

Stock Code : 1702

Namchow Holdings Co., Ltd.  
(formerly named :Namchow Chemical Industrial Co., Ltd.)  
2019 General Meeting of Shareholders

# Handbook

# Table of Contents

I.	Agenda.....	1
(I).	Reports .....	2
(II).	Recognitions.....	3
(III).	Discussions.....	4
(IV).	Elections .....	47
(V).	Motions .....	49
II.	Attachments	
(I)	Report on Operations. ....	50
(II)	Supervisor Review Report .....	55
(III)	Report of 2018 Remunerations Assignment for Board Directors and Employees .....	56
(IV)	Financial Statement.....	57
(V)	Earnings Distribution Form .....	74
III.	Appendices	
(I)	“Articles of Incorporation” currently in effect.....	75
(II)	Rules and Procedures for Shareholders Meetings .....	83
(III)	Guidelines for Electing Board Directors and Supervisors.....	85
(IV)	“Procedure for the Acquisition and Disposition of Assets” currently in effect.....	87
(V)	“Procedure for Financing” currently in effect.....	105
(VI)	“Procedure for Endorsement and Guarantee” currently in effect. ....	110
(VII)	Shareholding Status of Board Directors and Supervisors.....	116

Namchow Holding Co., Ltd.  
(Formerly known as Namchow Chemical Industrial Co., Ltd.)  
2019 General Shareholders' Meeting Agenda

Time: 9:00 a.m. (Wednesday) on May 30, 2019

Venue: Vision Hall (願景廳), Taipei Foundation of Finance, Room 6, 6F., No.51,  
Hengyang Rd., Taipei City.

- 1 、 Meeting Called to Order
- 2 、 Chairperson Address
- 3 、 Reports
  1. 2018 Business Results
  2. Review results of the 2018 final accounting books by the supervisors
  3. 2018 Remunerations Assignment for Board Directors and Employees
- 4 、 Recognitions
  1. 2018 annual business reports and financial statements
  2. 2018 distribution of earnings
- 5 、 Discussions
  1. Motion of amendment to the Articles of Incorporation
  2. Motion of amendment to the Guidelines for Electing Board Directors and Supervisors.
  3. Motion of amendment to the “Procedure for the Acquisition and Disposition of Assets”.
  4. Motion of amendment to the “Procedure for Financing”.
  5. Motion of amendment to the “Procedure for Endorsement and Guarantee”.
- 6 、 Elections:

Adoption of two co-opted Directors (including one Independent Director).
- 7 、 Ex Temporary Motions
- 8 、 Meeting adjourned

# Reports

- (I). 2018 Operation Status (See Attachment 1)
- (II). Supervisors' Review of 2018 Accounts (See Attachment 2)
- (III). 2018 Remunerations Assignment for Board Directors and Employees (See Attachment 3)

# Recognitions

Case 1 Introduced by the Board of Directors

Case: Submission for Recognition of 2018 Business Report and Financial Statement.

(See Attachments 1 and 4-1 through 4-10)

Decision:

Case 2 Introduced by the Board of Directors

Case: Submission for Recognition of 2018 Earnings Distribution Proposal

Description: (1)The after-tax net profits of the company for 2018 total NTD 1,012,724 thousand and hence the Earnings Distribution Form (See Attachment 5) is prepared.

(2) Cash dividends intended to be assigned total NTD 792,156 thousand, that is, NTD 2.70 is distributed per share. Cash dividends are rounded off to the nearest integer. The total of fractional shares is to be counted as part of other income of the company. Once approved in the shareholders' meeting, the Board of Directors is authorized to set a separate cash dividend baseline date for the distribution.

Decision

# Discussions

Motion No. 1: Introduced by the Board of Directors

Cause of motion: Amendment to the Articles of Incorporation

Description:

1. The Company decides to establish an Audit committee in accordance with Article 14-4, No.181-2 rule of the Securities Exchange Act and Order 10200531121 of the Financial Supervisory Commission upon the expiration of the term of office of the current Supervisor on 16<sup>th</sup> June, 2019.

It is proposed that, in conjunction with the Company law amendment to regulation No. 240, authorized Board of Directors are to discuss the necessity to distribute all or one of the dividends and bonuses in the form of cash and report to the Shareholder's Meeting.

3. Amended Articles 18, 19, 31-1, 34 and the Articles of Incorporation

4. Following the revisions made to the Articles of Incorporation, the comparison table of articles before and after the revision is as follows:

After	Before	Description
Article 18: The Company shall establish 5 to 9 seats of Directors and the candidates to the seats shall be elected by the Shareholders' Meeting from persons with full legal competence. Each Director has tenure of 3 years and may assume a second term of office if reelected. Directors are entitled to traveling subsidy regardless of the profit position of the Company. <u>Among the said Directors, there may not be fewer than 3 independent Directors</u> and the independent Directors may not account for less than one-fifth of all openings. Election of independent	Article 18: The Company shall establish 5 to 9 seats of Directors and the candidates to the seats shall be elected by the Shareholders' Meeting from persons with full legal competence. Each Director has tenure of 3 years and may assume a second term of office if reelected. Directors are entitled to traveling subsidy regardless of the profit position of the Company. Among the said Directors, there may not be fewer than 2 independent ones and the independent Directors may not account for less than one-fifth of all openings. Election of independent Directors follows the nomination	

Directors follows the nomination system. Shareholders shall elect independent directors according to the list of candidates they receive. Independent and non-independent Directors shall be elected together and votes will be counted separately. The nomination and election of independent Directors and other details to be followed shall be based on the requirements indicated in the Securities Exchange Act and applicable laws and regulations.	system. Shareholders shall elect independent Directors according to the list of candidates they receive. Independent and non-independent Directors shall be elected together and votes will be counted separately. The nomination and election of independent Directors and other details to be followed shall be based on the requirements indicated in the Securities Exchange Act and applicable laws and regulations.	
<p><u>Article 18-1 :</u></p> <p><u>The company shall be composed of all Independent Directors to form an Audit Committee from the expiration of the term of office of the current Supervisor in accordance with the provisions of Article 14-4 of the Securities Exchange Act Law. The exercise of powers of the Audit Committee, members and related matters shall be conducted in accordance with the Securities Exchange Act Law and relevant laws and regulations. After the establishment of the Audit Committee, the provisions of the Articles of Association regarding the supervisory system shall cease to apply.</u></p>		The supervisor y system shall be conducted until the expiration of the term of the current supervisor on June 16 <sup>th</sup> , 2018. The audit committee will then be implemented.
<p>Article 19 :</p> <p>The Directors shall form the Board of Directors and shall elect among themselves one Chairman and one Vice Chairman with paid salaries that are positive expenses regardless of gains or losses.</p> <p><u>In order to improve the performance of supervision and strengthen the functions of management, the Board of Directors may have to establish Functional Committees according to the Law or the Company' s needs. The regulations for the exercise of</u></p>	<p>Article 19 :</p> <p>The Directors shall form the Board of Directors and shall elect among themselves one Chairman and one Vice Chairman with paid salaries that are positive expenses regardless of gains or losses.</p>	The divisions of the functional commission will assist the Board of Directors in making decisions regarding the second part of the

<p><u>powers of the Functional Committees shall be determined by the Board of Directors.</u></p>		<p>Article.</p>
<p>Article 31-1 :</p> <p>The Company shall appropriate its earnings for the payment of applicable taxes, followed by the write-off of loss carried forward, and 10% as legal reserve, if applicable. If however the legal reserve so appropriate is equivalent to the paid-in capital of the company, no further appropriation is necessary. The remainder shall be recognized for special reserve or reversal of special reserve. If there is still a balance, it will be pooled up with undistributed earnings for distribution to the shareholders as dividend or bonus at the proposal of the Board and the final approval of the Shareholder' s Meeting. <u>However, the dividends paid in cash must be attended by more than two-thirds of the Directors from the board and approved by more than half of the Directors present. Reports need to be presented to the Shareholder' s Meeting.</u></p> <p>The dividend policy of the company shall meet the needs of the development plan at present and in the future, in consideration of the investment environment, capital requirement and competition at home and abroad, and also the interests of the Shareholders. At least 30% of annual earnings attributable to Shareholders for distribution shall be paid out as dividend, which may be paid as stock dividend and/or cash dividend. Cash dividend shall not fall below 10% of the total dividend paid to the Shareholders.</p>	<p>Article 31-1 :</p> <p>The Company shall appropriate its earnings for the payment of applicable taxes, followed by the write-off of loss carried forward, and 10% as legal reserve, if applicable. If however the legal reserve so appropriate is equivalent to the paid-in capital of the company, no further appropriation is necessary. The remainder shall be recognized for special reserve or reversal of special reserve. If there is still a balance, it will be pooled up with undistributed earnings for distribution to the shareholders as dividend or bonus at the proposal of the Board and the final approval of the Shareholder' s Meeting. The dividend policy of the company shall meet the needs of the development plan at present and in the future, in consideration of the investment environment, capital requirement and competition at home and abroad, and also the interests of the Shareholders. At least 30% of annual earnings attributable to Shareholders for distribution shall be paid out as dividend, which may be paid as stock dividend and/or cash dividend. Cash dividend shall not fall below 10% of the total dividend paid to the Shareholders.</p>	<p>Amended in accordance with Article 240 of the Company Law, authorize the board of Directors to decide on distributing all or part of the dividends and bonuses in the form of cash, and reports to be presented to the Shareholders' meeting.</p>



Article 34 .....Besides the omission and retention of some, <u>"The 53rd amendment took place on May 30th, 2019" is added.</u>	Article 34 .....	Dating of the provision after amendment
-----------------------------------------------------------------------------------------------------------------------------------	---------------------	-----------------------------------------

Decision :

Motion No. 2 Introduced by the Board of Directors

Cause of motion : Amendment to the “Guidelines for Electing Board Directors and Supervisors”

Description :

1. Cooperate with the establishment of the Audit Committee, Supervisory System will be replaced at the end of the current Supervisor’s term of office on June 16<sup>th</sup>, 2019.
3. This amendment shall take effect when the Audit Committee is established.
4. The amendments is as follows:

After	Before	Description
Guidelines for Electing Board Directors	Guidelines for Electing Board Directors and Supervisors	Cooperate with the establishment of the Audit Committee. The Supervisory system will be implementing until the expiration of the term of office of the current Supervisor on 16 <sup>th</sup> July, 2019.
1. The election of Directors shall be governed by This Procedure.	1. The election of Directors and supervisors of the Company shall be governed by This Procedure.	Ibid
2. In the election of Directors, holder of each share shall be	2. In the election of Directors and Supervisors, holder of each	Ibid

After	Before	Description
entitled to the voting right of electing the equivalent seats of Directors or they may concentrate the votes on particular candidate or distribute the votes to different candidates.	share shall be entitled to the voting right of electing the equivalent seats of Directors and Supervisors or they may concentrate the votes on particular candidate or distribute the votes to different candidates.	
3. The Board shall prepare the ballots equivalent to the seats of Directors to be elected and fill in the weight before circulating to the shareholders.	3. The Board shall prepare the ballots equivalent to the seats of Directors and Supervisors to be elected and fill in the weight before circulating to the shareholders.	Ibid
5. The Board shall prepare the ballot box for the election of Directors. The observers shall inspect the box before balloting.	5. The Board shall prepare the ballot box for the election of Directors and Supervisors. The observers shall inspect the box before balloting.	Ibid
8. A ballot shall be void is any of the following occurs: (VI)Failed to fill in the account title (name) or account number (ID number) of the candidate on the ballot. <u>However, the candidate will be eligible despite failing to fill in the required sections above IF he/she is the only candidate running for the election.</u>	8. A ballot shall be void is any of the following occurs: (VI) Failed to fill in the account title (name) or account number (ID number) of the candidate on the ballot.	The independent Directors of the company are elected under the candidate nomination system. The Shareholders should select the candidates from the list. The candidate's "identity document number" will not be included in the election ticket for identification. The IPO page is based on the protection of personal assets. Only part of the candidate's identity document number will be shown to avoid dispute. It is proposed to amend the text.
IX. Directors of the Company shall be elected from candidates with full legal competence by the Shareholders' Meeting and	IX. Directors and Supervisors of the Company shall be elected from candidates with full legal competence by the	Cooperate with the establishment of the Audit Committee.

After	Before	Description
<p>elected to the seats specified in the Articles of Incorporation on the basis of the voting result whereby candidates won the majority of the votes will be elected to the seats.</p>	<p>Shareholders' Meeting and elected to the seats specified in the Articles of Incorporation on the basis of the voting result whereby candidates won the majority of the votes will be elected to the seats in the order of Independent Directors, Non-Independent Directors, or Supervisors.</p> <p>When one is elected Director and Supervisor at the same time according to Paragraph 1, he/she should decide whether he/she wants to be the Director or the Supervisor while the vacancy is to be filled by another person elected in the Shareholders' Meeting.</p>	
<p>XI. The election will be nullified if being held in defiance of Article <u>26-3-(3)~(3)</u></p>	<p>XI. The election will be nullified if being held in defiance of Article 26-3-(3) ~ (4).</p>	<p>Correction of texts</p>
<p>XIII. The Board of the Company will give notice of election to office to the Directors elected to the seats.</p>	<p>XIII. The Board of the Company will give notice of election to office to the Directors and Supervisors elected to the seats.</p>	<p>Cooperate with the establishment of the Audit Committee.</p>

Decision :

### Motion No. 3: Introduced by the Board of Directors

Cause of motion : Amendment to the “Procedure for the Acquisition and Disposition of Assets”.

Description :

1. In conjunction with the accounting treatment of IFRS 16 of the International Financial Reporting Standards, it is proposed to amend some of the provisions of the “Acquisition or Disposal of Assets Processing Procedures” of the Company, include the assets of the right to be recognized and acquired by the company into the specification of the Disposition of Asset Processing Procedures.
2. This amendment shall take effect when the Audit Committee is established.
3. The provisions before and after the amendment are shown below:

After	Before	Description
<p>II. Assets for application:</p> <p>(I) Investment of stocks, government bonds, corporate bonds, bank debentures, fund securities, depository receipts, call (put) warrants, beneficiary certificates, and asset-backed securities.</p> <p>(II) Property (including lands, housing and structures, investment property, right of land use) and equipment.</p> <p>(III) Membership cards.</p> <p>(IV) Patents, copyrights, trademark, franchise, and other intangible assets.</p> <p><u>(V) Right-of-use asset</u></p> <p><u>(VI) Derivative Goods: Its values derives from Specific interest rate, financial instrument price, commodity price, exchange rate, price or rate index, credit rating etc. or credit index, Forward</u></p>	<p>II. Assets for application:</p> <p>(I) Investment of stocks, government bonds, corporate bonds, bank debentures, fund securities, depository receipts, call (put) warrants, beneficiary certificates, and asset-backed securities.</p> <p>(II) Property (including lands, housing and structures, investment property, right of land use) and equipment.</p> <p>(III) Membership cards.</p> <p>(IV) Patents, copyrights, trademark, franchise, and other intangible assets.</p> <p>(V) Derivative Goods: Forwards contracts, option contracts, futures contracts, leverage contracts, and swap contracts the value of which is derived from its underlying assets, interest rate, exchange rate, index or other form of interests.</p>	<p>1. In accordance with the applicable International Financial Reporting Standards No.16 bulletin, the Fifth Paragraph is added to include the Right-of-use assets in the scope of assets referred to in this processing procedure. The current second paragraph land use right will be moved to the fifth paragraph.</p> <p>2. Current Paragraphs 5-7 will be shifted to Paragraphs 6-8</p>

<p>contracts derived from <u>other variables</u>, option contracts, futures contracts, leveraged margin contracts, exchange contracts, <u>combinations of such contracts</u>, or <u>combined contracts or structured goods embedded in derivative goods</u>, etc. Forward contracts as referred to do not include insurance contracts, performance contracts, post-delivery service contracts, long-term lease contract and long-term buy-sell contracts.</p> <p>(VII) Assets acquired or disposed from merger, spinoff, acquisition and acceptance of assigned shares: assets acquired or disposed through merger, spinoff, or acquisition in accordance with the Corporate Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Mergers Act or other applicable laws, or the issuance of new shares for acceptance of the shares assigned from other companies pursuant to Article <u>156-3</u> of the Company Act.</p> <p>(VIII) Other major assets.</p>	<p>Forward contracts as referred to do not include insurance contracts, performance contracts, post-delivery service contracts, long-term lease contract and long-term buy-sell contracts.</p> <p>(VI) Assets acquired or disposed from merger, spinoff, acquisition and acceptance of assigned shares: assets acquired or disposed through merger, spinoff, or acquisition in accordance with the Corporate Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Mergers Act or other applicable laws, or the issuance of new shares for acceptance of the shares assigned from other companies pursuant to Article 156-8 of the Company Act.</p> <p>(VII) Other major assets.</p>	
<p>III. Evaluation Procedure:</p> <p>(I) In the acquisition or disposition of securities or engagement in derivative trade, the treasury and accounting of the Company shall conduct analysis of related return and possible risk. In the acquisition or disposition of real estate,</p>	<p>III. Evaluation Procedure:</p> <p>(I) In the acquisition or disposition of securities or engagement in derivative trade, the treasury and accounting of the Company shall conduct analysis of related return and possible risk. In the acquisition or disposition of real estate and</p>	<p>In accordance with the provisions of the International Financial Reporting Standard No. 16 Lease Bulletin, the right to use assets are included in this process.</p>

<p>other assets <u>and right-of-use assets</u>, related functional departments shall map out the capital expenditure plan and proceed to feasibility study on the purpose and expected return on acquisition or disposition of assets. For acquisition or disposition with related parties, proceed to Chapter II of This Procedure on the assessment of the rationality of the terms and conditions of the transactions.</p> <p>(III) In the acquisition or disposition of membership cards, intangible assets <u>and right-of-use asset</u> which transaction price exceeds 20% of the paid-in capital of the Company or NTD300 million, consult a certified public accountant for an opinion on the rationality of the transaction price before the day of deed and proceed to Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation unless otherwise the transaction is conducted with domestic government agencies.</p> <p>(IV) For the acquisition or disposition of <u>property, equipment and the right-of-use asset</u> exceeding 20% of the paid-in capital of the Company or NTD300 million, obtain the appraisal report issued by professional appraisers before the day of deed and proceed to the appraisal process of This Procedure.</p> <p>(VI) The Company shall</p>	<p>other assets, related functional departments shall map out the capital expenditure plan and proceed to feasibility study on the purpose and expected return on acquisition or disposition of assets. For acquisition or disposition with related parties, proceed to Chapter II of This Procedure on the assessment of the rationality of the terms and conditions of the transactions.</p> <p>(III) In the acquisition or disposition of membership cards and/or intangible assets which transaction price exceeds 20% of the paid-in capital of the Company or NTD300 million, consult a certified public accountant for an opinion on the rationality of the transaction price before the day of deed and proceed to Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation unless otherwise the transaction is conducted with government agencies.</p> <p>(IV) For the acquisition or disposition of property or equipment exceeding 20% of the paid-in capital of the Company or NTD300 million, obtain the appraisal report issued by professional appraisers before the day of deed and proceed to the appraisal process of This Procedure.</p> <p>(VI) The Company shall comply with the following in the determination of the price for the acquisition or disposition of assets or for reference</p>	
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>comply with the following in the determination of the price for the acquisition or disposition of assets or for reference further to the aforementioned appraisal by professional appraisers, certified public accountants, and other experts:</p> <p>3. In the acquisition or disposition of membership cards, consider possible return and the most recent bid price for the transaction. For the acquisition or disposition of patents, copyrights, trademark, franchise, other intangible assets <u>and right-of-use assets</u>, consult international or market customs and practices, the service period, and the effect on the technological level and business of the Company.</p> <p>4. In the acquisition or disposition of property, equipment <u>and right-of-use asset</u>, consult the posted present value, appraised present value, the actual transaction price or book value of property in the neighborhood, and the quotation of the suppliers. For acquisition or disposition of property/<u>right-of-use asset</u> with related parties, conduct evaluation as stated in Chapter II of This Procedure to assess the rationality of the transaction price.</p>	<p>further to the aforementioned appraisal by professional appraisers, certified public accountants, and other experts:</p> <p>3. In the acquisition or disposition of membership cards, consider possible return and the most recent bid price for the transaction. For the acquisition or disposition of patents, copyrights, trademark, franchise, and other intangible assets, consult international or market customs and practices, the service period, and the effect on the technological level and business of the Company.</p> <p>4. In the acquisition or disposition of property or equipment, consult the posted present value, appraised present value, the actual transaction price or book value of property in the neighborhood, and the quotation of the suppliers. For acquisition or disposition of property with related parties, conduct evaluation as stated in Chapter II of This Procedure to assess the rationality of the transaction price.</p>	
IV. Operation Procedure:	IV. Operation Procedure:	1. Verification of

<p>(I) Authorized limit and gate approval</p> <p>3.Related party transactions: Prepare related information as stated in Chapter II of This Procedure, and present to the Board for approval and the Supervisors for ratification before proceeding to signing the trade contracts and effecting of payment. <u>In the event that an Audit Committee has been established in accordance with the law, they shall be approved by the Audit Committee members and submitted to the board of Directors for a resolution.</u></p> <p>Others: Comply with the internal control system and gate approval in the operation. If the transaction amount meets the standard required for declaration as stated in Article V, the approval of the Board in advance is necessary except for the acquisition or disposition of business equipment, <u>Right-of-use asset/real estate right-of-use asset</u> which could be reported to the Board for ratification in the afterward. The resolution for approval by the Shareholders' Meeting is necessary if any of the situations in Article 185 of the Company Act is applicable.</p>	<p>(I) Authorized limit and gate approval</p> <p>3. Related party transactions: Prepare related information as stated in Chapter II of This Procedure, and present to the Board for approval and the Supervisors for ratification before proceeding to signing the trade contracts and effecting of payment.</p> <p>5. Others: Comply with the internal control system and gate approval in the operation. If the transaction amount meets the standard required for declaration as stated in Article V, the approval of the Board in advance is necessary except for the acquisition or disposition of business equipment, which could be reported to the Board for ratification in the afterward. The resolution for approval by the Shareholders' Meeting is necessary if any of the situations in Article 185 of the Company Act is applicable.</p>	<p>procedures upon the official establishment of the Audit Committee.</p> <p>2. The right to use assets are included in this process in accordance with the applicable International Financial Reporting Standards No. 16 Lease Bulletin.</p>
<p>(II) Executor and transaction process</p> <p>The treasury of the Company shall be the executor of securities investment and derivative trade.</p>	<p>(II) Executor and transaction process</p> <p>The treasury of the Company shall be the executor of securities investment and derivative trade.</p>	<p>In accordance with the applicable International Financial Reporting Standards No. 16</p>



<p>Real estate, other assets <u>and right-of-use asset</u> shall be executed by the users or related functional departments. Merger, spinoff, acquisition, and acceptance of assigned shares shall be conducted by the functional unit designated by the Chairman. Upon successful evaluation as required by law and approval, the executor shall proceed to the acquisition or disposition of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets. Related party transactions, derivative trade, and merger, spinoff, acquisition or acceptance of assigned shares shall proceed to Chapter II ~IV of This Procedure.</p>	<p>Real estate and other assets shall be executed by the users or related functional departments. Merger, spinoff, acquisition, and acceptance of assigned shares shall be conducted by the functional unit designated by the Chairman. Upon successful evaluation as required by law and approval, the executor shall proceed to the acquisition or disposition of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets. Related party transactions, derivative trade, and merger, spinoff, acquisition or acceptance of assigned shares shall proceed to Chapter II ~IV of This Procedure.</p>	<p>Lease Bulletin, the right to use assets are included in this process.</p>
<p>V. Declaration Procedure: (I) If any of the following is applicable to the acquisition or disposition of assets by the Company, follow the format and content as stated in the attached table (Attachment 2-8) by nature of the asset, and disclose related information at the designated website of FSC for declaration within 2 days after the day of deed.</p> <ol style="list-style-type: none"> <li>1. Acquisition of property <u>or right-of-use assets</u> from related parties, or disposition of property <u>or right-of-use assets</u> to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million.</li> </ol>	<p>V. Declaration Procedure: (I) If any of the following is applicable to the acquisition or disposition of assets by the Company, follow the format and content as stated in the attached table (Attachment 2-8) by nature of the asset, and disclose related information at the designated website of FSC for declaration within 2 days after the day of deed.</p> <ol style="list-style-type: none"> <li>1. Acquisition of property from related parties, or disposition of property to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million. This provision is waived for the trading of government</li> </ol>	<ol style="list-style-type: none"> <li>1. In accordance with the provisions of the International Financial Reporting Standard No. 16 Lease Bulletin, the right to use assets are included in this procedure.</li> <li>2. Notice of exemption from trading domestic bonds</li> <li>3. Increase the acquisition of real estate by means of local committee construction, land lease committee construction, joint housing</li> </ol>

<p>This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms.</p> <p>4. The assets acquired or disposed are business equipment or right-of-use assets and the counterparties of transactions are not related parties and the amount of transaction exceeds NTD500 million.</p> <p>5. Acquisition of property through the commissioning for construction on proprietary lands, commissioning for construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of sale revenue, and joint venture in construction and joint marketing of finished premises, <u>and the transaction party is not related.</u> The Company expects to invest an amount of more than NTD500 million.</p> <p>6. Further to the transactions of assets or investment in Mainland China as specified from 1~5 of this provision, and the transaction amount exceeds 20% of the paid-in capital of the Company or NT\$300 million. Except</p>	<p>bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms.</p> <p>4. The assets acquired or disposed are business equipment and the counterparties of transactions are not related parties and the amount of transaction exceeds NTD500 million.</p> <p>5. Acquisition of property through the commissioning for construction on proprietary lands, commissioning for construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of sale revenue, and joint venture in construction and joint marketing of finished premises that the Company expects to invest an amount of more than NTD500 million.</p> <p>6. Further to the transactions of assets or investment in Mainland China as specified from 1~5 of this provision, and the transaction amount exceeds 20% of the paid-in capital of the Company or NT\$300 million. Except under the following situations:</p>	<p>construction, joint construction, and joint construction, and the transaction party is required to be non-relevant persons.</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------

<p>under the following situations:</p> <p>(1)Trading of <u>domestic</u> government bonds.</p> <p>(2)Trading of R/P bonds, R/S bonds, subscription or redemption of domestic money market funds offered by securities investment trust firms.</p> <p>(II)The amount of the aforementioned transactions shall be calculated in the method specified below:</p> <p>(II) The amount of the aforementioned transactions shall be calculated in the method specified below:</p> <p>3.The amount of transaction for the acquisition or disposition (accumulated separately) of the property or <u>right-of-use assets</u> of particular development project in one year on an accumulative basis.</p>	<p>(1)Trading of government bonds.</p> <p>(2)Trading of R/P bonds, R/S bonds, subscription or redemption of domestic money market funds offered by securities investment trust firms.</p> <p>(II) The amount of the aforementioned transactions shall be calculated in the method specified below:</p> <p>3.The amount of transaction for the acquisition or disposition (accumulated separately) of the property of particular development project in one year on an accumulative basis.</p>	
<p>VI. Procedure for appraisal of assets:</p> <p>The company obtains or disposes of real estate, <u>equipment and its right to use assets</u>, except for transactions with <u>domestic</u> government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use or its right to use assets. If the company's paid-in capital is 20% or NT\$300 million or more, the valuation report issued by the professional value shall be obtained before the date of the fact (the particulars for inscription are exhibited</p>	<p>VI. Procedure for appraisal of assets:</p> <p>For acquisition of real estate through the commissioning of construction on proprietary land, commissioning of construction on leased land, joint venture in construction with sharing of the finished premises, joint venture in construction with sharing of ownership, joint venture in construction with separate sale of finished premises exceeding 20% of the paid-in capital of the Company or NT\$300 million, present the appraisal reports issued by professional appraisers (the particulars for inscription are exhibited in Attachment 1)</p>	<p>1. In accordance with the provisions of the International Financial Reporting Standard No. 16 Lease Bulletin, the right to use assets are included in this procedure.</p> <p>2. Exemption from procedure for appraisal of assets with the government</p>

<p>in Attachment 1) and shall be in compliance with the following. The certification document issued by court may be used in lieu of the appraisal reports or opinions from certified public accountants if the acquisition or disposition of assets were conducted through court auction.</p>	<p>and shall be in compliance with the following. The certification document issued by court may be used in lieu of the appraisal reports or opinions from certified public accountants if the acquisition or disposition of assets were conducted through court auction.</p>	
<p>VII. Scope and limit of investment: Further to the acquisition of assets for business purpose, the Company and subsidiaries may also invest in property, <u>right –of-use assets</u> and securities not for business purpose. The limit of investment and restriction is specified below.</p> <p>(I) Total investment in property <u>and right-of-use assets</u> not for business use shall not limited to 50% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.</p>	<p>VII. Scope and limit of investment: Further to the acquisition of assets for business purpose, the Company and subsidiaries may also invest in property and securities not for business purpose. The limit of investment and restriction is specified below.</p> <p>(I) Total investment in property not for business use shall not limited to 50% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.</p>	<p>In accordance with the provisions of the International Financial Reporting Standard No. 16 Lease Bulletin, the right to use assets are included in this procedure.</p>
<p>XI. Resolution Procedure: In the acquisition of property <u>and right-of-use assets</u> from related parties, or disposition of property <u>and right-of-use assets</u> to related parties, or disposition of other assets beyond property exceeding</p>	<p>XI. Resolution Procedure: In the acquisition of property from related parties, or disposition of property to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the</p>	<p>In accordance with the provisions of the International Financial Reporting Standard No. 16 Lease Bulletin, the right to use assets are included in this procedure.</p>

<p>20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, the executor shall prepare related information for presenting to the Board and the Supervisory for ratification before entering into agreements or effective payment. This provision is waived for the trading of <u>domestic</u> government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms:</p> <p>(I) The purpose, necessity and expected return from the acquisition or disposition of assets.</p> <p>(II) The reasons of choosing related parties as the counterparties in the transactions.</p> <p>(III) In the acquisition of property and <u>right-of-use assets</u> from related parties, the information on the rationality of the terms and conditions of trade in the exclusionary clause of Article XII or Article XIII.</p>	<p>total assets, or NT\$300 million, the executor shall prepare related information for presenting to the Board and the Supervisory for ratification before entering into agreements or effective payment. This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms:</p> <p>(I) The purpose, necessity and expected return from the acquisition or disposition of assets.</p> <p>(II) The reasons of choosing related parties as the counterparties in the transactions.</p> <p>(III) In the acquisition of assets from related parties, the information on the rationality of the terms and conditions of trade in the exclusionary clause of Article XII or Article XIII.</p>	
<p>XII. Assessing the rationality of the conditions for trade</p> <p>For acquisition of real estate and <u>right-of-use assets</u> from related parties, assess the rationality of the cost of transaction in accordance with the following method and consult with certified public accountants for presenting substantive opinion, except that the property and <u>right-of-use</u></p>	<p>XII. Assessing the rationality of the conditions for trade</p> <p>For acquisition of real estate from related parties, assess the rationality of the cost of transaction in accordance with the following method and consult with certified public accountants for presenting substantive opinion, except that the property acquired by related parties is through succession or donation, or, the acquisition of assets by related</p>	<p>In accordance with the provisions of the International Financial Reporting Standard No. 16 Lease Bulletin, the right to use assets are included in this procedure.</p>

<p><u>assets</u> are acquired by related parties is through succession or donation, or, the acquisition of assets by related parties was longer than 5 years ago, or entering into agreement on joint construction with related parties through the commissioning of construction on proprietary land or on leased land; <u>Or the public offering company and its parent company, its subsidiaries, or its subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, and the real estate right-of-use assets for business use, etc.,</u> shall be evaluated according to the following methods to ensure transaction costs are reasonable and request an accountant to review and express specific opinions.</p>	<p>parties was longer than 5 years ago, or entering into agreement on joint construction with related parties through the commissioning of construction on proprietary land or on leased land.</p>	
<p>XIII. Action to be taken if the imputed cost falls below the transaction price:</p> <p>(I) If the related party acquired empty land or leased land for construction, at least one of the following shall be satisfied with proof:</p> <p>2. The case of successful transaction in other stories of the same building or immediate area within one year with non-related parties <u>transactions</u>. The floor area shall approximate the subject premises and</p>	<p>XIII. Action to be taken if the imputed cost falls below the transaction price:</p> <p>(I) If the related party acquired empty land or leased land for construction, at least one of the following shall be satisfied with proof:</p> <p>2. The case of successful transaction in other stories of the same building or immediate area within one year with non-related parties. The floor area shall approximate the subject premises and</p>	<p>1. In accordance with the provisions of the 1. International Financial Reporting Standard No. 16 Lease Bulletin, the right to use assets are included in this procedure.</p> <p>2. Independent Board Members shall apply upon the establishment of the Audit Committee.</p> <p>3. Regulate the real estate right-of-use assets obtained from</p>

<p>the conditions of transaction shall be justifiable for the stories and area taken for comparison under the customs and practices of real estate trade or <u>lease</u>.</p> <p>(II) The Company shall prove that the purchase of real estate <u>or lease to require real estate right-of-use assets</u> from related parties shall be relevant with the transactions of real estate trade conducted by non-related parties under similar terms and conditions of trade in the immediate area and in similar size within one year.</p> <p>Successful cases of transaction in the immediate area shall refer to the location in the same block or neighboring block and the distance from the subject premises is less than 500 m in perimeter, or the similar level of announced present value. Similar size or floor area shall be the floor area of the premises concerned in the <u>transaction</u> with non-related parties not falling below 50% of the floor area of the subject premises. One year shall be the duration from the day of deed for the acquisition of real estate <u>and right-of-use assets</u> moving backward for one year in retrospect.</p> <p>If the cost of transaction under appraisal falls below the transaction price in the acquisition of property or right-of-use assets from related</p>	<p>the conditions of transaction shall be justifiable for the stories and area taken for comparison under the customs and practices of real estate trade.</p> <p>(II) The Company shall prove that the purchase of real estate from related parties shall be relevant with the transactions of real estate trade conducted by non-related parties under similar terms and conditions of trade in the immediate area and in similar size within one year.</p> <p>Successful cases of transaction in the immediate area shall refer to the location in the same block or neighboring block and the distance from the subject premises is less than 500 m in perimeter, or the similar level of announced present value. Similar size or floor area shall be the floor area of the premises concerned in the transaction with non-related parties not falling below 50% of the floor area of the subject premises. One year shall be the duration from the day of deed for the acquisition of real estate moving backward for one year in retrospect.</p> <p>If the cost of transaction under appraisal falls below the transaction price in the acquisition of property from related parties, and the situations in I are not applicable, proceed</p>	<p>the lease of the related parties, and include the requirements for the matters to be assessed when the estimated cost is lower than the transaction price.</p> <p>4. Regulate the real estate right-of-use assets obtained from the lease of the related parties, and the transaction price shall be subject to the circumstances of the business irregularities.</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>parties, and the situations in I are not applicable, proceed to the following:</p> <p>(I) Recognize the difference between the transaction price and the estimated cost of property <u>and right-of-use assets</u> trade as special reserve pursuant to Article 41 -1 of the Securities and Exchange Act, and shall not distribute to shareholders or capitalize into new shares. Special reserve as recognized may be utilized in circumstances under which assets were purchased or rented on a high price with recognition of loss from falling price, disposition or <u>termination of lease</u> or with appropriate compensation or resumption to original condition, or is justifiable with proof of objective evidence and at the consent of Financial Supervisory Commission.</p> <p>(II) Supervisors shall act in accordance with Article 218 of the Company Act. For members who have established the Audit Committee according to law, the preceding paragraph is applicable to the independent board members of the Audit Committee.</p> <p>(III) The situations as stated in (I) and (II) shall be reported to the Shareholders' Meeting and the details shall be disclosed in the annual report or prospectus.</p> <p><u>The acquisition of real estate or</u></p>	<p>to the following:</p> <p>(I) Recognize the difference between the transaction price and the estimated cost of property trade as special reserve pursuant to Article 41 -1 of the Securities and Exchange Act, and shall not distribute to shareholders or capitalize into new shares. Special reserve as recognized may be utilized in circumstances under which assets were purchased a high price with recognition of loss from falling price or disposition or with appropriate compensation or resumption to original condition, or is justifiable with proof of objective evidence and at the consent of Financial Supervisory Commission.</p> <p>(II) Supervisors shall act in accordance with Article 218 of the Company Act.</p> <p>(III) The situations as stated in (I) and (II) shall be reported to the Shareholders' Meeting and the details shall be disclosed in the annual report or prospectus.</p>	
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--



<u>its right-of-use assets from related parties shall be handled in accordance with the provisions of the preceding two paragraphs if there is other evidence that the transaction has irregular business practices.</u>		
<p>XVI. Internal Audit System:</p> <p>(I) The internal auditors of the Company shall understand if the internal control over derivative trade is appropriate at regular intervals, and shall conduct monthly audit on the procedure of derivative trade to ensure they are conducted in compliance with the internal code of the Company. The audit findings shall be compiled into audit report. In the event of materiality as detected, report to the Chairman and the senior officer designated by the Board at once with notification to the Supervisors in writing. <u>Those who establish independent directors according to law, the independent directors shall be notified by writing to the supervisors in the preceding paragraph. If the audit committee has been established according to law, the first provision for the supervisor is approved by the Audit Committee.</u></p>	<p>XVI. Internal Audit System:</p> <p>(I) The internal auditors of the Company shall understand if the internal control over derivative trade is appropriate at regular intervals, and shall conduct monthly audit on the procedure of derivative trade to ensure they are conducted in compliance with the internal code of the Company. The audit findings shall be compiled into audit report. In the event of materiality as detected, report to the Chairman and the senior officer designated by the Board at once with notification to the Supervisors in writing.</p>	<p>Independent Board Members shall apply upon the establishment of the Audit Committee.</p>
<p>XXVII. This Procedure shall be subjected to the approval of the Board with circulation to the Supervisors for review, and the</p>	<p>XXVII. This Procedure shall be subjected to the approval of the Board with circulation to the Supervisors for review, and the</p>	<p>After the establishment of the audit committee, the provisions for</p>

<p>final approval of the Shareholders' Meeting to cause into effect. The same procedure shall be applicable to any amendment thereto. If the Directors expressed adverse opinions on record or in written declaration, circulate related information to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record. <u>If the audit committee has been established in accordance with the provisions of this Law, the procedures for the preparation or revision of this procedure shall be agreed by more than half of the members of the Audit Committee and the resolution to be proposed at the board meeting. If the preceding paragraph is not approved by more than half of all the 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 meeting. All members of the Audit Committee and all Directors referred to in this Article shall be counted as actual incumbents.</u></p>	<p>final approval of the Shareholders' Meeting to cause into effect. The same procedure shall be applicable to any amendment thereto. If the Directors expressed adverse opinions on record or in written declaration, circulate related information to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.</p>	<p>obtaining or disposing of the asset handling procedures shall be revised.</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------

Decision:

## Motion No. 4 Introduced by the Board of Directors

Cause of Motion : Amendment to the “Procedure for Financing”.

Description :

1. Cooperate with the establishment of the Audit Committee, amend the “Criteria for Financing and Endorsement and Guarantee by Public Companies” when the current Supervisor’s term of office expires on June 16<sup>th</sup>, 2019.
2. Amend Article 1, 3,4,5,8,9,10 and 11 of the Company’s “Procedure for Financing”
3. This amendment shall take effect once the Audit Committee is established.
4. The provisions before and after the amendment are shown below:

After	Before	Description
Article I: <u>According to the "Public Issuance Company Fund Loan and Endorsement Guarantee Processing Guidelines",</u> The Company may offer financing to a third party.	Article I: The Company may offer financing to a third party in accordance with This Procedure.	Draft revision and text revision in accordance with the "Guidelines for the Treatment of Capital Loans and Endorsement Guarantees of Public Issuance Companies"
Article III: The company is engaged in the loan of funds due to business deals, and <u>shall comply with the provisions of Article 4, paragraph 1:</u> Short-term financing shall be confined to the conditions specified below: (I) <u>There is a need for</u>	Article III: The financing a third party due to business relation shall be relevant with the business transactions already took place and the amount of financing at the time of financing shall be relevant with the amount of sale or purchase with the Company	text amendment

After	Before	Description
<p><u>short-term financing for the investee</u> and it is accounted for under the equity method.</p> <p>(II) <u>For the necessary short-term financing, the need to transfer investment and investments related to the business of the Company</u> where the Company holds more than 50% of their stakes.</p> <p>(III) <u>Business entities not invested by the Company but will be an input to the business development of the Company in the future in business strategy, marketing and promotion, or with an intent of forming strategic appliance.</u></p>	<p>in the most recent year or in current year, whichever is higher.</p> <p>Short-term financing shall be confined to the conditions specified below:</p> <p>(I) For the retirement of bank loans, procurement of equipment or as working capital for investees of the Company accounted for under the equity method.</p> <p>(II) For the retirement of bank loans, procurement of equipment or as working capital for companies where the Company holds more than 50% of their stakes.</p> <p>(III) Companies where the Company holds more than 50% of their stakes have the needs for investment and that these investments are related to the business operation of the Company and is an input to the business development of the Company in the future.</p> <p>(IV) Business entities not invested by the Company but will be an input to the business development of the Company in the future in business strategy, marketing and promotion, or with an intent of forming strategic appliance.</p>	
<p>Article IV:Limit of total financing and financing to particular party</p> <p>The total amount of financing engaged by the Company shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent fiscal period. The limit of financing</p>	<p>Article IV:Limit of total financing and financing to particular party</p> <p>The total amount of financing engaged by the Company shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent fiscal period. The</p>	<p>Draft revision and text revision in accordance with the "Guidelines for the Treatment of Capital</p>

After	Before	Description
<p>to particular party shall be based on the reason of financing and is defined as follows:</p> <p>1.The financing to parties engaged in business transactions with the Company shall be up to the amount of the purchase or sale with the Company in the most recent year or in current year at the time of financing, whichever is higher.</p> <p>2.The financing to particular party for short-term capital needs shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent period or current period.</p> <p>The Company directly and indirectly holds 100% of the voting shares of foreign companies, engaged in capital loans, or the Company directly and indirectly holds 100% of the voting shares of foreign companies engaged in the Company's funds, not limited to the second paragraph of the first subparagraph of the payment cannot exceed 100% of the net value of the most recent accountant's verification of the visa or the review of the financial statements.</p> <p><u>The subsidiaries and parent companies referred to in this operating procedure shall be identified in accordance with the provisions of the financial issuer's financial reporting standards. The net value referred to in this operating</u></p>	<p>limit of financing to particular party shall be based on the reason of financing and is defined as follows:</p> <p>1.The financing to parties engaged in business transactions with the Company shall be up to the amount of the purchase or sale with the Company in the most recent year or in current year at the time of financing, whichever is higher.</p> <p>2.The financing to particular party for short-term capital needs shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent period or current period.</p> <p>For financing a direct or indirect wholly-owned foreign subsidiary of the Company, the amount of financing could be up to 100% of the net worth as stated in the audited or reviewed financial statements covering the most recent period or in current period.</p>	<p>Loans and Endorsement Guarantees of Public Issuance Companies"</p>

After	Before	Description
<u>procedure refers to the equity of the securities issuer's financial report preparation standards attributable to the owners of the parent company.</u>		
<p>Article V:Financing Process</p> <p>(I) Procedure of processing</p> <p>1. .Financing or short-term financing shall be subject to the approval of the competent authority of the Company after review, and submitted to the Chairman for approval and the Board for resolution.</p> <p>2. Financing of the Company in favor of subsidiaries or among the subsidiaries shall be governed by the same procedure as specified in the preceding paragraph for resolution of the Board and the Chairman shall be authorized to effect the drawdown of loan in series or as revolving credit within specific limit approved by the Board and within the period of one years.</p> <p><u>Specific limit as referred to in the preceding paragraph shall be 10% of the the net worth as stated in the financial statements of <b>the borrower</b> covering the most recent period as in the case of financing particular enterprise by the Company or by a subsidiary, with the exception of a direct or</u></p>	<p>Article V:Financing Process</p> <p>(I) Procedure of processing</p> <p>1.Financing or short-term financing shall be subject to the approval of the competent authority of the Company after review, and submitted to the Chairman for approval and the Board for resolution.</p> <p>2.Financing of the Company in favor of subsidiaries or among the subsidiaries shall be governed by the same procedure as specified in the preceding paragraph for resolution of the Board and the Chairman shall be authorized to effect the drawdown of loan in series or as revolving credit within specific limit approved by the Board and within the period of one years.</p> <p>3.Specific limit as referred to in the preceding paragraph shall be 10% of the the net worth as stated in the financial statements of <b>the borrower</b> covering the most recent period as in the case of financing particular enterprise by the Company or by a subsidiary, with the exception of a direct or indirect wholly-owned foreign subsidiary of the Company</p> <p>4.The treasury of the Company shall prepare a registry for tracking the transactions of financing and the detail of financing. Upon the resolution of the Board for approval, the borrowers, the amount of financing, the date of Board resolution, the day of draw down, and items subject to cautious review, shall be tracked for record.</p> <p>5.The internal auditors shall conduct audit on the operation procedure of financing and act of financing in</p>	<p>Cooperate with the establishment of the Audit Committee and the revision of the draft and text revision in accordance with the “Public Issuance of Corporate Loan and Endorsement Guarantee Guidelines”.</p>

After	Before	Description
<p><u>indirect wholly-owned foreign subsidiary of the Company</u></p> <p>3. The treasury of the Company shall prepare a registry for tracking the transactions of financing and the detail of financing. Upon the resolution of the Board for approval, the borrowers, the amount of financing, the date of Board resolution, the day of draw down, and items subject to cautious review, shall be tracked for record.</p> <p>4. The internal auditors shall conduct audit on the operation procedure of financing and act of financing in compliance with the procedure quarterly and keep record in writing. In the event of material violation of the procedure, <u>notify the Audit Committee and Independent Directors in writing at once.</u></p> <p>5. The treasury of the Company shall prepare a statement on new entries and settlements of financing and relate details monthly for tracking and loans and for declaration, conduct evaluation and recognize sufficient amount of provision for bad debts quarterly, and</p>	<p>compliance with the procedure quarterly and keep record in writing. In the event of material violation of the procedure, notify the Supervisor in writing at once.</p> <p>6.The treasury of the Company shall prepare a statement on new entries and settlements of financing and relate details monthly for tracking and loans and for declaration, conduct evaluation and recognize sufficient amount of provision for bad debts quarterly, and disclose the financing and related information to the external auditors for reference.</p> <p>7.In the event of situation change, to the extent that the borrowers are no longer relevant with the standard prescribed in This Procedure or the balance exceeds the required limit, the treasury of the Company shall prepare an improvement plan and forward the plan to the Supervisor, and proceed to related corrective action as planned.</p>	

After	Before	Description
<p>disclose the financing and related information to the external auditors for reference.</p> <p>6. In the event of situation change, to the extent that the borrowers are no longer relevant with the standard prescribed in This Procedure or the balance exceeds the required limit, the treasury of the Company shall prepare an improvement plan and forward the plan to <u>the Audit Committee and Independent Directors</u>, and proceed to related corrective action as planned.</p>		
<p>Article VIII:Procedure for declaration (II) Further to the declaration of the balance of loan on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the financing of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.</p> <p>1. The balance of loan exceeds 20% of the net worth of the <u>Company and the subsidiary company</u> as stated in the financial statements covering the most recent period.</p>	<p>Article VIII:Procedure for declaration (II) Further to the declaration of the balance of loan on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the financing of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.</p> <p>1. The balance of loan exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.</p> <p>2. The balance of loan to particular enterprise exceeds 10%</p>	<p>Revised and amended texts in accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies”</p>



After	Before	Description
<p>2. The balance of loan to particular enterprise exceeds 10% of the net worth of the <u>Company and the subsidiary company</u> as stated in the financial statements covering the most recent period.</p> <p>3. The additional amount of loan exceeds NTD10 million and is more than 2% of the net worth of the <u>Company and the subsidiary company</u> as stated in the financial statements covering the most recent period.  <u>The subsidiary of the Company is not a domestic public issuance company. The subsidiary has the third paragraph of the preceding paragraph that should be announced and declared by the Company. The date of occurrence of the facts referred to in this operating procedure refers to the date of the signing, payment, the resolution of the board of directors, or other date on which the funds are credited with the object and the amount of money.</u></p>	<p>of the net worth of the Company as stated in the financial statements covering the most recent period.</p> <p>3. The additional amount of loan exceeds NTD10 million and is more than 2% of the net worth of the Company as stated in the financial statements covering the most recent period.</p>	
<p>Article IX:Procedure for the control of subsidiaries in financing the others</p> <p>(I) If specific subsidiary elects to finance the others, the <u>subsidiary</u> shall give directive to such subsidiary to institute the “Procedure</p>	<p>Article IX:Procedure for the control of subsidiaries in financing the others</p> <p>(I) If specific subsidiary elects to finance the others, the Company shall give directive to such subsidiary to</p>	<p>Cooperate with the establishment of the Audit Committee. °</p>

After	Before	Description
<p>for Financing” in accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies” promulgated by Financial Supervisory Commission (hereinafter referred to as “FSC”), and follow the procedure in financing.</p> <p>(II) If specific subsidiary of the Company elects to finance a third party, follow its “Internal Control” and “Procedure for Financing”. The internal audit function of the Company shall include the financing of the others by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and the Audit Committee as an integral part of the audit report.</p>	<p>institute the “Procedure for Financing” in accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies” promulgated by Financial Supervisory Commission (hereinafter referred to as “FSC”), and follow the procedure in financing.</p> <p>(II) If specific subsidiary of the Company elects to finance a third party, follow its “Internal Control” and “Procedure for Financing”. The internal audit function of the Company shall include the financing of the others by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an integral part of the audit report.</p>	
<p>Article X: Penalty</p> <p>If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and</p>	<p>Article X: Penalty</p> <p>If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual</p>	<p>Cooperate with the establishment of the Audit Committee.</p>

After	Before	Description
<p>treated a reference for the annual performance evaluation of related personnel. (I) to (IV): Skip (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Independent Directors of the Audit Committee shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.</p>	<p>performance evaluation of related personnel. (I) to (IV): Skip (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.</p>	
<p>Article XI: This Procedure shall be subject to the resolution of the Board with circulation to <u>the Audit Committee</u> and presentation before the Shareholders' Meeting for ratification so as to come into effect. The same procedure is applicable to any amendment thereto. <u>The operating procedures and related provisions shall be subject to the approval of the Audit Committee, which means that more than half of the members of the Audit Committee shall agree. If more than half of the members of the audit committee do not agree, more than two-thirds of all directors may agree to do so, and the resolutions of the audit committee shall be clearly recorded at the Board Meeting. The operating procedures and related provisions shall be fully considered by the independent Directors when they are submitted to the Board of Directors for discussion. If the independent Directors have objections or reservations, they shall be stated in the minutes of the Board Meeting. All</u></p>	<p>Article XI: This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders' Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.</p>	<p>Cooperate with the establishment of the Audit Committee. Revise and amend texts in accordance with the "Criteria for Financing and Endorsement and Guarantee by Public Companies"</p>

After	Before	Description
<u>members of the Audit Committee and all Directors referred to in this operating procedure are counted by the actual incumbent.</u>		

Decision :

## Motion No. 4 Introduced by the Board of Directors

Cause of Motion: Revise the “endorsement guarantee operation procedure” of the Company and submit it to the referendum.

### Description :

1. Cooperate with the establishment of the Audit Committee, amend the “Criteria for Financing and Endorsement and Guarantee by Public Companies” when the current Supervisor’s term of office expires on June 16<sup>th</sup>, 2019.
2. Amend Article 1,2,3,4,5,6,7,9,10,11 and 12 of the Company’s “Procedure for Endorsement and Guarantee”
3. This amendment shall take effect once the Audit Committee is established.
4. The provisions before and after the amendment are shown below:

After	Before	Description
<p>I. Purpose</p> <p><u>According to the “Criteria for Financing and Endorsement and Guarantee by Public Companies”, The Endorsement and Guarantee undertaken by the Company shall be governed in accordance with the provisions of this operating procedure.</u></p>	<p>I. Purpose</p> <p>The Endorsement and Guarantee undertaken by the Company shall be governed by This Procedure.</p>	<p>Cooperate with the establishment of the Audit Committee.</p> <p>Revise and amend texts in accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies”</p>
<p>II. Scope of application</p> <p>Endorsement and Guarantee as referred to in This Procedure shall include:</p> <p>(I) Endorsement and guarantee for financing:</p> <ol style="list-style-type: none"><li>1. Financing of customer cheque by discount.</li><li>2. Endorsement and guarantee</li></ol>	<p>II. Scope of application</p> <p>Endorsement and Guarantee as referred to in This Procedure shall include:</p> <p>(I) Endorsement and guarantee for financing:</p> <ol style="list-style-type: none"><li>1. Financing of customer cheque by discount.</li><li>2. Endorsement and</li></ol>	<p>Cooperate with the establishment of the Audit Committee.</p> <p>Revise and amend texts in accordance</p>

After	Before	Description
<p>in favor of a third party for financing.</p> <p>3. Issuance of financial instrument by the Company as surety for a non-financial institution for purpose of financing.</p> <p>4. The Company may pledge movables or real estate as lien, mortgage in favor of a third party for financing in accordance with This Procedure.</p>	<p>guarantee in favor of a third party for financing.</p> <p>3. Issuance of financial instrument by the Company as surety for a non-financial institution for purpose of financing.</p> <p>(II). Endorsement and guarantee for duties: Endorsement and guarantee for tariff payment of the Company or in favor of a third party.</p> <p>(III) Other types of endorsement and guarantee: other types of endorsement and guarantee that cannot be classified into the aforementioned 2 categories.</p> <p>The Company may pledge movables or real estate as lien, mortgage in favor of a third party for financing in accordance with This Procedure.</p>	<p>with the “Criteria for Financing and Endorsement and Guarantee by Public Companies”</p>
<p>III. The beneficiaries of endorsement and guarantee</p> <p>The beneficiaries of endorsement and guarantee undertaken by the Company shall be confined to the following companies. This provision may be waived if endorsement and guarantee is undertaken in reciprocity with an industry peer for the contracting of works, or investment in joint venture in proportion to the investment made by the shareholders.</p> <p>(I) Companies engaged in business transactions with the Company.</p> <p>(II) Companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.</p> <p>(III) Companies that directly or indirectly hold more than 50% of the equity shares with voting rights of the Company.</p>	<p>III. The beneficiaries of endorsement and guarantee</p> <p>The beneficiaries of endorsement and guarantee undertaken by the Company shall be confined to the following companies. This provision may be waived if endorsement and guarantee is undertaken in reciprocity with an industry peer for the contracting of works, or investment in joint venture in proportion to the investment made by the shareholders.</p> <p>(I) Companies engaged in business transactions with the Company.</p> <p>(II) Companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.</p> <p>(III) Companies that directly or indirectly hold more than 50% of the equity shares with voting rights of the</p>	<p>text amendment</p>

After	Before	Description
<p><u>Companies where the Company directly or indirectly hold more than 90% of their voting shares may be endorsed and the amount shall not exceed 10% of the net value of the Company. However, companies where the Company directly or indirectly hold 100% of the voting rights is not limited to this.</u></p>	<p>Company. (IV) Endorsement and guarantee among the companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.</p>	
<p>IV. The limit of endorsement and guarantee</p> <p>(I) The limit of endorsement and guarantee undertaken by the Company and subsidiary shall be limited to the net worth of the Company in current period. The limit of endorsement and guarantee undertaken by the Company in favor of particular enterprise shall be limited to the net worth of the Company in current period.</p> <p>(II) <u>In addition to the limits mentioned above, the amount of individual guarantees shall not exceed the amount of business transactions between the two parties by the endorsement guarantor with the Company due to business ties. The subsidiaries and parent companies referred to in this operating procedure shall be identified should be in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. The net value referred to in this operating procedure refers to the equity of the securities issuer's financial report preparation standards attributable to the owners of</u></p>	<p>IV. The limit of endorsement and guarantee</p> <p>(I) The limit of endorsement and guarantee undertaken by the Company shall be limited to the net worth of the Company in current period. The limit of endorsement and guarantee undertaken by the Company in favor of particular enterprise shall be limited to the net worth of the Company in current period.</p> <p>(II) Companies with more than 90% of their equity shares directly or indirectly held by the Company may act in favor of one another in endorsement and guarantee and the amount shall not exceed 10% of the net worth of the Company. This provision could be waived for wholly-owned subsidiaries of the Company.</p> <p>(III) The total amount of endorsement and guarantee undertaken by the Company shall be limited to the net worth of the Company in current period. The amount of endorsement and guarantee undertaken in favor of particular enterprise shall not exceed the net</p>	<p>text amendment</p>

After	Before	Description
the Parent company.	worth of the Company in current period.	
<p>V. Procedure for Endorsement and Guarantee</p> <p>(I) The treasury of the Company shall review the eligibility of the applicants, and to check if the limit granted is relevant with This Procedure and reach the level required for declaration. <u>The risk inherent to endorsement and guarantee shall also be assessed and the findings shall be addressed to the Audit Committee and the Board of Directors for approval, collateral shall be obtained if necessary.</u> If the amount falls within the allowable limits, the Chairman shall make decision for approval on the basis of the credit standing and financial position of the applicants.</p> <p>(II) The treasury of the Company shall prepare a registry for tracking the endorsement and guarantee for record. Upon the resolution of the Board for approval. <u>Except for the prescribed procedures,</u> the beneficiaries of endorsement and guarantee, the amount, the date of endorsement and guarantee, and items subject to cautious review shall be traced on record.</p> <p>(III) The internal auditors shall conduct audit on the operation procedure of endorsement and guarantee and the implementation in</p>	<p>V. Procedure for Endorsement and Guarantee</p> <p>(I) The treasury of the Company shall review the eligibility of the applicants, and to check if the limit granted is relevant with This Procedure and reach the level required for declaration. The risk inherent to endorsement and guarantee shall also be assessed and the findings shall be tracked on record. If the amount falls within the allowable limits, the Chairman shall make decision for approval on the basis of the credit standing and financial position of the applicants.</p> <p>(II) The treasury of the Company shall prepare a registry for tracking the endorsement and guarantee for record. Upon the resolution of the Board for approval, the beneficiaries of endorsement and guarantee, the amount, the date of endorsement and guarantee, and items subject to cautious review shall be traced on record.</p> <p>(III) The internal auditors shall conduct audit on the operation procedure of endorsement and guarantee and the implementation in compliance with This Procedure quarterly and keep record. In the event of material violation of This Procedure, notify the Supervisor in writing at once.</p> <p>(IV) The treasury of the Company shall prepare a statement on new entries and settlement of</p>	text amendment



After	Before	Description
<p>compliance with This Procedure quarterly and keep record. In the event of material violation of This Procedure, notify the <u>Audit Committee and independent Directors in writing at once; In the event of violations against law, regulations or the provisions of this operating procedure, penalties will be given depending on the situation.</u></p> <p>(V) In the event of situation change, to the extent that the beneficiaries of endorsement and guarantee are no longer relevant with the standard prescribed in This Procedure or the amount of endorsement and guarantee exceeds the required limit, the treasury shall prepare an improvement plan and settle the amount in excess of the limit within designated period at the approval of the Chairman, and forward the plan to the <u>Audit Committee and Independent Directors to complete the areas of improvements according to the plan.</u></p> <p>(VI) Before the expiration of endorsement and guarantee, the treasury of the Company shall actively notify the enterprises under guarantee to repossess the <u>original endorsement guarantee bill or related documents, and cancel the endorsement to guarantee the relevant deed.</u></p>	<p>endorsement and guarantee and related details monthly for tracking and for declaration, and conduct evaluation and recognize sufficient amount of provision for contingent loss of endorsement and guarantee quarterly. The detail shall be disclosed in the financial statements and as reference for the external auditors.</p> <p>(V) In the event of situation change, to the extent that the beneficiaries of endorsement and guarantee are no longer relevant with the standard prescribed in This Procedure or the amount of endorsement and guarantee exceeds the required limit, the treasury shall prepare an improvement plan and settle the amount in excess of the limit within designated period at the approval of the Chairman, and forward the plan to the Supervisor.</p> <p>(VI) Before the expiration of endorsement and guarantee, the treasury of the Company shall actively notify the enterprises under guarantee to repossess the promissory notes retained by the banks or the creditors, and cancel related indentures of endorsement and guarantee.</p>	
<p>VI. Detailed Review Procedure</p> <p>In processing endorsement and</p>	<p>VI. Detailed Review Procedure</p> <p>In processing endorsement and</p>	<p>Revise and amend texts in</p>

After	Before	Description
<p>guarantee, the treasury of the Company shall review and evaluate the following, and keep the findings on record:</p> <p>(I) Understand the relation between the beneficiaries of endorsement and guarantee and the Company, the purpose of the loan, the association with the business of the Company, or the importance of their operation to the Company, and evaluate the necessity and rationality of endorsement and guarantee with reference to the limit and available balance.</p> <p>(II) Obtain the annual reports, financial statements, and related information of the beneficiaries, conduct analysis of their operation, financial position, credit standing, and the sources of funds for retirement of loan for assessing possible risks.</p> <p>(III) Conduct analysis of the balance of the Company in endorsement and guarantee in proportion to the net worth, liquidity and cash flow status, and the review result from <u>(I) and (II)</u> to assess the effect of operation risk, financial position, and shareholders' equity of the Company.</p> <p>(IV) Evaluate if it is necessary for requesting collaterals from the beneficiaries of endorsement and guarantee depending on the nature of guarantee and the credit standing of the beneficiaries and also the results of evaluation in <u>(I) ~ (III)</u>, and appraise the value of the</p>	<p>guarantee, the treasury of the Company shall review and evaluate the following, and keep the findings on record:</p> <p>(I) Understand the relation between the beneficiaries of endorsement and guarantee and the Company, the purpose of the loan, the association with the business of the Company, or the importance of their operation to the Company, and evaluate the necessity and rationality of endorsement and guarantee with reference to the limit and available balance.</p> <p>(II) Obtain the annual reports, financial statements, and related information of the beneficiaries, conduct analysis of their operation, financial position, credit standing, and the sources of funds for retirement of loan for assessing possible risks.</p> <p>(III) Conduct analysis of the balance of the Company in endorsement and guarantee in proportion to the net worth, liquidity and cash flow status, and the review result from (I) and (II) to assess the effect of operation risk, financial position, and shareholders' equity of the Company.</p> <p>(IV) Evaluate if it is necessary for requesting collaterals from the beneficiaries of endorsement and guarantee depending on the nature of guarantee and the credit standing of the beneficiaries and also the results of evaluation in (I) ~ (III), and appraise the</p>	<p>accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies”.</p>

After	Before	Description
collaterals on a quarterly basis to ensure relevance with the balance of endorsement and guarantee. Where necessary, request the beneficiaries for additional collaterals.	value of the collaterals on a quarterly basis to ensure relevance with the balance of endorsement and guarantee. Where necessary, request the beneficiaries for additional collaterals.	
<p>VII. Procedure for control of endorsement and guarantee in favor of subsidiaries</p> <p>(I) If specific subsidiary elects to undertake endorsement and guarantee in favor of the others, <u>all subsidiary</u> shall give directive to institute the “Procedure for Endorsement and Guarantee” in accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies” promulgated by Financial Supervisory Commission (hereinafter referred to as “FSC”), and follow the procedure in financing.</p> <p>(II) If specific subsidiary of the Company elects to undertake endorsement and guarantee in favor of the others, follow its “Internal Control” and “Procedure for Endorsement and Guarantee”. The internal audit function of the Company shall include the endorsement and guaranteed undertaken by subsidiaries as an item for monthly audit.</p>	<p>VII. Procedure for control of endorsement and guarantee in favor of subsidiaries</p> <p>(I) If specific subsidiary elects to undertake endorsement and guarantee in favor of the others, the Company shall give directive to such subsidiary to institute the “Procedure for Endorsement and Guarantee” in accordance with the “Criteria for Financing and Endorsement and Guarantee by Public Companies” promulgated by Financial Supervisory Commission (hereinafter referred to as “FSC”), and follow the procedure in financing.</p> <p>(II) If specific subsidiary of the Company elects to undertake endorsement and guarantee in favor of the others, follow its “Internal Control” and “Procedure for Endorsement and Guarantee”. The internal audit function of the Company shall include the endorsement and guaranteed undertaken by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an integral part of the audit report.</p>	Cooperate with the establishment of the Audit Committee.
IX. Custody and Procedure for Specimen Seal	IX. Custody and Procedure for Specimen Seal	Cooperate with the establishment

After	Before	Description
<p>(I) The Company shall use the specimen seal on file of the Ministry of Economic Affairs for registration of incorporation for endorsement and guarantee. This seal shall be kept by designated personnel <u>by the choice of the Chairman</u> at the approval of the Board and any replacement of the keeper shall be subject to the approval of the Board. The specimen seal shall be listed as an item for transfer in case of rotation of duties.</p> <p>(II) Upon the resolution of the Board or the approval of the Chairman, the documents pending of the affixing of the specimen seal shall be subject to the approval of the head of treasury of the Company before forwarding to the keeper of the specimen seal for <u>affixing or issue of ticket.</u></p>	<p>(I) The Company shall use the specimen seal on file of the Ministry of Economic Affairs for registration of incorporation for endorsement and guarantee. This seal shall be kept by designated personnel at the approval of the Board and any replacement of the keeper shall be subject to the approval of the Board. The specimen seal shall be listed as an item for transfer in case of rotation of duties.</p> <p>(II) Upon the resolution of the Board or the approval of the Chairman, the documents pending of the affixing of the specimen seal shall be subject to the approval of the head of treasury of the Company before forwarding to the keeper of the specimen seal for affixing.</p>	<p>of the audit committee and review the draft in accordance with the “Public Issuance of Corporate Loan and Endorsement Guarantee Guidelines”.</p>
<p>X. Procedure for Declaration</p> <p>(I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of endorsement and guarantee of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.</p> <p>(II) Further to the declaration of the amount of endorsement and guarantee on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related</p>	<p>X. Procedure for Declaration</p> <p>(I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of endorsement and guarantee of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.</p> <p>(II) Further to the declaration of the amount of endorsement and guarantee on a monthly basis, the treasury of the Company shall notify the accounting function with</p>	<p>Revised in accordance with the draft notice of the “Public Issuance of Corporate Loan and Endorsement Guarantee Guidelines”.</p>

After	Before	Description
<p>information if any of the following related to the endorsement and guarantee in favor of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.</p> <ol style="list-style-type: none"> <li>1. <u>The Company and the subsidiary's</u> total amount of endorsement and guarantee exceeds 50% of the net worth <u>of the Company</u> as stated in the financial statements covering the most recent period.</li> <li>2. <u>The company and the subsidiary's</u> amount of endorsement and guarantee to particular enterprise exceeds 20% of the net worth <u>of the Company</u> as stated in the financial statements covering the most recent period.</li> <li>3. <u>The company and the subsidiary's</u> additional amount of endorsement and guarantee in favor of particular enterprise exceeds NTD10 million and the total of endorsement and guarantee, long-term investment and loan balance exceeds 30% of the net worth <u>of the Company</u> as stated in the financial statements covering the most recent period.</li> <li>4. <u>The company and the subsidiary's'</u> additional amount of endorsement and guarantee exceeding NTD30 million or 5% of the net worth <u>of the</u></li> </ol>	<p>attachment of related information if any of the following related to the endorsement and guarantee in favor of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement and guarantee exceeds 50% of the net worth of the Company as stated in the financial statements covering the most recent period.</li> <li>2. The amount of endorsement and guarantee to particular enterprise exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.</li> <li>3. The additional amount of endorsement and guarantee in favor of particular enterprise exceeds NTD10 million and the total of endorsement and guarantee, long-term investment and loan balance exceeds 30% of the net worth of the Company as stated in the financial statements covering the most recent period.</li> <li>4. Additional amount of endorsement and guarantee exceeding NTD30 million or 5% of the net worth of the Company as stated in the financial statements covering the most recent</li> </ol>	

After	Before	Description
<p><u>Company</u> as stated in the financial statements covering the most recent period.</p> <p><u>The subsidiary of the Company is not a domestic public issuance company. The subsidiary has an announcement and declaration, which should be made by the Company. The date of occurrence of the facts referred to in this operating procedure refers to the date of the signing, payment, the resolution of the Board of Directors, or other date on which the funds are credited with the object and the amount of money.</u></p>	<p>period.</p>	
<p>XI. Penalty</p> <p>If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or this <u>operating</u> Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.</p> <p>(V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders’ Meeting in performing their duties, the Audit Committee and Independent Directors shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.</p>	<p>XI. Penalty</p> <p>If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.</p> <p>(V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders’ Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.</p>	<p>Cooperate with the establishment of the Audit Committee.</p>
<p>XII. Miscellaneous</p> <p>(I) In case the Company undertakes endorsement</p>	<p>XII. Miscellaneous</p> <p>(I) In case the Company undertakes endorsement</p>	<p>Cooperate with the establishment of the audit</p>

After	Before	Description
<p>and guarantee in favor of a subsidiary which net worth falls below 1/2 of the paid-in capital, the treasury of the Company shall keep track on the <u>financial position, business</u> and credit standing of the beneficiary quarterly. In the event of significant change, report to the Chairman at once and take appropriate measures as instructed. If the shares issued by the subsidiary bears no face value or the face value is not NTD10, the paid-in capital shall be calculated on the basis of equity capital plus capital reserve net of premium of issuance.</p> <p>(II) This Procedure shall be subject to the resolution of the Board with circulation to the Audit Committee and presentation before the Shareholders' Meeting for ratification so as to come into effect. The same applies to the amendment. The operating procedures and related provisions shall be subject to the approval of the Audit Committee, which more than half of the members of the Audit Committee shall agree. If more than half of the members do not agree, more than two-thirds of all Directors may agree to do so, and the resolutions of the Audit Committee shall be clearly recorded at the Board Meeting.</p>	<p>and guarantee in favor of a subsidiary which net worth falls below 1/2 of the paid-in capital, the treasury of the Company shall keep track on the financial position, business and credit standing of the beneficiary quarterly. In the event of significant change, report to the Chairman at once and take appropriate measures as instructed. If the shares issued by the subsidiary bears no face value or the face value is not NTD10, the paid-in capital shall be calculated on the basis of equity capital plus capital reserve net of premium of issuance.</p> <p>(II) This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders' Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.</p>	<p>committee and review the draft in accordance with the "Public Issuance of Corporate Loan and Endorsement Guarantee Guidelines".</p>

After	Before	Description
<u>The operating procedures and related provisions shall be fully considered by the Independent Directors when they are submitted to the Board of Directors for discussion. If the Independent Directors have objections or reservations, they shall be stated in the minutes of the board of Directors. All members of the Audit Committee and all Directors referred to in this operating procedure are calculated by the actual incumbent.</u>		

Decision :



## Election Events

Introduced by the Board of Directors

Cause of Motion: Co-opted two directors (including one independent director)

Description:

1. According to the Company's Articles of association, the Company has 5 to 9 Directors for a term of three years, of which the number of independent Directors must not be less than 2, and not less than one-fifth of the number of Directors.
2. The current Directors were elected by the shareholders' meeting on May 30<sup>th</sup>, 2018, including 7 independent Directors. The Directors are appointed from June 19<sup>th</sup>, 2018 to June 18<sup>th</sup>, 2021.
3. The establishment of the Audit Committee was passed on the first Board meeting in 2019, January 16<sup>th</sup>. The Audit Committee will be formed upon the expiration of the current Supervisor's term of office on June 16<sup>th</sup>, 2019. The Audit Committee consists of all independent Directors, and the members must be more than 3. The Company has 2 independent Directors and therefore, an additional independent Director is required to be elected at the Shareholders' Meeting this year.
4. The independent Directors of the company are selected as candidates under the nomination system. The list of candidates for independent Directors is reviewed and approved by the Board of Directors of the company. The relevant information is as follows:

Name	Academic Qualifications	Experience
Chen Chun-Hsu eh	-Department of Business Administration,	Eni Chemical- Representative of Taiwan office Sabic Asia Pacific Pte Ltd- General Manager

	Zhongxing University School of Law and Business -Doctor Candidate of Business Administration, Taiwan University of Science	of Taiwan branch  Pulong Enterprise Limited- General Manager
--	----------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------

5. The company elected another General Director during the 2<sup>nd</sup> Board Meeting held on 12<sup>th</sup> march, 2019. Currently, there are 9 Directors in the Company- 6 General Directors and 3 Independent Directors.
6. Please refer to Appendix 3 for the “Guidelines for Electing Board Directors and Supervisors of the company”.

Election Result :

Ex Temporary Motions

Meeting adjourned

# Attachment 1

## Business Report

### I. Results of operations in 2018

The company's consolidated revenue was NTD18,287,354 thousand in 2018, an increase of NTD1,114,468 thousand(6.5%) from NTD17,172,886 thousand in 2017. The profits amounted to NTD1, 012,724 in 2018 an increase of NTD 19,998 thousand (2.0%) from NTD992, 726 in 2017. The consolidated revenue reached new heights again in 2018. Thanks to the shared hard work of all employees throughout the group, most business unit rendered growths in 2018 compared to 2017. The growths in the food business in Mainland China, frozen noodles, and especially the growth of the room temperature rice business.

The cost of the primary raw materials, palm oil, increased in 2018 compared to 2017 in the cross-strait oil and fat before and Jinshan Plant I for oils and fats and Plant 2 for general foods in Shanghai and the fresh cream plant in Guangzhou were commissioned in the second half of the year one after another. Therefore, for the time being, the fixed cost will increase and so will the expenditure. However, due to relatively high growth in production and revenue, the consolidated operating profit ratio in 2018 increased by 0.92% compared to 2017.

As far as financial income and expenditure are concerned, the consolidated debts totaled NTD15, 812,842 thousand in 2018; the debt ratio was 71.5% while in 2017, they were NTD 16,490,502 thousand and 73.4%, respectively. The value decreased by NTD 677,660 thousand and the ratio by 1.9%. The cash inflow from operating activities was NTD 2,006,568 thousand, and the capital expenditure was only NTD 1,049,851 thousand. The current ratio was 119.8%, which was the same as the 119.8% in fiscal year 2017, indicating that the overall financial situation is still good.

In terms of the research and development of the Group's products, the soap series and the grapefruit seed antiseptic series of products have been known for their application of natural oils and absence of additives and long-term emphasis over safety as cleaning products, co-existence and co-prosperity with the environment. The soap series, in particular, has been certified by the United States Department of Agriculture (USDA) and carries the label as a green bio-biased product. The biomass

content is above 99%. The liquid soap has also been certified by the US AMA Laboratories for its low sensitization. The oil and fat business continues to research and develop healthy and special exclusive functional oils and introduces high-end oil and fat products from overseas to meet the comprehensive baking needs of customers. The exclusive oil and powder for use in traditional Chinese pancakes were successfully developed over the past two years. Efforts are devoted to expanding the traditional Chinese pancake industry out to the international market. For the frozen dough, efforts are devoted to the research and development of new items and customized products in order to become an indispensable trustworthy partner in the bakery industry and also a strategic partner while customers enter the global market. The ice cream business is the trend setter for ice products in Taiwan. Introduced items are well received by consumers. The ambient rice business produces ready-to-serve dietary fiber healthy cooked rice that features health-preservation and can regulate blood sugar and blood lipid. Its healthy rice is the first of its kind in Taiwan to be certified as a health food.

## **II. Overview of 2018 business plan**

Namchow places an unchanged emphasis on product quality and prioritizes consumer's interests. Its customized services satisfy the different needs of consumers. Sales of oil and fat products, frozen dough and frozen noodles have been growing each year. Knowledge and skills in local production, research and development, and management of Taiwan continue to be refined in order to secure solid operations on the market.

The oil and fat business of Namchow in Mainland China has been operating for 22 years. Adopting the conclusion-oriented marketing approach, it has formed a community with its customers. Revenues over the past few years have shown significant growths. In response to increasing sales, investments in operating have never stopped. The third oil and fat plant in Mainland China, the Shanghai Jinshan Plant was commissioned in July 2017 to contribute 40% to the throughput. It is also the largest plant with complete food ingredient traceability management that Namchow has invested in Mainland China. The second fresh cream plant built in Guangzhou was also commissioned in August 2017. Its throughput doubles that of the plant in Tianjin. In response to the development of Mainland China's economic and trade in the future, Namchow decided to apply for "Shanghai Namchow" to be listed in Shanghai, so that local funds can be used locally to continue to expand or upgrade equipment and production technology to strengthen the Company's competitiveness in Mainland China's market.

Namchow has also 28 years of history with his business in Thailand. Over the past few years, in particular, the sales of baby rice crackers, cooked rice and porridge have grown substantially, and the production capacity has been fully loaded, contributing to the performance of the parent company. Optimistic about the future development of Southeast Asia, Europe and the United States market, in 2016, Namchow Thailand acquired 20,000 pings (1 ping = 3.305785 m<sup>2</sup>) of land next to the existing factory. Last October, an expansion plan was launched, initially investing 1.3 billion baht to build a factory. It is also equipped with a baby rice noodle line and a bakery bread snack line. It is expected to be put into production in the first quarter of next year. The new production capacity will give Thai Namchow Company a chance to grow significantly in the future.

### **III. Future Development Strategies and Impacts from External Environment**

**Future development Strategies:** Namchow looks at the niche market around the world as its blueprint and continues to invest in oil and fat, rice, flour and dairy products. The food revenue now accounts more than 96% of the Group's overall revenue. Investments are made also in biotech products in the development of oil and fat, daily necessities and rice. For the past few years, Namchow Taiwan, China or Thailand have had products sold all over the world and respective operations have shown significant growths. With its roots in Taiwan, developments Mainland China, and accession to ASEAN countries as the main strategy, desirable benefits have come about. Mainland China, in particular, remains a growing market. Besides edible oils and fats and frozen dough, Namchow wants to take a step further by investing in local frozen noodles and ice cream business. Investments will also continue in the future in Mainland China, Taiwan and Thailand.

**Competitive Environment:** Competition always exists. Only by constant research, development and innovation and by creating proprietary corporate value can an enterprise secure its market presence without getting eliminated. In the case of the oil and fat business, for example, Namchow introduced international well-known functional oil and fat products to go with its own products for complementary and synergistic effects. Namchow started to introduce exclusive oil; and flour for use in making traditional Chinese pancakes and has held multiple workshops in Taiwan and Mainland China trying to create another trend and fad in the bakery industry. Namchow targets the Chinese around the world. In addition, by interacting with customers over the long term from time to time, it helps understand their

needs and come up with comprehensive packages. The trust that customers have in Namchow is the cornerstone for its leading position in the bakery oil and fat business in Mainland China and Taiwan.

**Regulatory Background:** Consumers have turned more and more concerned about the quality, safety and hygiene of products over the past few years. Namchow is known for its unchanged emphasis on consumer benefits. In the 1980s, it spontaneously introduced the idea of consumer protection. The ministry of Health and Welfare announced the new Act Governing Food Safety and Sanitation at the end of 2015 for the sake of protecting food safety for consumers. In as early as 2014, Namchow already enforced traceability of ice cream products for comprehensive management from the source. It is the first of its kind in Taiwan. The new oil and fat factory in Jinshan, Shanghai is one that applies comprehensive traceability management green technology. The Namchow Group is also the first one to establish its own food safety office that is configured with professionals and specialists to take care of respective tasks and help strictly safeguard respective raw materials used within the Group, including the dining business. Food safety education and information communication are a daily practice. The investment in safety laboratories was increased last year in order to enhance the ability to carry out spontaneous tests and management. With the new government policy, one fixed day off and one flexible rest day, which came into force last year, it has indeed increased the overhead for enterprises. Always supportive of government policies, however, we hired more people and apply the optimum shift rotation approach to address our production demand as customer service remains our priority concern.

**Macro Environment:** The China-US trade war began in 2018, causing the Asian currency to depreciate. The government also announced that the business income tax would increase from 17% to 20%, effective since 2018, which will impact all Taiwanese businesses. Global economic developments have resulted in the destruction of the environment and the ecology. The Paris Agreement already officially took effect in November 2016. Faced with the carbon reduction issue, operating cost will inevitably increase for businesses. Therefore, early devotion to inspecting, analyzing and improving processes is a near-term action item of the Company. The trade and money policies of the US will also cause fluctuations. The government's labor policy has also resulted in a profit squeeze. Given the above, our

company will place greater emphasis on the quality, safety and sanitation of products applying higher standards and will continue to reinforce risk control to ensure food safety. In light of the extreme climate change, Namchow is known for its long-term in-depth investigation and research and has accumulated professional knowledge to be capable of keeping track of the right timing to purchase raw materials at an optimum price so that we can remain undefeated.

The Company has been in existence for 67 years. We believe in integrity and sustainable management and we care about the rights of customers and consumers. We also proactively get involved in environmental protection issues and take any responsive measures to get ready for any situation while trying to realize sustainable management with growths and profits and to create optimum investment interest for all shareholders.

Chen Fei Lung

Lee Kan Wen

Shi Wei Wang

Chairman

EVP

Head of Accounting



## Attachment 2

### Namchow Holding Co., Ltd.

#### Supervisor's Review Report

The Board of Directors submitted the Company's 2018 Business Report, individual and consolidated financial statements, and earnings allocation proposals. The individual and consolidated financial statements, in particular, have been inspected by CPAs Bo-Shu Huang and An-Tian Yu of KPMG, with the audit report issued. I have reviewed the above-mentioned business report, financial statements, and earnings allocation proposals and did not find any discrepancy. Therefore, the report is produced and submitted herein in accordance with Article 219 of the Company Act for your review.

To

The company's 2019 Shareholders' Meeting

Supervisor: Wu Ting-Chen

Namchow Holding Co., Ltd.

Yi-Wen Chen, Representative of Employee Welfare Committee

March 19, 2019

## Attachment 3

### Report on Remunerations to the Directors, Supervisors and Employees in fiscal year 2018

- I. According to Article 31 of the Articles of Incorporation: the company shall appropriate no less than 1% of its earnings as remuneration to its employees and no more than 5% of its earning as remuneration to the Directors and Supervisors, if applicable. The Company shall appropriate for write-off the loss carried forward, if applicable.

The remuneration to employees may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment.

- II. Remunerations for employees and board directors and supervisors distributed for 2018 account for 1% and 4.5%, that is, NTD 11,728 thousand and NTD 52,777 thousand, respectively, of pre-tax net profits totaling NTD 1,172,826 thousand in cash. The values are identical to the estimates.
- III. The above proposed ammount was approved by the Board Meeting on 12th March, 2019 and it will be issued out by the end of April.

## Attachment 4~1

### **Independent Auditors' Report**

To the Board of Directors of Namchow Holding Co., Ltd.:

#### **Opinion**

We have audited the parent company only financial statements of Namchow Holding Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the 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 a summary of significant accounting policies.

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

#### **Basis for Opinion**

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

Evaluation of investments accounted for under equity method

Please refer to Notes 4(h) and 6(h) for the disclosure related to the evaluation of investments accounted for under equity method of the parent company only financial statements.

#### Description of key audit matter:

Namchow Holding Co., Ltd. mainly engages in the investment business. Investments accounted for under equity method amounts to \$10,919,057 thousand, which constitutes 82% of the total assets of Namchow Holding Co., Ltd. Therefore, the evaluation of investments accounted for under equity method is the key judgmental area for our audit.

#### How the matter is address in our audit:

Our principal audit procedure including providing audit instructions and communicating with auditors of other components; obtaining financial statements of the components, recalculating shares of profit from the subsidiaries and exam whether if it is recognized in the correct period; and evaluating whether the disclosure related to investments accounted for under equity method made by the management is appropriate.

#### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 Company' s ability to continue as a going concern, 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 are responsible for overseeing the Company' s financial reporting process.

#### **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 auditor' s 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error 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 Company' s internal control.
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 Company' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s 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 auditor' s 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 disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for under equity method 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 the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor' s 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.

The engagement partners on the audit resulting in this independent auditor' s report are Po-Shu Huang and Ann-Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)  
March 12, 2019

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Balance Sheets**

**December 31, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2018</u>		<u>December 31, 2017</u>				<u>December 31, 2018</u>		<u>December 31, 2017</u>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>											
1100	Cash and cash equivalents (note 6(a))	\$ 36,827	-	22,746	-	2100	Short-term borrowings (notes 6(k), 8 and 9)	\$ 874,000	7	322,000	3
1150	Notes receivable, net (note 6(d))	-	-	367	-	2110	Short-term commercial paper payable (note 6(k))	-	-	34,981	-
1170	Accounts receivable, net (note 6(d))	-	-	1,191	-	2322	Current portion of long-term borrowings (notes 6(k) and 8)	470,000	3	325,350	3
1180	Accounts receivable—related-parties (notes 6(d) and 7)	2,708	-	10,354	-	2200	Other payables (note 6(s))	171,552	-	191,694	1
1200	Other receivables (note 6(e))	40	-	2,681	-	2220	Other payables—related-parties (note 7)	9,005	-	7,400	-
1210	Other receivables—related-parties (notes 6(e) and 7)	133,000	1	138,956	1	2230	Current income tax liabilities	13,170	-	18,766	-
1410	Prepayments	1,854	-	4,141	-	2399	Other current liabilities	707	-	1,855	-
1470	Other current assets	105	-	140	-		<b>Total current liabilities</b>	1,538,434	10	902,046	7
	<b>Total current assets</b>	174,534	1	180,576	1		<b>Non-Current liabilities:</b>				
<b>Non-current assets:</b>						2530	Bonds payable (note 6(l))	3,937,311	30	3,915,817	31
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(b))	37,775	-	-	-	2540	Long-term borrowings (notes 6(k) and 8)	895,000	7	1,060,000	8
1523	Available-for-sale financial assets—non-current (note 6(c))	-	-	12,851	-	2570	Deferred income tax liabilities (note 6(n))	740,313	6	733,047	6
1543	Financial assets at cost—non-current (note 6(g))	-	-	27,166	-	2640	Accrued pension liabilities—non-current (note 6(m))	152,159	1	195,016	2
1550	Investments accounted for under equity method (notes 6(h))	10,919,057	82	10,070,503	80	2670	Other non-current liabilities	50	-	50	-
1600	Property, plant and equipment (notes 6(i), 8 and 9)	1,843,959	14	1,851,782	15		<b>Total non-current liabilities</b>	5,724,833	44	5,903,930	47
1760	Investment property (note 6(j))	241,938	2	250,986	2		<b>Total liabilities</b>	7,263,267	54	6,805,976	54
1840	Deferred income tax assets (note 6(n))	40,969	1	118,824	2	3100	<b>Equity attributable to shareholders of parent (notes 6(m), (n)and (o)):</b>	2,941,330	22	2,941,330	23
1990	Other non-current assets	10,780	-	11,721	-	3200	Common stock	1,011,972	8	886,756	7
	<b>Total non-current assets</b>	13,094,478	99	12,343,833	99		Capital surplus				
							Retained earnings:				
						3310	Legal reserve	639,714	5	540,441	4
						3320	Special reserve	512,508	4	512,508	4
						3350	Unappropriated earnings	2,035,934	15	1,851,370	15
								3,188,156	24	2,904,319	23
							Other equity:				
						3410	Financial statement translation differences for foreign operations	(506,975)	(4)	(432,998)	(2)
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(51,878)	-	-	-
						3425	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(4,114)	-
								(558,853)	(4)	(437,112)	(2)
						3500	Treasury stock	(576,860)	(4)	(576,860)	(5)
							<b>Total equity</b>	6,005,745	46	5,718,433	46
<b>Total assets</b>		<b>\$ 13,269,012</b>	<b>100</b>	<b>12,524,409</b>	<b>100</b>		<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,269,012</b>	<b>100</b>	<b>12,524,409</b>	<b>100</b>

**NAMCHOW HOLDING CO., LTD.****Statements of Comprehensive Income****For the years ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<b>2018</b>		<b>2017</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Revenue (notes 6(q), (r) and 7)</b>	\$ 60,498	100	1,640,325	100
5000	<b>Operating costs (notes 6(f), (i), (m), (s), and 7)</b>	-	-	1,103,423	67
5900	<b>Gross profit</b>	60,498	100	536,902	33
6000	<b>Operating expenses (notes 6(d), (i), (m), (s) and 7):</b>				
6100	Selling expenses	-	-	338,037	21
6200	General and administrative expenses	273,290	452	322,672	20
6300	Research and development expenses	-	-	17,896	1
	<b>Total operating expenses</b>	273,290	452	678,605	42
6900	<b>Operating loss</b>	(212,792)	(352)	(141,703)	(9)
7000	<b>Non-operating income and expenses (notes 6(d), (j), (t) and 7):</b>				
7010	Other income	1,358	2	15,362	1
7020	Other gains and losses	(17,902)	(30)	(22,549)	(1)
7050	Finance costs	(71,655)	(118)	(67,374)	(4)
7070	Shares of profit of subsidiaries accounted for using equity method	1,409,312	2,330	1,305,256	80
	<b>Total non-operating income and expenses</b>	1,321,113	2,184	1,230,695	76
7900	<b>Net income before tax</b>	1,108,321	1,832	1,088,992	67
7950	<b>Less: income tax expense (note 6(n))</b>	95,597	158	96,266	6
	<b>Net income</b>	1,012,724	1,674	992,726	61
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	8,709	14	(16,377)	(1)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(2,242)	(4)	-	-
8330	Share of other comprehensive income of accounted for under equity method-items that will not be reclassified to profit or loss	9,038	15	(31,560)	(2)
8349	Income tax related to items that will not be reclassified subsequently	-	-	-	-
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	15,505	25	(47,937)	(3)
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Financial statements translation difference	66,841	110	16,073	1
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	-	-	2,116	-
8380	Share of other comprehensive income of subsidiaries accounted for under equity method-items that may be reclassified subsequently to profit or loss	(140,818)	(233)	(64,065)	(4)
8399	Income tax expense relating to components of comprehensive income (loss)	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	(73,977)	(123)	(45,876)	(3)
8300	<b>Other comprehensive income (loss), net of tax</b>	(58,472)	(98)	(93,813)	(6)
	<b>Total comprehensive income</b>	<b>\$ 954,252</b>	<b>1,576</b>	<b>898,913</b>	<b>55</b>
9750	<b>Basic earnings per share (in New Taiwan dollars) (note 6(p))</b>	<b>\$ 4.09</b>		<b>4.01</b>	
9850	<b>Diluted earnings per share (in New Taiwan dollars) (note 6(p))</b>	<b>\$ 4.09</b>		<b>4.00</b>	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDING CO., LTD.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Total other equity interest			Total	Treasury stock	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on valuations of available-for-sale financial assets			
<b>Balance at January 1, 2017</b>	\$ 2,941,330	640,075	419,871	512,508	1,977,655	2,910,034	(384,512)	-	(6,724)	(391,236)	(530,114)	5,570,089
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	120,570	-	(120,570)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	128,789	-	-	(823,572)	(823,572)	-	-	-	-	-	(694,783)
Net income (loss)	-	-	-	-	992,726	992,726	-	-	-	-	-	992,726
Other comprehensive income (loss)	-	-	-	-	(47,937)	(47,937)	(48,486)	-	2,610	(45,876)	-	(93,813)
Total comprehensive income (loss)	-	-	-	-	944,789	944,789	(48,486)	-	2,610	(45,876)	-	898,913
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	(46,746)	(46,746)
Difference between purchase price and carrying amount of subsidiaries acquired	-	-	-	-	(126,932)	(126,932)	-	-	-	-	-	(126,932)
Changes in ownership interests in subsidiaries	-	117,892	-	-	-	-	-	-	-	-	-	117,892
<b>Balance at December 31, 2017</b>	2,941,330	886,756	540,441	512,508	1,851,370	2,904,319	(432,998)	-	(4,114)	(437,112)	(576,860)	5,718,433
Effects of retrospective application	-	-	-	-	45,000	45,000	-	(49,114)	4,114	(45,000)	-	-
Balance at January 1, 2018 after adjustments	2,941,330	886,756	540,441	512,508	1,896,370	2,949,319	(432,998)	(49,114)	-	(482,112)	(576,860)	5,718,433
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	99,273	-	(99,273)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	-	(668,280)
Other changes in capital surplus	-	1,340	-	-	-	-	-	-	-	-	-	1,340
Net income	-	-	-	-	1,012,724	1,012,724	-	-	-	-	-	1,012,724
Other comprehensive income (loss)	-	-	-	-	18,269	18,269	(73,977)	(2,764)	-	(76,741)	-	(58,472)
Total comprehensive income (loss)	-	-	-	-	1,030,993	1,030,993	(73,977)	(2,764)	-	(76,741)	-	954,252
<b>Balance at December 31, 2018</b>	<b>\$ 2,941,330</b>	<b>1,011,972</b>	<b>639,714</b>	<b>512,508</b>	<b>2,035,934</b>	<b>3,188,156</b>	<b>(506,975)</b>	<b>(51,878)</b>	<b>-</b>	<b>(558,853)</b>	<b>(576,860)</b>	<b>6,005,745</b>



## NAMCHOW HOLDING CO., LTD.

## Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,108,321	1,088,992
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	19,833	80,632
Expected credit gain / Provision for bad debt expense	(539)	395
Interest expense	71,655	67,374
Interest income	(97)	(51)
Share-based payments	-	(8,989)
Share of profit of subsidiaries accounted for using equity method	(1,409,312)	(1,305,256)
Loss on disposal of property, plan and equipment	-	10,905
Total adjustments to reconcile profit	(1,318,460)	(1,154,990)
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	367	137,238
Accounts receivable	1,730	375,760
Accounts receivable due from related parties	7,646	46,350
Other receivable	2,641	231
Other receivable due from related parties	45,086	(35,290)
Inventories	-	53,015
Prepayments	2,287	24,325
Other current assets	35	(3,689)
Total changes in operating assets, net	59,792	597,940
Changes in operating liabilities:		
Accounts payable	-	86,682
Accounts payable to related parties	-	(1,390)
Other payables	(30,196)	(95,159)
Other payable to related parties	(6,838)	5,944
Other current liabilities	(1,148)	(7,039)
Net defined benefit liabilities	(34,148)	(12,186)
Deferred revenue	-	9,092
Total changes in operating liabilities, net	(72,330)	(14,056)
Total changes in operating assets / liabilities, net	(12,538)	583,884
Total adjustments	(1,330,998)	(571,106)
Cash provided by operating activities	(222,677)	517,886
Interest income received	97	51
Interest paid	(50,016)	(44,434)
Income taxes paid	(46,759)	(13,771)
<b>Net cash provided by (used in) operating activities</b>	<b>(319,355)</b>	<b>459,732</b>
<b>Cash flows from investing activities:</b>		
Acquisition of investments accounted for using equity method	-	(22,000)
Acquisition of property, plant and equipment	(3,162)	(222,751)
Proceeds from disposal of property, plant and equipment	-	391
Decrease (increase) in other non-current assets	941	(1,124)
Dividends received	629,804	68,644
<b>Net cash provided by (used in) investing activities</b>	<b>627,583</b>	<b>(176,840)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	4,190,000	1,889,000
Decrease in short-term borrowings	(3,638,000)	(1,874,000)
Increase in short term commercial paper payable	(34,981)	(214,934)
Proceeds from long-term borrowings	3,530,350	1,727,000
Repayments of long-term borrowings	(3,550,700)	(977,000)
Increase in other non-current liabilities	-	(3,948)
Cash dividends paid	(792,156)	(823,572)
Payments to acquire treasury stock	-	(46,746)
Overaging unclaimed dividends	1,340	(30,598)
<b>Net cash used in financing activities</b>	<b>(294,147)</b>	<b>(354,798)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,081</b>	<b>(71,906)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>22,746</b>	<b>94,652</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 36,827</b>	<b>22,746</b>



## Attachment 4~6

### **Independent Auditors' Report**

To the Board of Directors of Namchow Holdings Co., Ltd.:

#### **Opinion**

We have audited the consolidated financial statements of Namchow Holdings Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants" and the 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. In our judgment, the key audit matters we communicated in the auditor's report were as follows:

### 1. Impairment of trades receivable

Please refer to Note 4(g) "Financial instrument" for accounting policies, Note 5(a) for accounting assumptions, judgment and estimation uncertainty of impairment of trade receivable, and Note 6(d) for the disclosure related to impairment of trade receivable of the consolidated financial statements.

Description of key audit matter:

The Group does not concentrate on any individual customer or any specific region, therefore, the Group needs to establish a policy on its allowance for impairment in order to evaluate its customers' financial status, as well as the political and economic environment. Therefore, the impairment of trades receivable is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principle audit procedures for the assessment of the Group's accounting policy, included evaluating the receivables credit conditions and allowance for impairment policy; analyzing the accounts receivable relevant with the allowance for impairment; obtaining document for the calculation of the rate of expected credit loss of accounts receivable to determine whether if its appropriate, obtaining aging analysis of accounts receivable and examining relevant documents to verify the accuracy aging period; understanding the recovery of the past due accounts and for the aging of the long-term accounts receivable, such as those past due for 120 days; inspecting whether the Group has taken the appropriate procedures on the litigation or negotiation of the Group subsequent to the financial year end, and verifying the adequacy of impairment assessment of accounts receivable; verifying the reasonableness of the management's assessment on the Group's disclosure on the impairment of trades receivable.

### 2. Valuation of inventories

Please refer to Note 4(h) "Inventories" for accounting policies, Note 5(b) for accounting assumptions, judgment and estimation uncertainty of valuation of inventories, and Note 6(f) for the disclosure related to valuation of inventories of the financial statements.

Description of key audit matter:

The Group's main inventories are edible and non-edible oil products, frozen dough and frozen food, as well as dish and laundry liquid detergent.

The value of edible and non-edible oil products and laundry liquid detergent products are affected by the international oil price, which may result in the inventory cost exceed its net realizable value; frozen dough and frozen food due to shelf life, resulting in the inventory age has significant risk. Therefore, the valuation of inventories is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included

Our principle audit procedures for the assessment of the Group' accounting policy included understanding the policies of evaluating the inventories; performing the analytical procedures about the relation between the balance of inventory and provision on inventory market price decline; verifying the change of provision on inventory valuation and evaluating where it is reasonable; understanding the net realizable values used by management and the variation of the prices in a period after the reporting date to ensure the appropriateness of the valuation price; obtaining the aging report and inspecting the inventory aging processing after the reporting date, as well as understanding the net realizable values used by the management to access whether the net realizable value and the allowance for inventories are reasonable; assessing whether the disclosure on the provision for inventory valuation and obsolescence was appropriate.

### 3. Revenue recognition—customer loyalty program

Please refer to Note 4(p) "Revenue" for accounting policies, Note 5(c) for accounting assumptions, judgment and estimation uncertainty of revenue recognition and Note 6(s) for the disclosure related to revenue of the financial statements.

Description of key audit matter:

The revenue arising from the bonus points shall be calculated by using the fair values, based on the amounts of sales and points earned in the previous year, to be recognized as contract liabilities. Revenue is the main indicator for the Group management and investors to evaluate the Group' s financial and business performance. Therefore, the revenue recognition is one of the key judgmental areas for our audit.

How the matter was addressed in our audit:

The key audit procedures performed included understanding and assessing the design and implementation of the bonus points; assessing the management' s judgments and estimating the rationality of the bonus points and recalculating them to ensure the sales revenue are recognized; performing the analytical procedures of sales revenue; assessing the appropriateness of the contract liabilities of the relevant incentive points, whether it is recorded correctly in the system, and whether it has been disclosed in the appropriate notes to the financial statements.

### **Other Matter**

Namchow Holdings Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **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 auditor's 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error 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 Group's internal control.
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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Ann-Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)  
March 12, 2019

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2018</u>		<u>December 31, 2017</u>				<u>December 31, 2018</u>		<u>December 31, 2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Assets</b>											
<b>Current assets:</b>											
1100	Cash and cash equivalents (note 6(a))	\$ 4,708,562	22	4,662,498	21	2100	Short-term borrowings (notes 6(k), 8 and 9)	\$ 3,933,410	18	3,144,350	14
1150	Notes receivable, net (note 6(d))	212,925	1	212,246	1	2110	Short-term commercial paper payable (note 6(k))	-	-	94,968	-
1170	Accounts receivable, net (note 6(d))	1,609,130	7	1,680,919	7	2322	Current portion of long-term borrowings (notes 6(k) and 8)	1,052,335	5	1,543,523	7
1200	Other receivables (note 6(e))	55,369	-	49,941	-	2130	Contract liabilities (note 6(s))	511,135	2	-	-
1220	Current income tax assets	180,420	1	207,629	1	2150	Notes payable	7,040	-	-	-
130x	Inventories (note 6(f))	2,211,404	10	2,421,777	11	2170	Accounts payable	937,832	4	1,022,250	5
1410	Prepayments	534,330	2	609,511	3	2219	Other payables (notes 6(u) and 9)	1,355,538	6	1,770,618	8
1470	Other current assets	68,826	-	50,420	-	2230	Current income tax liabilities	164,294	1	215,004	1
	<b>Total current assets</b>	<u>9,580,966</u>	<u>43</u>	<u>9,894,941</u>	<u>44</u>	2313	Deferred revenue(note 6(t))	-	-	316,025	1
<b>Non-current assets:</b>						2399	Other current liabilities	36,860	-	143,823	1
1517	Financial assets at fair value through other comprehensive income — non-current (note 6(b))	40,259	-	-	-		<b>Total current liabilities</b>	<u>7,998,444</u>	<u>36</u>	<u>8,250,561</u>	<u>37</u>
1524	Available-for-sale financial assets — non-current (note 6(c))	-	-	15,859	-	2530	<b>Non-Current liabilities:</b>				
1543	Financial assets at cost — non-current (note 6(g))	-	-	27,166	-	2540	Bonds payable (note 6(l))	3,937,311	18	3,915,817	18
1600	Property, plant and equipment (notes 6(h), 8 and 9)	11,793,459	53	11,706,475	52	2550	Long-term borrowings (notes 6(k) and 8)	2,549,625	11	2,956,528	13
1760	Investment property (note 6(i))	47,333	-	51,715	-	2570	Provision liabilities — non-current (note 6(m))	14,259	-	10,455	-
1805	Goodwill (note 6(j))	105,417	1	105,417	1	2640	Deferred income tax liabilities (note 6(p))	1,002,177	5	967,548	4
1840	Deferred income tax assets (note 6(p))	191,373	1	240,094	1	2670	Accrued pension liabilities — non-current (note 6(o))	254,595	1	329,675	1
1915	Prepayments for equipment	51,914	-	100,471	1		Other non-current liabilities	56,431	-	59,918	-
1985	Long-term prepaid rents	221,733	1	231,595	1		<b>Total non-current liabilities</b>	<u>7,814,398</u>	<u>35</u>	<u>8,239,941</u>	<u>36</u>
1990	Other non-current assets(notes 8 and 9)	76,409	1	82,221	-		<b>Total liabilities</b>	<u>15,812,842</u>	<u>71</u>	<u>16,490,502</u>	<u>73</u>
	<b>Total non-current assets</b>	<u>12,527,897</u>	<u>57</u>	<u>12,561,013</u>	<u>56</u>	3100	<b>Equity attributable to shareholders of parent (note 6(q)):</b>	<u>2,941,330</u>	<u>13</u>	<u>2,941,330</u>	<u>13</u>
						3200	Common stock	<u>1,011,972</u>	<u>5</u>	<u>886,756</u>	<u>4</u>
							Capital surplus				
							Retained earnings:				
						3310	Legal reserve	639,714	3	540,441	3
						3320	Special reserve	512,508	2	512,508	2
						3350	Unappropriated earnings	2,035,934	9	1,851,370	8
								<u>3,188,156</u>	<u>14</u>	<u>2,904,319</u>	<u>13</u>
							Other equity:				
						3410	Financial statement translation differences for foreign operations	(506,975)	(2)	(432,998)	(2)
						3420	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(51,878)	-	-	-
						3425	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(4,114)	-
								<u>(558,853)</u>	<u>(2)</u>	<u>(437,112)</u>	<u>(2)</u>
						3500	Treasury stock	<u>(576,860)</u>	<u>(2)</u>	<u>(576,860)</u>	<u>(2)</u>
							<b>Total equity attributable to shareholders of parent</b>	<u>6,005,745</u>	<u>28</u>	<u>5,718,433</u>	<u>26</u>
						36xx	<b>Non-controlling interests</b>	<u>290,276</u>	<u>1</u>	<u>247,019</u>	<u>1</u>
							<b>Total equity</b>	<u>6,296,021</u>	<u>29</u>	<u>5,965,452</u>	<u>27</u>
<b>Total assets</b>		<u><u>\$ 22,108,863</u></u>	<u><u>100</u></u>	<u><u>22,455,954</u></u>	<u><u>100</u></u>		<b>Total liabilities and equity</b>	<u><u>\$ 22,108,863</u></u>	<u><u>100</u></u>	<u><u>22,455,954</u></u>	<u><u>100</u></u>



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**NAMCHOW HOLDINGS CO., LTD. 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 Common Share)**

		<b>2018</b>		<b>2017</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Revenue (notes 6(s) and (t))</b>	\$ 18,287,354	100	17,172,886	100
5000	<b>Operating costs (notes 6(f), (h),(m),(n), (o), (u), 7 and 9)</b>	12,209,502	67	11,558,740	67
5900	<b>Gross profit</b>	6,077,852	33	5,614,146	33
6000	<b>Operating expenses (notes 6(d), (h),(m),(n) ,(o), (u) and 7):</b>				
6100	Selling expenses	2,686,430	15	2,566,614	15
6200	General and administrative expenses	1,417,920	8	1,338,875	8
6300	Research and development expenses	303,232	2	297,937	2
	<b>Total operating expenses</b>	4,407,582	25	4,203,426	25
6900	<b>Operating profit</b>	1,670,270	8	1,410,720	8
7000	<b>Non-operating income and expenses (notes 6(i) and (v)):</b>				
7010	Other income	189,617	1	221,725	1
7020	Other gains and losses	(137,801)	(1)	22,808	-
7050	Finance costs	(206,443)	(1)	(150,325)	(1)
	<b>Total non-operating income and expenses</b>	(154,627)	(1)	94,208	-
7900	<b>Net income before tax</b>	1,515,643	7	1,504,928	8
7950	<b>Less: income tax expense (note 6(p))</b>	453,830	2	509,878	3
	<b>Net income</b>	1,061,813	5	995,050	5
8300	<b>Other comprehensive income (loss) (notes 6(o) and (q)):</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	18,303	-	(48,048)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(2,764)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	15,539	-	(48,048)	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(79,844)	-	176,604	1
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	2,610	-
8399	Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	(79,844)	-	179,214	1
8300	<b>Other comprehensive income (loss), net of tax</b>	(64,305)	-	131,166	1
	<b>Total comprehensive income</b>	<b>\$ 997,508</b>	<b>5</b>	<b>1,126,216</b>	<b>6</b>
	<b>Net income (loss) attributable to:</b>				
8610	Shareholders of the parent	\$ 1,012,724	5	992,726	5
8620	Non-controlling interests	49,089	-	2,324	-
		<b>\$ 1,061,813</b>	<b>5</b>	<b>995,050</b>	<b>5</b>
	<b>Total Comprehensive income attributable to:</b>				
8710	Shareholders of the parent	\$ 954,252	5	898,913	5
8720	Non-controlling interests	43,256	-	227,303	1
		<b>\$ 997,508</b>	<b>5</b>	<b>1,126,216</b>	<b>6</b>
9750	<b>Basic earnings per share (in New Taiwan dollars) (note 6(r))</b>	<b>\$ 4.09</b>		<b>4.01</b>	
9850	<b>Diluted earnings per share (in New Taiwan dollars) (note 6(r))</b>	<b>\$ 4.09</b>		<b>4.00</b>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**NAMCHOW HOLDINGS CO., LTD. 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 owners of parent														
	Retained earnings						Total other equity interest				Treasury stock	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity	
							Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on valuations of available-for-sale financial assets	Total					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total									
Balance at January 1, 2017	\$ 2,941,330	640,075	419,871	512,508	1,977,655	2,910,034	(384,512)	-	(6,724)	(391,236)	(530,114)	5,570,089	52,621	5,622,710	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	120,570	-	(120,570)	-	-	-	-	-	-	-	-	-	
Stock dividends of ordinary share	-	128,789	-	-	(823,572)	(823,572)	-	-	-	-	-	(694,783)	-	(694,783)	
Net income (loss)	-	-	-	-	992,726	992,726	-	-	-	-	-	992,726	2,324	995,050	
Other comprehensive income (loss)	-	-	-	-	(47,937)	(47,937)	(48,486)	-	2,610	(45,876)	-	(93,813)	224,979	131,166	
Total comprehensive income (loss)	-	-	-	-	944,789	944,789	(48,486)	-	2,610	(45,876)	-	898,913	227,303	1,126,216	
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	(46,746)	(46,746)	-	(46,746)	
Difference between purchase price and carrying amount of subsidiaries acquired	-	-	-	-	(126,932)	(126,932)	-	-	-	-	-	(126,932)	(32,905)	(159,837)	
Changes in ownership interests in subsidiaries	-	117,892	-	-	-	-	-	-	-	-	-	117,892	-	117,892	
Balance at December 31, 2017	2,941,330	886,756	540,441	512,508	1,851,370	2,904,319	(432,998)	-	(4,114)	(437,112)	(576,860)	5,718,433	247,019	5,965,452	
Effects of retrospective application	-	-	-	-	45,000	45,000	-	(49,114)	4,114	(45,000)	-	-	-	-	
Balance at January 1, 2018 after adjustments	2,941,330	886,756	540,441	512,508	1,896,370	2,949,319	(432,998)	(49,114)	-	(482,112)	(576,860)	5,718,433	247,019	5,965,452	
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	99,273	-	(99,273)	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	123,876	-	-	(792,156)	(792,156)	-	-	-	-	-	(668,280)	-	(668,280)	
Other changes in capital surplus	-	1,340	-	-	-	-	-	-	-	-	-	1,340	-	1,340	
Net income	-	-	-	-	1,012,724	1,012,724	-	-	-	-	-	1,012,724	49,089	1,061,813	
Other comprehensive income (loss)	-	-	-	-	18,269	18,269	(73,977)	(2,764)	-	(76,741)	-	(58,472)	(5,832)	(64,304)	
Total comprehensive income (loss)	-	-	-	-	1,030,993	1,030,993	(73,977)	(2,764)	-	(76,741)	-	954,252	43,257	997,509	
Balance at December 31, 2018	\$ 2,941,330	1,011,972	639,714	512,508	2,035,934	3,188,156	(506,975)	(51,878)	-	(558,853)	(576,860)	6,005,745	290,276	6,296,021	

**NAMCHOW HOLDINGS CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,515,643	1,504,928
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	795,598	637,419
Expected credit gain / Provision for bad debt expense	(1,067)	(2,374)
Interest expense	206,443	150,325
Interest income	(54,728)	(43,010)
Loss on disposal of property, plan and equipment	(1,793)	32,069
Total adjustments to reconcile profit	944,453	774,429
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	(679)	(3,578)
Accounts receivable	73,006	(156,802)
Other receivable	(5,428)	199,809
Inventories	210,373	(472,574)
Prepayments	75,181	(500,411)
Other current assets	(18,416)	144,395
Total changes in operating assets, net	334,037	(789,161)
Changes in operating liabilities:		
Contract liabilities	86,957	(48,308)
Notes payable	7,040	(49)
Accounts payable	(84,418)	257,413
Other payables	(221,169)	77,156
Provisions liabilities	3,804	(1,200)
Other current liabilities	1,200	87,960
Net defined benefit liabilities	(56,777)	(11,601)
Total changes in operating liabilities, net	(263,363)	361,371
Total changes in operating assets / liabilities, net	70,674	(427,790)
Total adjustments	1,015,127	346,639
Cash provided by operating activities	2,530,770	1,851,567
Interest income received	54,728	43,010
Interest paid	(184,949)	(128,887)
Income taxes paid	(393,981)	(654,715)
<b>Net cash provided by operating activities</b>	<b>2,006,568</b>	<b>1,110,975</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(1,049,851)	(1,969,006)
Proceeds from disposal of property, plant and equipment	15,217	85,635
Decrease (increase) in other non-current assets	8,805	5,457
Decrease in other prepayments	6,869	4,821
Acquisition of non-controlling interests by subsidiaries	-	(159,837)
<b>Net cash used in investing activities</b>	<b>(1,018,960)</b>	<b>(2,032,930)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	11,064,196	8,176,140
Decrease in short-term borrowings	(10,389,196)	(6,581,511)
Increase in short term commercial paper payable	(94,968)	(194,947)
Proceeds from long-term borrowings	3,883,925	2,860,727
Repayments of long-term borrowings	(4,790,115)	(1,202,805)
Decrease in other non-current liabilities	(3,487)	(8,788)
Cash dividends paid	(668,280)	(823,810)
Payments to acquire treasury stock	-	(46,746)
Overaging unclaimed dividends	1,340	117,892
<b>Net cash provided by (used in) financing activities</b>	<b>(996,585)</b>	<b>2,296,152</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>55,041</b>	<b>126,616</b>
<b>Net increase in cash and cash equivalents</b>	<b>46,064</b>	<b>1,500,813</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,662,498</b>	<b>3,161,685</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,708,562</b>	<b>4,662,498</b>

## Attachment 5

### Namchow Holding Co., Ltd. 2018 Earnings Distribution Form

Currency unit: NTD

Item	Value
<b>Undistributed Earnings at the Start of the Reporting Period</b>	959,941,581
Plus: Adjustment of IFRS 9	45,000,000
Re-measured variable for the current term confirmed for the welfare program	18,268,595
Net profit after tax	1,102,724,340
<b>Profit Available for Distribution</b>	2,035,934,516
Less:	
Appropriation of legal reserve	101,272,434
Appropriation of the equity deduction special reserve	558,852,896
Distribution Item:	
Dividends for shareholders in cash (2.7 per share)	792,155,597
<b>Undistributed Earnings at the End of the Reporting Period</b>	583,653,589

Chen Fei Lung

Chairman

Lee Kan Wen

EVP

Shi Wei Wang

Head of Accounting

## Appendix 1

# **Namchow Holdings Co., Ltd.**

## Articles of Incorporation

### Chapter 1 General Provisions

- Article I: The Company is duly incorporated in accordance with the Corporate Merger and Acquisition Act, the Company Act in the section of limited liability Company, and other applicable laws and bears the title of Namchow Investment Holding Co., Ltd.
- Article II: The Company is engaged in the business of: H201010- Investments.
- Article 2-1: The Company may offer external assurance in order to fulfill business needs.
- Article 2-2: If the company is a shareholder with limited liabilities of another company, its overall investment value is not subject Article 13 of the Company Act where it says that the overall investment value may not exceed 40% of the paid-up capital stock.
- Article 3: The Company's main office is located in Taipei City and the company may set up branches at other appropriate locations when it is considered necessary. The establishment, abolishment, or change is to be decided by the Board of Directors.
- Article 4: The Company's public notices shall be pursuant to Article 28 of the Company Act.

### Chapter 2 Shares

- Article 5: The capital size of the company is set at NTD4 billion consisting of 400 million shares. Each share has a par value of NTD10. The shares are to be issued in separate efforts by the Board of Directors according to the Company Act and other applicable laws and regulations.
- Article 6: Stocks of the company shall be registered, signed or sealed by at least three directors. The stocks should be issued after proper certification by the competent authority or its approved registration institutes by law.
- Stocks issued by the company are not required to be printed. The company, however, should contact the securities depository and custodian institution for registration of the share certificates.
- Article 7: Shareholders shall complete the seal certificate to be kept by the company. The seal certificate is the basis for claiming the dividend and bonus or written correspondence with the company.

- Article 8: In the event that the stocks are assigned to someone else, the stock transfer request should be completed and submitted to the company for change of name and transfer of the account. Once it is registered in the shareholders roster, it can be set up as a valid defense against the company. To request change of name as a result of inheritance, the heir shall provide legal supporting documents.
- Article 9: In the event that the stocks are lost or stolen, the holder shall file the case with the police and loss of the stocks with the company and petition the court with jurisdiction within 5 days to release a public notice. A copy of the said writ petition along with a photocopy of the receipt from the court shall be submitted to the company; otherwise, the application for loss of the stocks will be canceled. Once the public notice is released and a judgment is made, a copy of the newspaper bearing the public notice and judgment shall be submitted to the company and a request for re-issuance of new stocks shall be made to the company with the ex-right verdict.
- Article 10: Adequate cost will be charged for each stock to be replaced or re-issued because of contamination or damage or in accordance with the requirements indicated in the foregoing 2 articles.
- Article 10-1: After issuance of new stocks, the physical stocks may all be printed at once for that particular issue. The company may also issue stock in non-physical form.
- With respect to shares issued in accordance with the requirements set forth in the preceding paragraph, they may be held in custody or placed for registration with a centralized securities depository corporation or they may also be consolidated and re-issued in securities with larger denominations as requested from the centralized securities depository corporation.

### Chapter 3 Shareholder's Meeting

- Article 11: There are regular and provisional shareholders meetings. The regular meeting is held once a year within 6 months after an operation year ends and is called for by the Board of Directors while the provisional one is to be convened by the Board of Directors or the supervisor whenever it is considered necessary. Shareholders who have been holding more than 3% of the total outstanding shares for more than a year may also ask the Board of Directors to call for a shareholders meeting by clearly written proposals and reasons.
- Article 12: A shareholders meeting shall be called for by the 30th day of each month while provisional meeting shall be called for by the 15th day of each month, with written

indication of the date, venue, and reason for the meeting that is made known to individual shareholders. For shareholders with less than 1,000 inscribed stocks, a public notice may be provided to notify them as required by Article 26-2 of the Securities Exchange Act.

Article 13: If a shareholder cannot attend a meeting for some reason, he/she may have a proxy to attend it on his/her behalf with a show of the proxy form printed out and distributed by the company that specifies the scope of authorization and bears his/her signature/seal in accordance with applicable laws and regulations governing the use of the proxy form. When two or more shareholders authorize the same person, the authorized voting rights may not exceed 3% of the voting rights of the total outstanding shares combined. The excess will not be counted.

Article 14: The Chairman shall chair shareholders meetings; in the event that the Chairman is absent for a reason, the Vice Chairman shall act on his/her behalf.

Article 15: Unless otherwise stipulated in the Company Act, any resolutions reached in a shareholders' meeting should be approved by a majority vote among shareholders that are present and represent at least one half of the total outstanding shares.

When shareholders that are present do not meet the requirements indicated in the preceding paragraph, yet account for more than one-third of the total outstanding shares, approval by a majority of the shareholders that are present shall constitute a tentative resolution. The tentative resolution shall be made known to all shareholders and another shareholders meeting shall be called for within a month. For the tentative resolution, if it is approved by a majority vote among shareholders that are present and represent one-third of the total outstanding shares, it shall be considered as the resolution indicated in the preceding paragraph.

Article 16: For the shares held by the shareholders, unless specified otherwise by law, each share is assigned with one vote.

Article 17: Minutes of shareholders meetings shall show the year, month, date, venue, name of the chairperson, decisions made in the meetings, highlights of the agenda and results and must be signed off or sealed by the chairperson. Minutes of shareholders meetings shall be kept for as long as the company continues to exist. Shareholders' attendance sheets and proxy forms shall be retained for at least one year.

#### Chapter 4 Board of Directors

Article 18: The Company has 5 to 9 board directors, who are to be elected among capable people in shareholders meetings to serve a tenure of 3 years and may be repeatedly elected to serve multiple terms. The directors are entitled to transportation reimbursements that have to be paid regardless of gains or losses. Among the said directors, there may not be fewer than 2 independent ones and the independent directors may not account for less than one-fifth of all openings. Election of independent directors follows the nomination system. Shareholders shall elect independent directors according to the list of candidates they receive. Independent and non-independent directors shall be elected together and votes will be counted separately. The nomination and election of independent directors and other details to be followed shall be based on the requirements indicated in the Securities Exchange Act and applicable laws and regulations.

The total quantity of shares held by all Directors shall be governed by the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies insituted by the competent authority.

In order to protect the company's right of reinvestment, the directors may be elected and hired as director and manager in the invested company and can take part in the operation of the reinvestment business.

Article 19: The directors shall form the Board of Directors and shall elect among themselves one Chairman and one Vice Chairman with paid salaries that are positive expenses regardless of gains or losses.

Article 19-1: The Company may purchase liability insurance for its directors and supervisors during their term of office, based on the compensation liabilities associated with their respective business accountabilities. The Board of Directors is fully authorized to take care of the insurance matter.

Article 20: The duties of the Board of Directors are as follows:

- (1) To review respective rules and procedures
- (2) To decide on business policies
- (3) To review budget and accounts
- (4) To prepare individual forms and rosters as per Article 228 of the Company Act
- (5) To direct and supervise operations
- (6) To decide on the establishment, removal, or change of branches



- (7) To approve the purchase and disposal of important properties and real estate
- (8) To offer external assurance
- (9) To make a decision on reinvestment
- (10) The Board of Directors is to decide on involvement in public interest activities that are required while fulfilling its tasks and in order to facilitate expansion of the operation or to boost the company image while returning to society or donations that are required in order to fulfill the company's social responsibilities.
- (11) Other duties that are bestowed under applicable laws and regulations or through the shareholders meeting.

Article 20-1: The Board of Directors is fully authorized to handle fractional shares from new stocks issued by the company by contacting specific people for subscription.

Article 21: The Board of Directors shall meet at least once a quarter. When a provisional meeting is required, except for the very first meeting for each intake of the Board of Directors where a meeting is to be called for by the director with the most votes, all the other meetings are to be called for by the Chairman, who will also preside over the meeting. When the Chairman is absent for some reason, the Vice Chairman shall act on his/her behalf.

When a meeting of the Board of Directors is called for via visual communication network, the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. In the event that a director is unable to attend the meeting in person, he/she may authorize another director to act on his/her behalf with a show of the proxy form. The proxy, however, may only be authorized by one director.

A meeting of the company's Board of Directors may be called for in writing, through email, or by fax.

Article 22: Decisions made by the Board of Directors shall be approved by a majority vote among the directors who are present and account for more than half of all directors and the meeting minutes shall be signed off and sealed by the chairperson.

Article 23: When the Board of Directors meets, the General Manager and managers may be invited to attend the meeting; nevertheless, the latter do not have a voting right.

## Chapter 5 Supervisors

Article 24: The Company has 2 supervisors, who are to be elected among capable people in shareholders meetings to serve a tenure of 3 years and may be repeatedly elected to serve multiple terms. The supervisors are entitled to transportation reimbursements that have to be paid regardless of gains or losses.

The total number of the company's shares to be held by all supervisors shall be set according to the "Rules Governing the Ratio and Audit Procedures on the Stock Ownership by Directors and Supervisors of Public Companies" established by the competent authority.

Article 25: The duties of supervisors are as follows:

- (1) To investigate the company's financial conditions
- (2) To inspect books and documents
- (3) To inquire about operations of the company
- (4) To monitor operations carried out by staff and to report illegal and negligent situations
- (5) Other duties bestowed under applicable laws and regulations

Article 26: Supervisors may be seated in Board of Directors meetings but do not have a voting right.

## Chapter 6 Organization

Article 26: The Company has one General Manager, who is nominated by the Chairman and hired with approval by a majority vote among the directors. The same applies upon dismissal. There are several deputy general managers, associate managers and managers, who are to be chosen jointly by the Chairman and the General Manager and are hired with approval by a majority vote among the directors. The same applies upon dismissal. Other important employees are to be hired following submission by the General Manager to and approval by the Director and their information shall be submitted to the Board of Directors for reference. The same applies upon dismissal.

Article 28: The General Manager manages all affairs relating the company based on decisions made by the Board of Directors.

## Chapter 7 Accounting

Article 29: A business year begins with January 1 and ends on December 31 at the company. The annual audit takes place after a year is completed.

Article 30: After the annual audit, the following forms shall be prepared, submitted to the Board of Directors for review and to the supervisors to be inspected, and brought forth in the shareholders meeting for recognition.

(1) Business Report

(2) Financial Statement

(3) Earnings Distribution or Losses Subsidization Proposal

Article XXXI: The Company shall appropriate no less than 1% of its earnings as remuneration to employees and no more than 5% as remuneration to Directors and Supervisors, if applicable. The Company shall appropriate for write-off the loss carried forward, if applicable.

The remuneration to employees mentioned in the preceding paragraph may be paid in stock or cash, and the employees of subsidiaries meeting specific condition are also entitled to the payment.

Article XXXI-I: The Company shall appropriate its earnings for the payment of applicable taxes, followed by the write-off of loss carried forward, and 10% as legal reserve, if applicable. If however the legal reserve so appropriated is equivalent to the paid-in capital of the Company, no further appropriation is necessary. The remainder shall be recognized for special reserve or reversal of special reserve. If there is still a balance, it will be pooled up with undistributed earnings for distribution to the shareholders as dividend or bonus at the proposal of the Board and the final approval of the Shareholders' Meeting.

The dividend policy of the Company shall meet the needs of the development plan at present and in the future, in consideration of the investment environment, capital requirement and competition at home and abroad, and also the interests of the shareholders. At least 30% of annual earnings attributable to shareholders for distribution shall be paid out as dividend, which may be paid as stock dividend and/or cash dividend. Cash dividend shall not fall below 10% of the total dividend paid to the shareholders.

#### Chapter 8 Supplementary Provisions

Article 32: The Company's organizational rules and enforcement rules are to be established separately.

- Article 33: Details not covered herein are to be handled in accordance with the requirements of the Company Act and other applicable laws and regulations.
- Article 34: These Articles of Incorporation were stipulated on March 25, 1950. The first amendment took place on February 21, 1952. The second amendment took place on September 3, 1953. The third amendment took place on April 9, 1955. The fourth amendment took place on April 4, 1959. The fifth amendment took place on April 6, 1960. The sixth amendment took place on April 29, 1961. The seventh amendment took place on May 22, 1962. The eighth amendment took place on June 5, 1964. The ninth amendment took place on November 9, 1966. The tenth amendment took place on March 24, 1967. The 11th amendment took place on April 26, 1968. The 12th amendment took place on November 11, 1968. The 13th amendment took place on December 3, 1970. The 14th amendment took place on May 15, 1971. The 15th amendment took place on May 12, 1972. The 16th amendment took place on June 30, 1973. The 17th amendment took place on February 7, 1973. The 18th amendment took place on May 8, 1974. The 19th amendment took place on May 16, 1975. The 20th amendment took place on May 7, 1976. The 21st amendment took place on April 14, 1977. The 22nd amendment took place on March 17, 1978. The 23rd amendment took place on March 9, 1979. The 24th amendment took place on March 26, 1980. The 25th amendment took place on March 27, 1981. The 26th amendment took place on May 12, 1982. The 27th amendment took place on May 11, 1983. The 28th amendment took place on March 23, 1984. The 29th amendment took place on June 15, 1985. The 30th amendment took place on May 23, 1986. The 31st amendment took place on May 27, 1987. The 32nd amendment took place on June 10, 1988. The 33rd amendment took place on May 15, 1989. The 34th amendment took place on March 31, 1990. The 35th amendment took place on June 20, 1991. The 36th amendment took place on May 23, 1992. The 37th amendment took place on May 22, 1993. The 38th amendment took place on May 23, 1995. The 39th amendment took place on June 22, 1996. The 40th amendment took place on May 10, 1997. The 41st amendment took place on June 25, 1999. The 42nd amendment took place on June 17, 2000. The 43rd amendment took place on June 7, 2002. The 44th amendment took place on June 9, 2006. The 45th amendment took place on June 8, 2007. The 46th amendment took place on June 19, 2009. The 47th amendment took place on May 28, 2010. The 48th amendment took place on June 6, 2014. The 49th amendment took place on June 8, 2016. The 50th amendment took place on May 31, 2017. The 51st amendment took place on Mar 9, 2018. The 52th amendment took place on May 30, 2018.

## Appendix 2

### **Namchow Holdings Co., Ltd.**

#### **Rules and Procedures for Shareholders Meetings**

1. Shareholders meetings of the company shall be based on these Rules and Procedures.
2. For shareholders (or their proxies) who attend the meeting, please submit the sign-in card to indicate attendance and bring the identification supporting document to get ready for inspection and verification whenever necessary.

Without the attendance certificate and sign-in card as required by law, no one is allowed to attend a shareholders meeting; the same shall apply to whoever cannot provide complete identification supporting documents.

- 2-1. Starting from 2016, shareholders may exercise their voting rights electronically. How to exercise the voting right is to follow the requirements of the Company Act and the competent authority.

Shareholders exercising their voting rights electronically are considered to have attended the shareholders meeting in person. For motions and amendment to the original proposal in the shareholders meeting, however, it is considered an abstention.

3. Upon attendance by shareholders representing more than half of the total outstanding shares, the chairperson will call the meeting to order. If it is already past the start time for the meeting but the attendance continues to fall short of the legal requirement, the chairperson may announce an extension of the start time. When the start time has been extended for two times and the attendance is still short of meeting the requirement but shareholders that are present represent more than one-third of the total outstanding shares, the requirement in Article 175 of the Company Act "approval by a majority of the shareholders that are present shall constitute a tentative resolution" shall be followed.

To reach the tentative resolution indicated in the preceding paragraph, if the number of shares represented by shareholders that are present has met the legal requirement, the chairperson may call the meeting to order at any time and bring forth the tentative resolution reached in the general meeting for endorsement.

4. The agenda for the shareholders meeting is to be set by the Board of Directors and the meeting shall take place in accordance with the procedures arranged in the agenda.
5. To speak a few words, shareholders shall provide the purpose of the speech, shareholder account number and name in the speech note first and the chairperson will decide the sequential order.
6. Shareholders may not speak for more than three minutes in each attempt; with the chairperson's permission, however, the speech may be extended by two minutes.
7. For the same proposal, the same shareholder (or proxy) may not speak more than twice.

- 7-1. When authorized to attend a shareholders meeting, each legal entity may only send one

representative to attend it.

8. The chairperson may stop a shareholder's speech if it is overtime or exceeds the two-time limit or exceeds the scope of the proposal.
9. During the discussion of a proposal, the chairperson may declare that discussions are over whenever it is considered appropriate. When it is necessary, discussions may be declared to be halted, too.
10. The chairperson may submit a proposal whose discussions are declared to be halted or discontinued for a vote.
11. Approval of a proposal requires a majority vote among shareholders who are present. During a vote, shareholders who vote electronically do not express an objection or abstention to a proposal may be considered as approved when no one expresses disagreement upon the inquiry by the chairperson; the binding power is identical to an actual ballot. Each shareholder has one voting right per share.

To authorize a proxy to attend the shareholders meeting, the shareholder should follow applicable laws and regulations governing the use of proxy forms. When two or more shareholders authorize one person at the same time, the voting rights combined may not exceed 3% of the total outstanding shares. The excess will not be counted.

12. While a meeting is in session, the chairperson may announce a break taking into consideration the available time.
- 12-1. The chairperson may have a picketer (or security) to help maintain order on the floor.
13. For details not covered herein, requirements in the Company Act and the Articles of Incorporation are to be followed.
14. These Rules and Procedures are to be enforced once approved in the shareholders meeting.

## Appendix 3

### **Namchow Holding Co., Ltd.**

#### **Guidelines for Electing Board Directors and Supervisors**

- I. The election of Directors and Supervisors of the Company shall be governed by This Procedure.
- II. In the election of Directors and Supervisors, holder of each share shall be entitled to the voting right of electing the equivalent seats of Directors and Supervisors or they may concentrate the votes on particular candidate or distribute the votes to different candidates.
- III. The Board shall prepare the ballots equivalent to the seats of Directors and Supervisors to be elected and fill in the weight before circulating to the shareholders.
- III-1. Starting from 2016, shareholders may exercise their voting rights electronically. How to exercise the voting right is to follow the requirements of the Company Act and the competent authority.
- IV. Before the balloting, the Charmian shall appoint the observers and vote counters to perform their assigned duties.
- V. The Board shall prepare the ballot box for the election of Directors and Supervisors. The observers shall inspect the box before balloting.
- VI. If a candidate in the election is a shareholder, voters shall put down the account title and account number of the candidate in the field of “candidate” on the ballot. If the candidate is not a shareholder, specify the name and ID number of the candidate. If the candidate is a governmental or institutional shareholder, however, name of the government or institution shall be provided in the column for the account name of the candidate. The name of the government or institution and the name of its representative may also be provided. When there are several representatives, the names of all of them shall be provided.
- VII. The Company adopts the nomination system for the election of Independent Directors. Election of Directors and Independent Directors should be held simultaneously and the votes shall be counted on the candidates to the seats on the scene.
- VIII. A ballot shall be void is any of the following occurs:
  - (I) The use of unqualified ballots.
  - (II) Cast the vote with blank ballot.
  - (III) The writing on the ballot is blurred that cannot be identified.
  - (IV) If the candidate inscribed on the ballot is a shareholder, the information on account title and account number is not relevant with the record of the shareholders roster. If the candidate inscribed on the ballot is not a shareholder, the information on name and ID number is not relevant with the record of shareholders roster.
  - (V) Wording on the ballot other than the account title (name) or account number (ID number) of the candidate and the number of votes assigned.
  - (VI) Failed to fill in the account title (name) or account number (ID number) of the candidate on the ballot.
  - (VII) Two or more candidates were put on the same ballot.
- IX. Directors and Supervisors of the Company shall be elected from candidates with full legal competence by the Shareholders’ Meeting and elected to the seats specified in the Articles

of Incorporation on the basis of the voting result whereby candidates won the majority of the votes will be elected to the seats in the order of Independent Directors, Non-Independent Directors, or Supervisors.

When one is elected director and supervisor at the same time according to Paragraph 1, he/she should decide whether he/she wants to be the director or the supervisor while the vacancy is to be filled by another person elected in the shareholders meeting.

- X. The ballot box will be opened and the votes will be counted on the scene immediately after the balloting is completed. The Chairman will announce the outcome of the election immediately.
- XI. The election will be nullified if being held in defiance of Article 26-3- (3)~(4).
- XII. The qualification and election to office of Independent Directors shall be governed by the Securities and Exchange Act, and the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” of Financial Supervisory Commission.
- XIII. The Board of the Company will give notice of election to office to the Directors and Supervisors elected to the seats.
- XIV. Anything not covered by The Guidelines shall be governed by the Company Act, the Articles of Incorporation of the Company and other applicable laws.
- XV. The Guidelines shall come into effect at the approval of the Shareholders’ Meeting. The same procedure is applicable to any amendment thereto.



## Appendix 4

### Namchow Holding Co., Ltd.

#### Procedure for the Acquisition or Disposition of Assets

##### **Chapter I General Provision**

##### **I. Purpose and legal reference:**

This Procedure is instituted pursuant to Article 36-1 of the Securities and Exchange Act and the “Criteria for Acquisition and Disposition of Assets by Public Companies” and for the strengthening of asset management and information transparency.

##### **II. Assets for application:**

- (I) Investment of stocks, government bonds, corporate bonds, bank debentures, fund securities, depository receipts, call (put) warrants, beneficiary certificates, and asset-backed securities.
- (II) Property (including lands, housing and structures, investment property, right of land use) and equipment.
- (III) Membership cards.
- (IV) Patents, copyrights, trademark, franchise, and other intangible assets.
- (V) Derivatives: Forwards contracts, option contracts, futures contracts, leverage contracts, and swap contracts the value of which is derived from its underlying assets, interest rate, exchange rate, index or other form of interests. Forward contracts as referred to do not include insurance contracts, performance contracts, post-delivery service contracts, long-term lease contract and long-term buy-sell contracts.
- (VI) Assets acquired or disposed from merger, spinoff, acquisition and acceptance of assigned shares: assets acquired or disposed through merger, spinoff, or acquisition in accordance with the Corporate Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Mergers Act or other applicable laws, or the issuance of new shares for acceptance of the shares assigned from other companies pursuant to Article 156-8 of the Company Act.
- (VII) Other major assets.

##### **III. Evaluation Procedure:**

- (I) In the acquisition or disposition of securities or engagement in derivative trade, the treasury and accounting of the Company shall conduct analysis of related return and possible risk. In the acquisition or disposition of real property and other assets, related functional departments shall map out the capital expenditure plan and

proceed to feasibility study on the purpose and expected return on acquisition or disposition of assets. For acquisition or disposition with related parties, proceed to Chapter II of This Procedure on the assessment of the rationality of the terms and conditions of the transactions.

- (II) The Company shall, before the day of deed for the acquisition or disposition of securities, obtain the audited or reviewed financial statements of the target companies or related information as reference for appraisal. If the transaction amount exceeds 20% of the paid-in capital of the Company or NTD300 million, retain a certified public accountant for presentation of opinion on the rationality of the transaction price before the day of deed. If the CPA elects to adopt reporting of an expert, follow the instruction of The Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation of the Republic of China (hereinafter referred to as “ARDF”). If there is an active market for the securities with open quotation, or the Financial Supervisory Commission (FSC) specified otherwise, this requirement can be waived.
- (III) In the acquisition or disposition of membership cards and/or intangible assets which transaction price exceeds 20% of the paid-in capital of the Company or NTD300 million, consult a certified public accountant for an opinion on the rationality of the transaction price before the day of deed and proceed to Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation unless otherwise the transaction is conducted with government agencies.
- (IV) For the acquisition or disposition of property or equipment exceeding 20% of the paid-in capital of the Company or NTD300 million, obtain the appraisal report issued by professional appraisers before the day of deed and proceed to the appraisal process of This Procedure.
- (V) In pursuing corporate merger, spinoff, acquisition or acceptance of assigned shares, consult a certified public accountant, legal attorney, or securities underwriting to present opinions on the rationality of the ratio of share swap, acquisition price, and the cash dividend or other assets paid to shareholders before the day of deed, and present to the Board for discussion. The aforementioned opinion from experts on the rationality of the transactions could be waived for the merger between the Company and a wholly-owned subsidiaries by equity share or capital, or between wholly-owned subsidiaries of the Company by equity share or capital.
- (VI) The Company shall comply with the following in the determination of the price for the acquisition or disposition of assets or for reference further to the aforementioned appraisal by professional appraisers, certified public accountants, and other experts:
  - 1. In the acquisition or disposition of securities traded in the centralized market

or OTC market, decision could be made on the basis of the price or the equity shares or bonds.

2. In the acquisition or disposition of securities not traded in the centralized market or OTC market, consider the net value per share, technology and profitability, potential for development, market interest rate, coupon rate, and the credit standing of the debtors, and also the bid price of most recent transaction as reference for decision-making.
  3. In the acquisition or disposition of membership cards, consider possible return and the most recent bid price for the transaction. For the acquisition or disposition of patents, copyrights, trademark, franchise, and other intangible assets, consult international or market customs and practices, the service period, and the effect on the technological level and business of the Company.
  4. In the acquisition or disposition of property or equipment, consult the posted present value, appraised present value, the actual transaction price or book value of property in the neighborhood, and the quotation of the suppliers. For acquisition or disposition of property with related parties, conduct evaluation as stated in Chapter II of This Procedure to assess the rationality of the transaction price.
  5. For the engagement in derivative trade, consult the trading condition of the futures market and the trends of the exchange rate and interest rate.
  6. In merger, spinoff, acquisition or acceptance of assigned shares, consider the nature of business, net value per share, asset value, technology and profitability, production capacity and potential for growth.
- (VII) The calculation of the amount as stated in (II), (III), and (IV), proceed to V (II). The period of one year as referred to shall be the duration from the day of deed moving backward for one year in retrospect. This period could be waived if the appraisal reports issued by professional appraisers or opinions from certified public accountants are available.

#### IV. Operation Procedure:

##### (I) Authorized limit and gate approval

1. Securities: The Chief Financial Officer shall be authorized to proceed to trade pursuant to Article VII of This Procedure. If the transaction meets the standard required for declaration as stated in Article V, report to the Chairman on the day after the trade for record, and present before the nearest session of the Board for ratification. For the acquisition or disposition of stocks, corporate bonds not traded in the centralized market or the OTC market, private placement securities, that the amount meets the standard required for declaration, the resolution of the Board for approval in advance is necessary.

Investment in Mainland China shall be subject to the consent of the Shareholders' Meeting or execution by the Board at the authorization of the Shareholders' Meeting, and petitioned with the Board of Investment of MOEA for approval before proceeding.

## 2. Derivative Trade

- (1) Hedge trade: trade may be conducted in line with the change in the business value and risk position by personnel designated by the Chairman with single transaction or accumulated transactions falling below USD20 million (including the equivalent of other currencies).
  - (2) Non-hedge trade: For reducing risk, single transaction or accumulated transactions fall below USD6 million (including the equivalent of other currencies) may be conducted by designated personnel under authorization subject to the approval of the Chief Financial Officer.
  - (3) The authorized personnel must be made known to the banks for facilitating the monitoring and management of the service banks in identification of the authorization of personnel.
  - (4) The aforementioned derivative trade conducted under authorization shall be reported to the Board.
3. Related party transactions: Prepare related information as stated in Chapter II of This Procedure, and present to the Board for approval and the Supervisors for ratification before proceeding to signing the trade contracts and effecting of payment.
  4. Merger, spinoff, acquisition or acceptance of assigned shares: proceed to Chapter IV of This Procedure for action and prepared the required materials. Merger, spinoff, acquisition shall be subject to the approval of the Shareholders' Meeting in advance unless the law provides otherwise. The acceptance of assigned shares shall be subject to the approval of the Board.
  5. Others: Comply with the internal control system and gate approval in the operation. If the transaction amount meets the standard required for declaration as stated in Article V, the approval of the Board in advance is necessary except for the acquisition or disposition of business equipment, which could be reported to the Board for ratification in the afterward. The resolution for approval by the Shareholders' Meeting is necessary if any of the situations in Article 185 of the Company Act is applicable.

## (II) Executor and transaction process

The treasury of the Company shall be the executor of securities investment and derivative trade. Real property and other assets shall be executed by the users or related functional departments. Merger, spinoff, acquisition, and acceptance of assigned shares shall be conducted by the functional unit designated by the

Chairman. Upon successful evaluation as required by law and approval, the executor shall proceed to the acquisition or disposition of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets. Related party transactions, derivative trade, and merger, spinoff, acquisition or acceptance of assigned shares shall proceed to Chapter II ~IV of This Procedure.

#### V. Declaration Procedure:

- (I) If any of the following is applicable to the acquisition or disposition of assets by the Company, follow the format and content as stated in the attached table (Attachment 2-8) by nature of the asset, and disclose related information at the designated website of FSC for declaration within 2 days after the day of deed.
1. Acquisition of property from related parties, or disposition of property to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million. This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms.
  2. Proceed to merger, spinoff, acquisition or acceptance of assigned shares.
  3. Engagement in derivative trade with loss from all contracts or individual contracts exceeding the upper limit as stated in Chapter III, Article XIV-IV of This Procedure.
  4. The assets acquired or disposed are business equipment and the counterparties of transactions are not related parties and the amount of transaction exceeds NTD500 million.
  5. Acquisition of property through the commissioning for construction on proprietary lands, commissioning for construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of sale revenue, and joint venture in construction and joint marketing of finished premises that the Company expects to invest an amount of more than NTD500 million.
  6. Further to the transactions of assets or investment in Mainland China as specified from 1~5 of this provision, and the transaction amount exceeds 20% of the paid-in capital of the Company or NT\$300 million. Except under the following situations:
    - (1) Trading of government bonds.
    - (2) Trading of R/P bonds, R/S bonds, subscription or redemption of domestic money market funds offered by securities investment trust firms.

- (II) The amount of the aforementioned transactions shall be calculated in the method specified below:
1. The amount of each transaction.
  2. The amount of transaction for the acquisition or disposition of the same target with particular counterparty in one year on an accumulative basis.
  3. The amount of transaction for the acquisition or disposition (accumulated separately) of the property of particular development project in one year on an accumulative basis.
  4. The amount of transaction for the acquisition or disposition (accumulated separately) of particular security
- (III) One year as referred to in preceding paragraphs shall be the duration from the day of deed moving back for one year in retrospect. The portion already declared could be exempted from the calculation.
- (IV) The Company shall provide information on the derivative trade conducted by the Company and subsidiaries which are not domestic public companies by the end of the previous month in the format as shown in the table, and declare the information with the designated website of FSC by the 10th day of the month.
- (V) In case of error or missing content for the items required for declaration, correct the content within 2 days after acknowledgment of the error or missing, and conduct a new round of declaration.
- (VI) If any of the following is applicable to the declaration as stated in (I), declare at the designated website of FSC within 2 days after the day of deed:
1. Alteration, termination, or discharge of the contracts for transactions previously entered into.
  2. The merger, spinoff, acquisition or acceptance of assigned shares cannot be accomplished as scheduled.
  3. Change in the content of information previously declared.

## VI. Procedure for appraisal of assets

For acquisition of real property through the commissioning of construction on proprietary land, commissioning of construction on leased land, joint venture in construction with sharing of the finished premises, joint venture in construction with sharing of ownership, joint venture in construction with separate sale of finished premises exceeding 20% of the paid-in capital of the Company or NT\$300 million, present the appraisal reports issued by professional appraisers (the particulars for inscription are exhibited in Attachment 1) and shall be in compliance with the following. The certification document issued by court may be used in lieu of the appraisal reports or opinions from certified public accountants if the acquisition or disposition of assets were conducted through court auction.

- (I) If for specific reason that limited price, designated price or special price shall be used as reference for setting the transaction price, present the case before the Board for resolution in advance. The same procedure is applicable to any subsequent change of the conditions of transactions.
- (II) If the transaction amount exceeds NT\$1,000 million, the appraisal reports from at least two professional appraisers is necessary.
- (III) If any of the following is applicable to the appraisal result, consult with a certified public accountant for presenting a substantive opinion on the reason of the variance and the appropriateness of the transaction price in accordance with the Statement of Auditing Standard No.20 unless the appraised value is higher than the transaction price as in acquisition of assets or lower than the transaction price as in disposition of assets.
  - 1. The appraisal result varied with the transaction amount by more than 20%.
  - 2. The appraisal results from at least two professional appraisers varied by more than 10%.
- (IV) The date of the appraisal reports issued by the professional appraisers shall not be longer than a period of 3 months from the day on which contract is signed for the transaction. If the posted present value of the same period is applicable and the duration is less than 6 months, the original professional appraisers issuing the reports shall present an opinion.

## VII. Scope and limit of investment

Further to the acquisition of assets for business purpose, the Company and subsidiaries may also invest in property and securities not for business purpose. The limit of investment and restriction is specified below.

- (I) Total investment in property not for business use shall not limited to 50% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (II) Total investment in securities shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (III) The investment in particular security shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.

VIII. The control of acquisition or disposition of assets by subsidiaries:

- (I) Subsidiaries of the Company shall also institute the “Procedure for the Acquisition or Disposition of Assets” in conformity to the “Criteria for Acquisition and Disposition of Assets by Public Companies” and properly implement the procedure after passing by the Board with circulation to the Supervisors and the Shareholders’ Meeting for ratification. The same procedure is applicable to any amendment thereto.
- (II) The acquisition or disposition of assets by subsidiaries shall be conducted in compliance with their respective “Internal Control System” and “Procedure for the Acquisition and Disposition of Assets”. The auditing function of the Company shall include the operation of acquisition and disposition of assets conducted by the subsidiaries as key monthly audit items, and shall report to the Board and the Supervisors of the audit findings as an integral part of the audit report.
- (III) If the subsidiaries of the Company are not public companies, and the acquisitions or disposition of assets of these subsidiaries meet the standard required for declaration as stated in Article V, notify the Company on the day of deed and the Company shall declare with FSC at designated website. The standard required for declaration at 20% of the paid-in capital or 10% of the total assets shall be based on the paid-in capital or total assets of the Company.

IX. Penalty:

If the personnel of the Company related to the acquisition or disposition of assets violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated as a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses or offense in severity, the personnel concerned shall be transferred to



other duties.

(IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.

(V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

## **Chapter II Related Party Transactions**

### **X. Determination of related parties**

Related parties shall be determined on the basis of the definition set forth in the Criteria for the Compilation of Financial Statements by Securities Issuers with de facto and de jure relation considered.

X-1. The acquisition or disposition of assets between the Company and related parties shall be in compliance with Chapter I and this Chapter of This Procedure in the decision-making process and rationality of the terms and conditions of the transactions. If the amount involved exceeds 10% of the total assets of the Company, the appraisal reports from professional appraisers or opinions from certified public accountants shall be required.

The amount of transaction shall be calculated in accordance with Article III- (VII).

### **XI. Resolution Procedure:**

In the acquisition of property from related parties, or disposition of property to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, the executor shall prepare related information for presenting to the Board and the Supervisory for ratification before entering into agreements or effective payment. This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms:

(I) The purpose, necessity and expected return from the acquisition or disposition of assets.

(II) The reasons of choosing related parties as the counterparties in the transactions.

(III) In the acquisition of assets from related parties, the information on the rationality of the terms and conditions of trade in the exclusionary clause of Article XII or Article XIII.

(IV) The original price and date of acquisition of the asset by the related parties, the counterparties of trade, and relation with the Company and the related parties.

(V) The projection of cash income and expense on a monthly basis in the year ahead

from the month of entering into agreement, and the assessment of the necessity and the rationality of the use of fund.

(VI) The appraisal reports issued by professional appraisers and the opinion of certified public accountants as required to obtain in the previous article.

(VII) The aforementioned transaction amount shall be calculated in accordance with Article V- (II). One year as referred to shall be the duration of one year from the day of deed moving backward for one year in retrospect. The portion already declared is exempted from the calculation.

## XII. Assessing the rationality of the conditions for trade

For acquisition of real property from related parties, assess the rationality of the cost of transaction in accordance with the following method and consult with certified public accountants for presenting substantive opinion, except that the property acquired by related parties is through succession or donation, or, the acquisition of assets by related parties was longer than 5 years ago, or entering into agreement on joint construction with related parties through the commissioning of construction on proprietary land or on leased land.

(I) The addition of necessary cost of capital and the cost to be borne by the buyer by the related parties. Necessary cost of capital as referred to shall be calculated at the weighted average interest rate for financing in the year of purchasing the property but no more than the upper limit for lending by non-financial institutions.

(II) If the related party has sought financing from a financial institution with pledge of the property, it shall be the total value appraised by the financial institution for lending. However, the accumulated value of load drawn to the related party with the pledge of the property shall at least be 70% of the total appraised value for lending and the term of loan shall at least be one year. This provision is not applicable if either side of the parties is a related party.

(III) For the joint purchase of particular subject land and premises, the cost of transactions on the land and premises shall be appraised separately as stated in (I) and (II).

## XIII. Action to be taken if the imputed cost falls below the transaction price:

If the appraisal result indicated the cost of transaction falls below the transaction price, proceed to (III) unless the following is applicable with the presentation of objective evidence, the appraisal reports from professional appraisers and the opinions of certified public accountants on rationality of the transaction.

(I) If the related party acquired empty land or leased land for construction, at least one of the following shall be satisfied with proof:

1. Appraisal on the empty land shall be conducted in the manner as stated in the

previous article. For premises, the sum of the construction cost plus reasonable construction profit for the related party is higher than the transaction price. Reasonable construction profit is the average gross margin of the construction segment of the related party in the last three years, or the gross margin for the construction industry announced by Ministry of Finance covering the most recent period, whichever is lower.

2. The case of successful transaction in other stories of the same building or immediate area within one year with non-related parties. The floor area shall approximate the subject premises and the conditions of transaction shall be justifiable for the stories and area taken for comparison under the customs and practices of real property trade.
3. The case of leasing to non-related parties of other stories in the same subject premises, and the conditions for transaction shall be justifiable for the stories taken for comparison under the customers and practices of real property leasing.

(II) The Company shall prove that the purchase of real property from related parties shall be relevant with the transactions of real property trade conducted by non-related parties under similar terms and conditions of trade in the immediate area and in similar size within one year.

Successful cases of transaction in the immediate area shall refer to the location in the same block or neighboring block and the distance from the subject premises is less than 500 m in perimeter, or the similar level of announced present value. Similar size or floor area shall be the floor area of the premises concerned in the transaction with non-related parties not falling below 50% of the floor area of the subject premises. One year shall be the duration from the day of deed for the acquisition of real property moving backward for one year in retrospect.

If the cost of transaction under appraisal falls below the transaction price in the acquisition of property from related parties, and the situations in I are not applicable, proceed to the following:

- (I) Recognize the difference between the transaction price and the estimated cost of property trade as special reserve pursuant to Article 41 -1 of the Securities and Exchange Act, and shall not distribute to shareholders or capitalize into new shares. Special reserve as recognized may be utilized in circumstances under which assets were purchased at a high price with recognition of loss from falling price or disposition or with appropriate compensation or resumption to original condition, or is justifiable with proof of objective evidence and at the consent of Financial Supervisory Commission.
- (II) Supervisors shall act in accordance with Article 218 of the Company Act.
- (III) The situations as stated in (I) and (II) shall be reported to the Shareholders'

Meeting and the details shall be disclosed in the annual report or prospectus.

### **Chapter III The control of derivative trade**

#### **XIV. The principles and policy of trade**

- (I) Type of trade: The Company may undertake a variety of derivatives for trading, including forward contracts, options contracts, interest rate and exchange rate swaps, futures, and the composite contracts of the aforementioned products. The engagement in other forms of derivative trade shall be subject to the resolution of the Board for approval in advance.
- (II) Business or hedge strategy: The Company is engaged in derivative trade for hedge and non-hedge (for trading purpose) trade. The strategy shall be aiming at the hedge of operation risk and the choice of derivatives shall be targeted at the hedging of the risks deriving from the operation of the Company such as revenues and expenditures in foreign currencies, assets or liabilities denominated in foreign currencies. In the event of change in the objective environment, engage in “non-hedge” derivative trade on due time so as to bring in more revenue or mitigate loss from operation for the Company. In addition, the counterparties of trade should preferably be the financial institutions in business relation with the Company to avoid possible credit risk. Before the engagement in trade, differentiate if the trade is for hedging or for profit seeking. This shall be the foundation for bookkeeping and accounting.
- (III) Trade limit:
  - 1. Hedge trade: the net exposure of consolidated assets and liabilities (including anticipated net exposure in the future) shall be the upper limit of trade.
  - 2. Non-hedge trade: up to USD6 million. Before proceeding to trade, the dealer shall present a report on the trend of foreign exchange rate and the content shall include the analysis of the trend in the foreign exchange market and the recommended means of trade subject to the final approval of the management.
- (IV) Upper limit of loss for overall position or particular contract
  - 1. Hedge trade: The upper limit of loss shall not exceed 10% of the overall position or the amount of particular contract, and the total loss in one year on an accumulative basis shall not exceed USD500,000.
  - 2. Non-hedge trade: Establish the cut loss point after setting the position to avoid excessive loss. The cut loss point shall be up to 10% of the contract amount and the overall cut loss point shall not exceed USD500,000 in one year on an accumulative basis.
- (V) Segregation of authority and responsibility
  - 1. The dealers: they are the personnel of the Company responsible for the conduct

of derivative trade and should be appointed by the Chief Financial Officer. The dealers shall be responsible for the formulation of trade strategy, implementation of the instruction for trade, and the disclosure of transaction risk in the future. In addition, they shall provide information to related department for reference in real-time.

2. Accounting function: Accounting shall be responsible for the confirmation of trade and do the bookkeeping as required and keep the transaction records, conduct evaluation at fair value on the position in holding at regular intervals, and provide the information to the designated dealers. In addition, they shall disclose the detail of derivative trade in the financial statements.

3. Treasury of the Company: they are responsible for the settlement of derivative trade.

(VI) Guide for performance evaluation

1. Hedge trade: the cost of exchange (interest) rate in book and the capital gains or loss from derivative trade shall be the basis for the evaluation of performance. Evaluation shall be conducted at least twice a month and the findings shall be presented to the management as reference.

2. Trade for defined purpose

The capital gain or loss shall be the basis for performance evaluation, which shall be conducted at least once a week. The findings shall be presented to the management as reference.

XV. Risk Management

The scope and measures for the management of risk deriving from derivative trade of the Company are specified as follows:

- (I) Consideration of credit risk: the counterparties should be financial institutions and futures brokers in good standing, in business relation with the Company, and can provide professional information.
- (II) Consideration of market risk: the fluctuation of market price for derivatives may cause loss and uncertainty. The cut loss point shall be duly observed after establishing the position of trade.
- (III) Consideration of liquidity risk: for the liquidity of the derivatives, the institutions involved in the transactions must be equipped with adequate facilities, information, and trading capacity and can conduct trade in any market.
- (IV) Consideration of operation risk: the limit of authorization, operation procedure must be duly observed to avoid operation risk.
- (V) Consideration of legal risk: in entering into agreements with financial institutions, try to adopt the internationally standardized format in documentation as far as possible to avoid legal risk.

- (VI) Consideration of product risk: the internal dealers must have a wealth of the professional knowledge of the derivative trade the Company engaged in to avoid loss from misleading use of derivatives.
- (V) Consideration of cash delivery risk: the authorized dealers must duly observe the authorized limit of trade, and pay attention to the cash flow of the Company regularly to ensure sufficient cash for settlement of trade in delivery.
- (VIII) The duties of dealing, confirmation, and delivery shall be performed by different persons.
- (IX) The confirmation staff shall confirm with the service bank the content of the transaction statement or proof by correspondence regularly, and check if the total amount of transaction is controlled within the upper limit under This Procedure.
- (X) The assessment, monitoring, and control of risks shall be performed by personnel in departments other than those specified in (VIII) and reported to the Board or senior corporate officers who are not in charge of trading or decision of the position.
- (XI) The position in holding must be assessed at least once a week. For hedge trade for business needs, assessment shall be made at least twice a month. The assessment report shall be submitted to the senior officer at the authorization of the Board.

#### XVI. Internal Audit System:

- (I) The internal auditors of the Company shall understand if the internal control over derivative trade is appropriate at regular intervals, and shall conduct monthly audit on the procedure of derivative trade to ensure they are conducted in compliance with the internal code of the Company. The audit findings shall be compiled into audit report. In the event of materiality as detected, report to the Chairman and the senior officer designated by the Board at once with notification to the Supervisors in writing.
- (II) The internal auditors of the Company shall include derivative trade as an audit item, and shall declare with Financial Supervisory Commission on the audit findings of the year by the end of February in the next year, and also the status of corrective action and preventive action taken for the rectification of defects no later than the end of May of the next year.

#### XVII. The method of routine audit and handling nonconformities:

- (I) Conduct monthly or weekly assessment on derivative trade, and put together the information on the income status and naked exposure or non-hedge trade in each month or each week, and submit the detail to the senior officer authorized by the Board and the Chairman as reference for management performance evaluation and

risk assessment.

- (II) The senior officer designated by the Board shall pay close attention to the monitoring and control of the risk deriving from derivative trade at all times. The Board shall assess the performance of derivative trade to make sure they are congruent with the business strategy and risk tolerance of the Company.
- (III) The senior officer designated by the Board shall manage derivative trade in accordance with the following principles:
  - 1. Assess if the risk management policy currently in effect is appropriate and is relevant with the “Criteria for Acquisition or Disposition of Assets by Public Companies” and This Procedure.
  - 2. Monitor the trade and the income status, and take necessary action to respond to any unusual transactions and situations with report to the Board at once.
- (IV) The Company shall keep track on derivative trade in a registry specifying the type of derivative trade, the amount of trade, the date of Board resolution, the monthly or weekly assessment reports, and the routine assessment of the Board and the senior officer authorized by the Board.

#### **Chapter IV Merger, Spinoff, Acquisition or acceptance of assigned shares**

- XVIII. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall call for session of the Board for resolution, and consult with certified public accountants, legal attorneys, or securities underwriters for presenting opinions on the rationality of the ratio of share swap, acquisition price, and the distribution of cash or other assets to shareholders, and present to the Board for discussion and resolution. The aforementioned opinion from experts on the rationality of the transactions could be waived for the merger between the Company and a wholly-owned subsidiaries by equity share or capital, or between wholly-owned subsidiaries of the Company by equity share or capital.
- XIX. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall document the content of important contracts and related matters for disclosure to shareholders before the convention of Shareholders’ Meeting, and also the aforementioned opinions from the experts and notice of Shareholders’ Meeting to shareholders as reference for decision on the merger, spinoff, or acquisition. This provision is waived if the convention of Shareholders’ Meeting for resolution of the merger, spinoff, or acquisition are not required by law. If any of the companies participating in the merger, spinoff, or acquisition cannot call for their Shareholders’ Meeting, to make decision, or the motion of merger, spinoff, or acquisition is rejected by their Shareholders’ Meetings, the Company shall disclose the reasons, subsequent

action, and the expected date of Shareholders' Meeting at once.

- XX. Unless the law specified otherwise or at the prior consent of FSC, the Company shall call for its session for Shareholders' Meeting for resolution of the merger, spinoff, or acquisition on the same day as other companies participating in the merger, spinoff, or acquisition to make decision. In participating in the acceptance of assigned shares, the Company shall call for the session of the Board on the same days as other companies participating in the assignment.

The Company shall keep the complete documented record on merger, spinoff, acquisition or acceptance of assigned shares for 5 years as reference.

(I) Basic information on personnel: this will include the executors of the plans for merger, spinoff, acquisition or acceptance of assignment before the disclosure of information, including their occupational titles, names, ID card numbers (passport numbers as in the case of foreign nationals).

(II) Date of materiality: including the signing of statement of intent or MOU, appointment of financial or legal counsels, signing of contracts, and date of Board session.

(III) Essential documents and minutes of meeting on record: this will include the plans of merger, spinoff, acquisition or acceptance of assignment, essential contracts and minutes of Board session on record.

The Company shall , within 2 days after the resolution of the motions on merger, spinoff, acquisition or acceptance of assigned shares, report the information as stated in (I) and (II) to FSC in designated format via the Internet system.

In case some of the participants in the merger, spinoff, acquisition or acceptance of assigned shares of the Company are not listed in TWSE or GTSM, the Company shall follow (II) and (III) in handling the contracts binding the Company and these participants.

- XXI. Ratio of share swap and acquisition price:

The ratio of share swap in merger, spinoff, acquisition or acceptance of assigned shares or the acquisition price shall not be changed unless the following is applicable:

- (I) Raising capital by issuing new shares, offering of convertible corporate bonds, release of stock dividend, offering of corporate bonds with stock options, preferred shares with stock options, subscription warrants, or any other equity securities.



- (II) Disposition of major assets of the Company that influences the financial position and operation status of the Company.
- (III) Occurrence of severe disaster, significant change in technology and others that influence the shareholders' equity or stock price of the Company.
- (IV) Any company participating in the merger, spinoff, acquisition or acceptance of assigned shares proceed to repurchase treasury shares as provided by law.
- (V) Significant change in the number of participants in the merger, spinoff, acquisition or acceptance of assigned shares.
- (VI) Others conditions that could be altered as stated in the contracts, and has been disclosed.

## XXII. Inscription of the Contracts

In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall explicitly state the rights and obligations of the participants, the conditions for changing the ratio of share swap or acquisition price, and specify the following in the contracts.

- (I) Handling breach of contract.
- (II) The principles for handling equity securities or treasury shares already acquired by the acquiree or the spin-off operation.
- (III) The principles and quantity of treasury shares for that the participants may repurchase as provided by law after the day of share swap ratio calculation.
- (IV) The responses to change in the number of participants.
- (V) Expected progress of the plan and date of completion.
- (VI) If the progress falls behind schedule, the scheduled date of Shareholders' Meeting as provided by law and related procedure for responding to the situation.

## XXIII. Important to the Company in participating in merger, spinoff, acquisition or acceptance of assigned shares:

- (I) Parties requesting for participation or acknowledgment of the merger, spinoff, acquisition or acceptance of assigned shares shall undertake confidentiality in writing, and shall not disclose the content of plan before the information is publicly disclosed, and shall not purchase the stocks or equity securities issued by related companies in the name of the party itself or in the name of a third party.
- (II) In case the Company desires to engage in merger, spinoff, acquisition or acceptance of assigned shares after the information on the merger, spinoff, acquisition or acceptance of assigned shares is disclosed, repeat the procedure or act of legality in the original merger, spinoff, acquisition, or acceptance of

assigned shares unless otherwise the number of participants decreased, and the Shareholders' Meeting has already resolved to grant the Board with additional empowerment that a new round of Shareholders' Meeting for resolution is necessary.

(III) If any of the participants in the merger, spinoff, acquisition or acceptance of assigned shares is not a public company, the Company shall enter into an agreement with such company and proceed to Article XXI and the preceding two sections of This Procedure.

## **Chapter V Other important notice**

- XXIV. In the acquisition or disposition of assets, the Company shall keep related contracts, minutes of meeting on record, registries, appraisal reports, the professional opinions from certified public accountants, legal attorneys, or securities underwriters for at least 5 years unless the law provided otherwise.
- XXV. The appraisal reports or the professional opinions of certified public accountants, legal attorneys, or securities dealers shall not be issued by professional appraisers and their appraisal personnel, certified public accountants, legal attorneys or securities dealers shall not be related parties to the Company.
- XXVI. In the acquisition or disposition of assets by the Company in accordance with This Procedure or as required by applicable laws that the approval of the Board is necessary, the Company shall keep record on all adverse opinions of the Directors on record or in written declaration, if applicable, and circulate to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.
- XXVII. This Procedure shall be subject to the approval of the Board with circulation to the Supervisors for review, and the final approval of the Shareholders' Meeting to cause into effect. The same procedure shall be applicable to any amendment thereto. If the Directors expressed adverse opinions on record or in written declaration, circulate related information to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.

## Appendix 5

### Namchow Holding Co., Ltd.

#### Procedure for Financing

Article I: The Company may offer financing to a third party in accordance with This Procedure.

Article II: The Company may offer financing to a third party if any of the following conditions was satisfied:

(I) Companies or business entities engaged in business transactions with the Company.

(II) There is a need for short-term financing between companies or business entities.

Short-term as referred to covers a period of one year or one operation period (whichever is longer).

Article III: The financing a third party due to business relation shall be relevant with the business transactions already took place and the amount of financing at the time of financing shall be relevant with the amount of sale or purchase with the Company in the most recent year or in current year, whichever is higher.

Short-term financing shall be confined to the conditions specified below:

(I) For the retirement of bank loans, procurement of equipment or as working capital for investees of the Company accounted for under the equity method.

(II) For the retirement of bank loans, procurement of equipment or as working capital for companies where the Company holds more than 50% of their stakes.

(III) Companies where the Company holds more than 50% of their stakes have the needs for investment and that these investments are related to the business operation of the Company and is an input to the business development of the Company in the future.

(IV) Business entities not invested by the Company but will be an input to the business development of the Company in the future in business strategy, marketing and promotion, or with an intent of forming strategic appliance.

Article IV: Limit of total financing and financing to particular party

The total amount of financing engaged by the Company shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent fiscal period. The limit of financing to particular party shall be based on the reason of financing and is defined as follows:

1. The financing to parties engaged in business transactions with the Company shall be up to the amount of the purchase or sale with the Company in the most recent year or in current year at the time of financing, whichever is higher.
2. The financing to particular party for short-term capital needs shall not exceed 40% of the net worth of the Company as stated in the audited or reviewed financial statements covering the most recent period or current period.

For financing a direct or indirect wholly-owned foreign subsidiary of the Company,

the amount of financing could be up to 100% of the net worth as stated in the audited or reviewed financial statements covering the most recent period or in current period.

#### Article V: Financing Process

##### (I) Procedure of processing

1. Financing or short-term financing shall be subject to the approval of the competent authority of the Company after review, and submitted to the Chairman for approval and the Board for resolution.
2. Financing of the Company in favor of subsidiaries or among the subsidiaries shall be governed by the same procedure as specified in the preceding paragraph for resolution of the Board and the Chairman shall be authorized to effect the draw down of loan in series or as revolving credit within specific limit approved by the Board and within the period of one years.
3. Specific limit as referred to in the preceding paragraph shall be 10% of the the net worth as stated in the financial statements of **the borrower** covering the most recent period as in the case of financing particular enterprise by the Company or by a subsidiary, with the exception of a direct or indirect wholly-owned foreign subsidiary of the Company
4. The treasury of the Company shall prepare a registry for tracking the transactions of financing and the detail of financing. Upon the resolution of the Board for approval, the borrowers, the amount of financing, the date of Board resolution, the day of draw down, and items subject to cautious review, shall be tracked for record.
5. The internal auditors shall conduct audit on the operation procedure of financing and act of financing in compliance with the procedure quarterly and keep record in writing. In the event of material violation of the procedure, notify the Supervisor in writing at once.
6. The treasury of the Company shall prepare a statement on new entries and settlements of financing and relate details monthly for tracking and loans and for declaration, conduct evaluation and recognize sufficient amount of provision for bad debts quarterly, and disclose the financing and related information to the external auditors for reference.
7. In the event of situation change, to the extent that the borrowers are no longer relevant with the standard prescribed in This Procedure or the balance exceeds the required limit, the treasury of the Company shall prepare an improvement plan and forward the plan to the Supervisor, and proceed to related corrective action as planned.

##### (II) Review Procedure

1. The companies or business entities intending to request for financing with the Company shall present related financial information and the purpose of the loans, and apply for financing in writing.
2. On receiving the application for financing, the competent authority of the Company shall assess and investigate the necessity and rationality of the loans, and the existence of direct or indirect business relation with the Company, the financial position of the operation of the borrower, the ability to repay debt and credit standing, the profitability and the purpose of the loans. In addition, the operation risk exposed the the total amount of financing of the Company, the financial position,

and the effect on shareholders' equity of the Company shall also be considered. The findings and related information shall be compiled into a report for presenting to the Board for approval.

Article VI: The term of financing and calculation of interest

For short-term financing, where necessary, the term shall be no longer than one year. If the borrower has business transactions with the Company, or is a wholly-owned foreign subsidiary of the Company with full voting right, the term of financing shall not exceed 5 years.

The interest for financing shall not fall below the average interest rate applicable to the commercial paper of the Company offered by financial institutions and may be subject to adjustment under special circumstance at the consent of the Board.

Article VII: The control of loans after draw down, and the procedure for handling overdue loans

After each draw down, the treasury of the Company shall keep track on the financial position of status of operation, the change in credit standing and the value of the collaterals of the borrower and the guarantor, and note down the detail on record. In the event of significant change, report to the President and related authorities of the Company at once for immediate action.

When the borrower retire the loan at maturity or before maturity, the principal and the accrued interest shall be settled in lump sum.

If the borrower cannot retire the loan at maturity and extension is necessary, prior request is necessary subject to the approval of the Board, or shall assume full legal liability thereof.

Article VIII: Procedure for declaration

- (I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of loan of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.
- (II) Further to the declaration of the balance of loan on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the financing of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.
  - 1. The balance of loan exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 2. The balance of loan to particular enterprise exceeds 10% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 3. The additional amount of loan exceeds NTD10 million and is more than 2% of the net worth of the Company as stated in the financial statements covering the most recent period.

Article IX: Procedure for the control of subsidiaries in financing the others

- (I) If specific subsidiary elects to finance the others, the Company shall give directive to such subsidiary to institute the "Procedure for Financing" in accordance with the "Criteria for Financing and Endorsement and Guarantee by Public Companies"

promulgated by Financial Supervisory Commission (hereinafter referred to as “FSC”), and follow the procedure in financing.

- (II) If specific subsidiary of the Company elects to finance a third party, follow its “Internal Control” and “Procedure for Financing”. The internal audit function of the Company shall include the financing of the others by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an integral part of the audit report.
- (III) If specific subsidiary of the Company is not a public company, and the balance of loan of this subsidiary to the others meet the standard set forth in Article VIII, Section 2; that declaration is necessary, such subsidiary shall notify the Company on the day of deed and the Company shall declare the status at designated website as required.

#### Article X: Penalty

If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders’ Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

Article XI: This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders' Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.

## Appendix 6

### Namchow Holding Co., Ltd.

#### Procedure for Endorsement and Guarantee

##### I. Purpose

The Endorsement and Guarantee undertaken by the Company shall be governed by This Procedure.

##### II. Scope of application

Endorsement and Guarantee as referred to in This Procedure shall include:

- (I) Endorsement and guarantee for financing:
  - 1. Financing of customer cheque by discount.
  - 2. Endorsement and guarantee in favor of a third party for financing.
  - 3. Issuance of financial instrument by the Company as surety for a non-financial institution for purpose of financing.
- (II). Endorsement and guarantee for duties: Endorsement and guarantee for tariff payment of the Company or in favor of a third party.
- (III) Other types of endorsement and guarantee: other types of endorsement and guarantee that cannot be classified into the aforementioned 2 categories.

The Company may pledge movables or real property as lien, mortgage in favor of a third party for financing in accordance with This Procedure.

##### III. The beneficiaries of endorsement and guarantee

The beneficiaries of endorsement and guarantee undertaken by the Company shall be confined to the following companies. This provision may be waived if endorsement and guarantee is undertaken in reciprocity with an industry peer for the contracting of works, or investment in joint venture in proportion to the investment made by the shareholders.

- (I) Companies engaged in business transactions with the Company.
- (II) Companies where the Company directly or indirectly hold more than 50% of their equity shares with voting rights.
- (III) Companies that directly or indirectly hold more than 50% of the equity shares with voting rights of the Company.
- (IV) Endorsement and guarantee among the companies where the Company directly or indirectly hold more than 90% of their equity shares with voting rights.

##### IV. The limit of endorsement and guarantee



- (I) The limit of endorsement and guarantee undertaken by the Company shall be limited to the net worth of the Company in current period. The limit of endorsement and guarantee undertaken by the Company in favor of particular enterprise shall be limited to the net worth of the Company in current period.
- (II) Companies with more than 90% of their equity shares directly or indirectly held by the Company may act in favor of one another in endorsement and guarantee and the amount shall not exceed 10% of the net worth of the Company. This provision could be waived for wholly-owned subsidiaries of the Company.
- (III) The total amount of endorsement and guarantee undertaken by the Company and subsidiaries shall be limited to the net worth of the Company in current period. The amount of endorsement and guarantee undertaken in favor of particular enterprise shall not exceed the net worth of the Company in current period.

#### V. Procedure for Endorsement and Guarantee

- (I) The treasury of the Company shall review the eligibility of the applicants, and to check if the limit granted is relevant with This Procedure and reach the level required for declaration. The risk inherent to endorsement and guarantee shall also be assessed and the findings shall be tracked on record. If the amount falls within the allowable limits, the Chairman shall make decision for approval on the basis of the credit standing and financial position of the applicants.
- (II) The treasury of the Company shall prepare a registry for tracking the endorsement and guarantee for record. Upon the resolution of the Board for approval, the beneficiaries of endorsement and guarantee, the amount, the date of endorsement and guarantee, and items subject to cautious review shall be traced on record.
- (III) The internal auditors shall conduct audit on the operation procedure of endorsement and guarantee and the implementation in compliance with This Procedure quarterly and keep record. In the event of material violation of This Procedure, notify the Supervisor in writing at once.
- (IV) The treasury of the Company shall prepare a statement on new entries and settlement of endorsement and guarantee and related details monthly for tracking and for declaration, and conduct evaluation and recognize sufficient amount of provision for contingent loss of endorsement and guarantee quarterly. The detail shall be disclosed in the financial statements and as reference for the external auditors.
- (V) In the event of situation change, to the extent that the beneficiaries of endorsement and guarantee are no longer relevant with the standard prescribed in This Procedure or the amount of endorsement and guarantee exceeds the required limit, the treasury shall prepare an improvement plan and settle the amount in excess of the limit within designated period at the approval of the Chairman, and forward the plan to the Supervisor.

- (VI) Before the expiration of endorsement and guarantee, the treasury of the Company shall actively notify the enterprises under guarantee to repossess the promissory notes retained by the banks or the creditors, and cancel related indentures of endorsement and guarantee.

#### VI. Detailed Review Procedure

In processing endorsement and guarantee, the treasury of the Company shall review and evaluate the following, and keep the findings on record:

- (I) Understand the relation between the beneficiaries of endorsement and guarantee and the Company, the purpose of the loan, the association with the business of the Company, or the importance of their operation to the Company, and evaluate the necessity and rationality of endorsement and guarantee with reference to the limit and available balance.
- (II) Obtain the annual reports, financial statements, and related information of the beneficiaries, conduct analysis of their operation, financial position, credit standing, and the sources of funds for retirement of loan for assessing possible risks.
- (III) Conduct analysis of the balance of the Company in endorsement and guarantee in proportion to the net worth, liquidity and cash flow status, and the review result from (I) and (II) to assess the effect of operation risk, financial position, and shareholders' equity of the Company.
- (IV) Evaluate if it is necessary for requesting collaterals from the beneficiaries of endorsement and guarantee depending on the nature of guarantee and the credit standing of the beneficiaries and also the results of evaluation in (I)~(III), and appraise the value of the collaterals on a quarterly basis to ensure relevance with the balance of endorsement and guarantee. Where necessary, request the beneficiaries for additional collaterals.

#### VII. Procedure for control of endorsement and guarantee in favor of subsidiaries

- (I) If specific subsidiary elects to undertake endorsement and guarantee in favor of the others, the Company shall give directive to such subsidiary to institute the "Procedure for Endorsement and Guarantee" in accordance with the "Criteria for Financing and Endorsement and Guarantee by Public Companies" promulgated by Financial Supervisory Commission (hereinafter referred to as "FSC"), and follow the procedure in financing.
- (II) If specific subsidiary of the Company elects to undertake endorsement and guarantee in favor of the others, follow its "Internal Control" and "Procedure for Endorsement and Guarantee". The internal audit function of the Company shall include the endorsement and guaranteed undertaken by subsidiaries as an item for monthly audit. The audit findings shall be considered necessary for report to the Board and Supervisors as an

integral part of the audit report.

- (III) If specific subsidiary of the Company is not a public company, and the balance of endorsement and guarantee of this subsidiary to the others meet the standard set forth in II of this provision that declaration is necessary, such subsidiary shall notify the Company on the day of deed and the Company shall declare the status at designated website as required.
- (IV) If a subsidiary where the Company directly or indirectly holds more than 90% of its equity shares with voting rights elects to undertake endorsement and guarantee in favor of the others, the resolution of the Board of the Company for approval shall be necessary. This provision could be waived for direct or indirect wholly-owned subsidiary of the Company with 100% voting rights.

#### VIII. Decision-making and gate approval

- (I) The Company may undertake endorsement and guarantee in accordance with V of This Procedure subject to the final approval of the Board. For the benefit of time, the Board shall authorize the Chairman with decision latitude for total amount and amount to particular enterprise within specific limit, and report to the nearest session of the Board for ratification.
- (II) In case the endorsement and guarantee amount exceeds the limit as specified in This Procedure for business needs and is in compliance with the terms and conditions under This Procedure, report to the Board for consent with the countersignatures of at least half of the Directors for guarantee of the amount in excess of the limit in case of loss, and amend This Procedure and report to the Shareholders' Meeting for ratification. If the Shareholders' Meeting does not agree with the change, the amount in excess of the limit must be settled within specific period.

#### IX. Custody and Procedure for Specimen Seal

- (I) The Company shall use the specimen seal on file of the Ministry of Economic Affairs for registration of incorporation for endorsement and guarantee. This seal shall be kept by designated personnel at the approval of the Board and any replacement of the keeper shall be subject to the approval of the Board. The specimen seal shall be listed as an item for transfer in case of rotation of duties.
- (II) Upon the resolution of the Board or the approval of the Chairman, the documents pending of the affixing of the specimen seal shall be subject to the approval of the head of treasury of the Company before forwarding to the keeper of the specimen seal for affixing.
- (III) For guarantee in favor of a foreign company, the letter of guarantee issued by the Company shall be affixed with the authorized signature of the Chairman or the President.

#### X. Procedure for Declaration

- (I) Before the 10th day of each month, the treasury of the Company shall pass the information on the balance of endorsement and guarantee of the Company and subsidiaries covering the last month to the accounting function of the Company, and shall declare the balance simultaneously with the revenue status by the monthly deadline for declaration.
- (II) Further to the declaration of the amount of endorsement and guarantee on a monthly basis, the treasury of the Company shall notify the accounting function with attachment of related information if any of the following related to the endorsement and guarantee in favor of others by the Company and subsidiaries is applicable, and proceed to declaration within 2 days thereafter.
  - 1. The total amount of endorsement and guarantee exceeds 50% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 2. The amount of endorsement and guarantee to particular enterprise exceeds 20% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 3. The additional amount of endorsement and guarantee in favor of particular enterprise exceeds NTD10 million and the total of endorsement and guarantee, long-term investment and loan balance exceeds 30% of the net worth of the Company as stated in the financial statements covering the most recent period.
  - 4. The additional amount of endorsement and guarantee exceeds NTD30 million and exceeds 5% of the net worth of the Company as stated in the financial statements covering the most recent period.

## XI. Penalty

If the personnel of the Company related to the processing of financing the others violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.

- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses of offense in severity, the personnel concerned shall be transferred to other duties.
- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders' Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

## XII. Miscellaneous

- (I) In case the Company undertakes endorsement and guarantee in favor of a subsidiary which net worth falls below 1/2 of the paid-in capital, the treasury of the Company shall keep track on the financial position, business and credit standing of the beneficiary quarterly. In the event of significant change, report to the Chairman at once and take appropriate measures as instructed. If the shares issued by the subsidiary bears no face value or the face value is not NTD10, the paid-in capital shall be calculated on the basis of equity capital plus capital reserve net of premium of issuance.
- (II) This Procedure shall be subject to the resolution of the Board with circulation to the Supervisor and presentation before the Shareholders' Meeting for ratification so as to come into effect. In case of adverse opinion from the Directors on record or in written declaration, the information on the adverse opinions shall be circulated to the Supervisor and presented before the Shareholders' Meeting for discussion. The same procedure is applicable to any amendment thereto.

## Appendix 7

### Namchow Holding Co., Ltd.

Roster of Directors and Supervisors

Spinoff day: Apr 01 2019

Title	Name	Date elected	Number of shares held at the time of election			Number of shares currently held			Remarks
			Type	Number of shares	% in contemporary issuance	Type	Number of shares	% in contemporary issuance	
Chairman	Chen Fei-Lung	May 30, 2018	Common stock	33,814,934	11.50%	Common stock	33,814,934	11.50%	
Vice Chairman	Chen Fei-Peng	May 30, 2018	Common stock	36,942,995	12.56%	Common stock	36,942,995	12.56%	
Director	Lucky Royal Co., Ltd. Representative: Lee Kan-Wen	May 30, 2018	Common stock	46,041,259	15.65%	Common stock	46,041,259	15.65%	
Director	Lucky Royal Co., Ltd. Representative: Zhou Ming-Fen								
Director	Hwa Zhin Co., Ltd. Representative: Chen Cheng-Wen	May 30, 2018	Common stock	675,884	0.23%	Common stock	864,884	0.29%	
Independent Director	Chen Ting-Kuo	May 30, 2018	Common stock	0	0.00%	Common stock	0	0.00%	
Independent Director	Lin Chin-Shi	May 30, 2018	Common stock	0	0.00%	Common stock	0	0.00%	
Supervisor	Namchow Holding CO., LTD. Employee Welfare Committee	June 08,2016	Common stock	4,908,960	1.67%	Common stock	4,908,960	1.67%	
Supervisor	Wu Ting-Chen	June 08,2016	Common stock	10,713	0.00%	Common stock	10,713	0.00%	
合計			Common stock	122,394,745		Common stock	122,583,745		

Total shares issued on June 08, 2016: 294,132,962

Total shares issued on May 30, 2018: 294,132,962

Total shares issued on Apr 01, 2019: 294,132,962

Note: Legal shares that all directors of the company combined should hold: 12,000,000 shares until Apr 01, 2019. 117,664,072

Note: Legal shares that all supervisors of the company combined should hold: 1,200,000 shares until Apr 01, 2019. 4,919,673

◎Shares held by independent directors are not included in the calculation of shares held by all directors combined.