shall designate a director to act in lieu of him. the chairman does not designate a director, the managing directors or directors shall elect one from among themselves to act in lieu of the chairman. If a shareholders meeting is called by any other person than the board of directors, who has the right to call the meeting, said person shall preside at that meeting.
- Article 6 The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders meeting. Those handling the business of a shareholders meeting shall wear an identification card or a badge.
- Article 7 The Company shall record with an audio or video tape the whole proceedings of the shareholders meeting, and said video tape or audio tape shall be kept for at

least one year.

Article 8 When it is time to convene a shareholders meeting, the chairman shall immediately convene the meeting, provided, however, that if the shareholders present do not represent a majority of the total amount of issued shares, the chairman may postpone the meeting, provided, however, that the postponement of the said meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the shareholders present still do not represent a majority of the total amount of issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Act by shareholders representing one-third of the total amount of issued shares. Before the close of the said meeting if the shareholders present represent a majority of the total amount of issued shares, the chairman may present the tentative resolution so adopted to the meeting for resolution in accordance with the provisions of Article 174 of the Company Act.

Article 9 If a shareholders meeting is called by the board of directors, the proceedings of the meeting shall be formulated by the board of directors, and the meeting shall be proceeded with in accordance with the said proceedings. The proceedings shall not be changed without a resolution made by the shareholders meeting. If a shareholders meeting shall be called by any other person than the board of directors, the preceding provisions shall apply mutatis mutandis to the said meeting. The chairman shall not adjourn a meeting without resolution adopted by shareholders if the motions (including extraordinary motions) covered in the proceedings so arranged in the above two Paragraphs shall not have been resolved. After close of the said meeting, shareholders shall not elect another chairman to hold another meeting at the same place or at any other place. However, if the chairman violated the rules of procedure and adjourn the meeting, it is possible to be adopted by a majority vote of the shareholders' voting rights to elect one person to serve as the chairman to continue the meeting.

Article 10 A shareholder wishing to speak in a shareholders meeting shall first fill out a slip, specifying therein the major points of his speech, his serial number as a shareholder (or number of attendance) and his name, and the chairman shall determine his order of giving a speech. A shareholder who submits his slip for a

speech but does not actually speak shall be considered as not having given a speech. If the contents of his speech shall be different from those specified on the slip, the contents of his speech shall prevail. When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained the prior consent from the chairman and the said shareholder, and the chairman may prevent others from interrupting.

Article 11 A shareholder shall not speak more than two times for one motion, unless he has obtained the prior consent from the chairman, and each speech shall not exceed 5 minutes. If a shareholder violates the above provisions or his speech exceeds the scope of the motion, the chairman may prevent him from doing so.

Article 12 A corporate shareholder being entrusted to attend in a shareholders meeting may designate only one representative to represent it in the meeting. If a corporate shareholder which designates two or more representatives to represent it at the shareholders meeting, only one of the representatives so designated may speak on any one motion.

Article 13 After a shareholder has given a speech, the chairman may personally or designate relevant person to respond.

Article 14 When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

Article 15 The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman, provided, however, that the person supervising the casting of votes shall be a shareholder. The results of resolution shall be announced in the meeting, and recorded in the meeting minutes.

Article 16 During the proceedings of a meeting, the chairman may consider the schedule and announce for a break.

Article 17 Unless otherwise specifically provided for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority vote at a meeting attended by the shareholders. When voting on the resolution, the chairman or his designee shall announce the voting rights of the shareholders and the shareholders shall vote.

Article 18 If there shall be an amendment or alternative to one motion, the chairman may combine the amendment or alternative into the original motion, and determine their orders for resolution. any one of the above shall be resolved, the others shall be considered as rejected, upon which no further resolution shall be required.

Article 19 The chairman may direct disciplinary personnel (or security personnel) to maintain the order of the meeting. For doing so they shall wear a badge bearing the words of "disciplinary personnel".

Article 20 These rules shall be implemented after the approval of the shareholders' meeting, and the same shall apply to the amendments.

## 《Appendix 2》 TKK Articles of Incorporation

### Chapter 1 General Provisions

Article 1 The company was organized in accordance with the provisions of the Company Act and was named Taiwan Kong King Co., Ltd.

Article 2 The company's businesses are as follows:

- (1) C802120 Industrial Catalyst Manufacturing
- (2) C802200 Paints, Varnishes, Lacquers, Dyeing Mills and Dyestuff Manufacturing
- (3) CB01010 Machinery and Equipment Manufacturing
- (4) CB01020 Office Machines Manufacturing
- (5) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- (6) CC020170 Wired Communication Equipment and Apparatus Manufacturing
- (7) CC020180 Telecommunication Equipment and Apparatus Manufacturing
- (8) CC020190 Electronic Parts and Components Manufacturing
- (9) CC01110 Computers and Computing Peripheral Equipments Manufacturing
- (10) CC01990 Electrical Machinery, Supplies Manufacturing
- (11) CD01050 Bicycles and Parts Manufacturing
- (12) CE01010 Precision Instruments Manufacturing
- (13) CF01011 Medical Materials and Equipment Manufacturing
- (14) EZ05010 Apparatus Installation Construction
- (15) EZ13010 Nucleus Construction
- (16) F2018200 Wholesale of Chemistry Raw Material
- (17) F2018990 Wholesale of Other Chemical Products
- (18) F2019031 Wholesale of Drugs, Medical Goods
- (19) F113010 Wholesale of Machinery
- (20) F113030 Wholesale of Precision Instruments
- (21) F113050 Wholesale of Computing and Business Machinery Equipment
- (22) F113990 Wholesale of Other Machinery and Equipment
- (23) F119010 Wholesale of Electronic Materials
- (24) F207200 Retail sale of Chemistry Raw Material
- (25) F207990 Retail Sale of Other Chemical Products
- (26) F208031 Retail sale of Medical Equipments
- (27) F213030 Retail sale of Computing and Business Machinery Equipment
- (28) F213040 Retail Sale of Precision Instruments

- (29) F213080 Retail Sale of Machinery and Equipment
- (30) F213990 Retail Sale of Other Machinery and Equipment
- (31) F219010 Retail Sale of Electronic Materials
- (32) H703110 Senior Citizen's Development
- (33) I301010 Software Design Services
- (34) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3 The Company has its head office in Taoyuan County, Taiwan, and the Company may establish branches in and out of this country.

Article 4

- (1) When the company is a limited liability shareholder of other companies, it is not subject to Article 13 of the Company Act and may not exceed the limit of 40% of the company's paid-in capital.
- (2) The company may guarantee the external by the needs of the business.
- (3) The board of directors may invest in the mainland China according to the upper limit set by the competent authority.

#### Chapter 2 **Shares**

Article 5 The total amount of the Company's capital is NTD450 million, which is further divided into 45 million Shares, with the value per share NTD10, and the Board is authorized to issue shares in installments.

Article 6 The Company shall issue nominal shares after the signing or stamping of seal by three or more directors and stamped with the company's seal and number as well as being attested. When the Company issues shares, those shares shall not be printed. The shares not printed shall be kept and recorded by the centralized securities depository enterprise.

Article 7 The entries in the shareholders' roster shall not be altered within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

Article 7-1 The company buys back treasury shares, which can be transferred to employees based on the average price of the actual shares bought back. Subject to the

relevant laws and the attendance of more than half of the shareholders of the total number of issued shares of the shareholders' meeting, more than two-thirds of the voting rights of the shareholders shall agree to do so.

### Chapter 3 Shareholders' Meeting

- Article 8 There are two types of shareholders' meeting, namely, regular meeting and special meeting. The regular meeting shall be convened within six months after the close of each fiscal year. Whereas, special meetings are held in accordance with the law, when necessary. The shareholders' meeting shall be convened by the Board of Directors in addition to the provisions of the Company Act.
- Article 9 If a shareholder cannot attend a shareholders' meeting for any reason, he or she may issue a proxy form in accordance with the company, stating the scope of authorization, to authorize an agent by signature and stamp to attend the meeting on his or her behalf.
- Article 10 A shareholder shall be entitled to one vote for each share held, except when the shares are deemed non-voting shares under Article 179 and 197-1 of the Company Act.
- Article 11 Except as otherwise provided in the Company Act, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.
- Article 12 The company has nine to eleven directors and three to four supervisors for a term of three years and may be re-elected. The total number of shares held by all directors and supervisors shall not be less than the number of the competent authorities. According to Article 14-2 of the Securities and Exchange Act, among the preceding directors, the number of independent directors is three. For the election of all directors and supervisors, the candidate nomination system shall be adopted and the shareholders shall select from the list of candidates. The matters such as the acceptance and announcement of the preceding candidate shall be handled in accordance with the provisions of the Company Act and the Securities and Exchange Act. After the election, the board of directors may pass the resolution to insure the directors and supervisors the liability insurance for the scope of their business operations and the liability for compensation according to law. The remunerations of all directors and supervisors are authorized by the



board of directors to agree on the usual level of the industry.

Article 13 The board of directors shall be organized by the directors. The board of directors is organized by the directors. More than two-thirds of the directors present and more than half of the attended directors agree to elect the chairman, and the vice-chairman can be elected as the business needs. The chairman of the board of directors shall internally preside the shareholders' meeting, the meeting of the board of directors, and the meeting of the managing directors; and shall externally represent the company. In case the chairman of the board of directors is on leave or absent or can not exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case of the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the board of directors. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 13-1 The convening of the board of directors shall be notified to the directors and supervisors by written, email or fax by 7 days. The company may call the board of directors at any time in case of emergency and may also do so by written, email or fax.

Article 14 The directors are able to entrust other directors to attend the board of directors on their behalf by executing a power of attorney stating proxy therein the scope of power authorized, and may exercise voting rights on all matters arising from the meeting. However, no director may be an agent of more than one director.

Article 15 In case the chairman of the board of directors is on leave or absent or can not exercise his power and authority for any cause, his agent is handled in accordance with the provisions of Article 208 of the Company Act.

Article 16 In addition to performing their duties according to law, the supervisor may attend the board of directors to make comments but have no voting rights.

#### Chapter 4 **Managerial personnel**

Article 17 The company may have one or more managerial personnel. Appointment and

discharge and the remuneration of the managerial personnel shall be decided in accordance with Articles 29 of the Company Act.

#### Chapter 5 **Accounting**

Article 18 At the close of each fiscal year, the board of directors shall prepare the following statements and records and shall forward the same to supervisors for their auditing not later than the 30th day prior to the meeting date of a general meeting of shareholders, then send to the shareholders' meeting for ratification:

(1)the business report. (2)the financial statements. (3)the surplus earning distribution or loss off-setting proposals.

Article 19

(1) If the company is profitable, it should be deducted from the employee's remuneration and the remuneration of the directors and supervisors in advance of the pre-tax profit, and the employee's remuneration shall be 1% to 8% and the director and supervisor's remuneration shall be less than 1%. However, when the company still has accumulated losses, the amount of compensation should be retained in advance.

(2) The company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. The balance is calculated by accumulating undistributed earnings, and after accumulating or reversing the special reserve, it is the accumulated distributable earnings. The preceding accumulated distributable earnings is used to measure the necessity of the earnings to support the capital demand. According to the basic principles of the company's dividend policy, the amount of earnings reserve or distribution and the distribution are determined. According to the plan, the earnings distribution is proposed and submitted to the shareholders' meeting for resolution.

(3) The company's dividend policy is based on the consideration of the best capital budget and the dilution of earnings per share. The amount of dividend from shareholders should be 50%~100% of the distributable earnings for the year. And in the dividends for the year, cash dividends are issued at a rate of not less than 30%. The cash dividend distribution rate depends on the profit and capital

status of the year. After the board of directors proposes a distribution plan, it will be adjusted after the resolution of the shareholders' meeting.

#### Chapter 6 **Supplemental Provisions**

Article 20 The shareholders of the company's directors who supervise the execution of the business are paid wages or traveling expenses according to the level of the industry, and are paid regardless of profits and losses.

Article 21

- (1) Matters not covered in this article shall be handled in accordance with the provisions of the Company Act and other relevant laws and regulations.
- (2) The company's organization procedures and rules of procedure are separately set.

Article 22 The Article was enacted on May 20, 1977:  
The first amendment was on December 24, 1977.  
The second amendment was on November 1, 1978.  
The third amendment was made on May 27, 1982.  
The fourth amendment was on August 28, 1983.  
The fifth amendment was on August 15, 1985.  
The sixth amendment was on December 16, 1985.  
The seventh amendment was made on May 26, 1987.  
The eighth amendment was made on August 10, 1988.  
The ninth amendment was on July 20, 1990.  
The tenth amendment was on December 18, 1990.  
The eleventh amendment was made on March 20, 1991.  
The twelfth amendment was made on July 1, 1991.  
The thirteenth amendment was made on April 27, 1995.  
The fourteenth amendment was made on September 1, 1995.  
The fifteenth amendment was made on October 31, 1995.  
The sixteenth amendment was made on October 1, 1998.  
The seventeenth amendment was made on July 5, 2000.  
The eighteenth amendment was on October 5, 2000.  
The nineteenth amendment was made on November 17, 2000.  
The twentieth amendment was made on February 5, 2001.  
The twenty-first amendment was on June 25, 2002.  
The twenty-second amendment was made on May 30, 2003.  
The twenty-third amendment was made on May 24, 2004.  
The twenty-fourth amendment was made on May 16, 2005.  
The twenty-fifth amendment was made on May 16, 2005.  
The twenty-sixth amendment was made on May 25, 2006.  
The twenty-seventh amendment was made on June 13, 2007.  
The twenty-eighth amendment was made on June 25, 2008.  
The twenty-ninth amendment was made on June 16, 2009.  
The 30th amendment was made on June 18, 2010.  
The thirty-first amendment was made on June 22, 2011.  
The thirty-second amendment was made on June 20, 2012.  
The thirty-third amendment was made on June 11, 2015.

The thirty-fourth amendment was made on June 17, 2016.  
The thirty-fourth amendment was made on June 21, 2017.  
The thirty- fifth amendment was made on June 20, 2018.

### 《Appendix 3》 Impact of the Proposed Bonus Shares on the Company's Operating

Unit: Except for cash dividends per share and earnings per share are NTD1, the others are NTD 1,000.

Item / Year		2018
Initial paid-in capital		362,888.94
Share allotment of the year	Cash dividends per share	1.30(Remark 1)
	Capital increase by earning allotment per share (shares)	0
	Capital increase by capital reserve allotment per share (shares)	0
Changes in operating performance	Operating profit	(Remark 2)
	Operating profit increase compared to the same period last year (%)	
	Net profit after tax	
	Net profit after tax increase compared to the same period last year (%)	
	Earnings per share	
	Earnings per share increase compared to the same period last year (%)	
	Annual average return on investment (reciprocal of annual average P/E ratio) (%)	
Pro forma earnings per share and P/E ratio	If the capital increase by earnings is fully transferred to the cash dividend	Pro forma earnings per share
		Pro forma annual average return
	If the capital increase by capital reserve is not processed	Pro forma earnings per share
		Pro forma annual average return
	If the capital increase by capital reserve is not processed and capital increase by earnings is transferred to the cash dividend	Pro forma earnings per share
		Pro forma annual average return

Remark 1 : To be resolved by the shareholders' meeting in 2019.

Remark 2 : The financial forecast for 2018 was not prepared.

#### **Explanation of the shareholders' proposal on the shareholders' meeting:**

According to Article 172-1 and Article 192-1 of the Company Act, the period in which the Company accepts the written proposal of the shareholders is from March 15, 2019 to March 25, 2019 at 5 pm. The acceptance office is the Management Department of Taiwan Kong

King Co., Ltd. (1st Floor, No. 6, Section 2, Nantun Road, Luzhu Township, Taoyuan County), and has been publicly announced in the market observatory post system.

**《Appendix 4》 Shareholdings and The Minimum Shareholdings of All Directors and Supervisors**

1. Types of issued shares and total number of shares: 36,288,894 common shares  
 The minimum required combined shareholding of all directors by law: 3,600,000 shares.  
 The minimum required combined shareholding of all supervisors by law: 360,000 shares.
2. As the company has three independent directors, according to the law, the minimum shareholding of directors and supervisors should be reduced to 80%.
3. Shareholding roster:

Date: March 26, 2019

Title	Name	The shares held in the shareholder list on book closure date	
		Current shareholding	Shareholding ratio (%)
Chairman (Remark 1)	Ho, Shu-Chan	24,473,836	67.44
Director (Remark 1)	Wong, Senta	24,473,836	67.44
Director (Remark 1)	Tsui, Ying-Chun	24,473,836	67.44
Director (Remark 1)	Hsu, Hung-Chieh	24,473,836	67.44
Director (Remark 1)	Chang, Jui-Shum	24,473,836	67.44
Director	Liao, Hung-Ying	188,798	0.52
Director	Chen, Mei-Fen	287,035	0.79
Independent Director	Lok, Arthur K.	0	0
Independent Director	Chan, Chun-Yen	0	0
Independent Director	Huang, Wen-Yuean	1,050	0
Supervisor (Remark 2)	Chou, Ken	378,484	1.04
Supervisor	Wu, Kuo-Hsien	0	0
Supervisor	Tsai, Chih-Wei	0	0
Number of shares held by all directors		24,950,719	68.75
Number of shares held by all supervisors		378,484	1.04

(Remark 1) The corporate representative of “Wong’s Kong King International (Holdings) Ltd. , incorporated in Bermuda” .

(Remark 2) The corporate representative of “Top Range Machinery Co., Ltd.”.