

**King Slide Works Co., Ltd.**  
**2018 Annual Meeting of Shareholders**  
**Minutes**  
**(Translation)**

Time: 9 a.m. on June 26, 2019

Place: Basement of the Company at No. 299, Shun'an Road, Luzhu District, Kaohsiung City

Total outstanding shares: 95,297,072 shares

Total shares represented by shareholders present in person or by proxy: 89,323,871 shares

Percentage of shares held by shareholders present in person or by proxy: 93.73%

Chairman: Lin Tsung-Chi, the Chairman of the Board of Directors

Recorder: Cai Qiu-Zhen

Attendees: Lin Tsung-Lung(Director), Wang Chun-Chiang(Director), Chiu

Yen-Chih(Director), Lee Wen-Chang(Independent Director), Hsu

Fang-Yih(Independent Director), Cai Wen-Zhi(Independent Director), Lin, Jhang

A-Jhu(Supervisor), Wu Min-Zhen(Supervisor), Wu Chiu-Yen (CPA,

Deloitte&Touche), Chen Shui-Tsung(Attorney), and Lin Shu-Chen(President)

Call the Meeting to Order: The total shares represented by shareholders present in person or by proxy reached the amount threshold required by law. The chairman called the meeting to order.

Chairman's Remarks (omitted)

## **I. Management Presentation**

### **Report No. 1**

The 2018 business report is presented for resolutions.

Explanation: The Business report (please refer to Annex).

### **Report No. 2**

The 2018 supervisor's review report is presented for resolutions.

Explanation: The Supervisor's review report (please refer to Annex)

### **Report No. 3**

The 2018 distribution of compensation to employees, directors, and supervisors

Explanation: (I) The adoption is made according to Article 25 of the Articles of Incorporation.

(II) The adoption of compensation to employees is NT\$74,726,000 and the



remuneration to directors and supervisors is NT\$6,500,000 both are distributed in cash.

#### **Report No. 4**

##### **Other reporting matters**

Explanation: The proposals made by the shareholders in the current shareholders meeting are handled as follows:

- (I) It is processed in accordance with Article 172-1 of the Company Act.
- (II) A shareholder holding 1% or more of the total number of issued shares may submit a written proposal to the Company for discussion at the book closure date of the Annual Meeting of Shareholders.
- (III) A proposing shareholder is limited to one proposal only, and each content included in the meeting agenda shall be no more than 300 words (including text and punctuation). The proposing shareholder shall attend the meeting in person or by proxy to participate in the discussion of the proposal.
- (IV) The Company shall receive shareholder proposals during the period of April 12 ~ April 22, 2019, which should be announced on the Market Observation Post System.
- (V) The Company did not receive any proposal from the shareholders.



## II. Proposals

### **Proposal 1** Proposed by the Board of Directors

The 2018 business report and financial statements are presented for adoption.

Explanation: (I) CPA Chu-Yuan Wu and CPA Li-Yuan Kuo of Deloitte & Touche Taiwan audited the 2018 parent company only financial statements and the consolidated financial statements with an independent auditor's report issued and unmodified opinions included, together with the business report resolved in the board meeting on February 27, 2019 and reviewed by the supervisors. (II) The aforementioned statements and the business report are enclosed (please refer to Annex).

### Resolutions:

The number of shares represented at the time of voting was 89,323,871. The number of the approval votes was 85,124,861 (including 33,504,845 votes casted electronically), disapproval votes was 22 (including 22 votes casted electronically), invalid votes was 0, and abstention votes/no votes was 4,198,988 (including 4,192,266 votes casted electronically); the percentage of the approval votes to the total was 95.29%.

RESOLVED, that the above proposal be and hereby was adopted as presented.



**Proposal 2** Proposed by the Board of Directors

The 2018 earnings distribution proposal is presented for adoption.

Explanation: (I) The net income after tax from 2018 was NT\$1,775,964,101, add the

undistributed earnings of NT\$5,563,875,874 in the previous period, and less the defined benefit plan re-measurement amount with a balance amount of NT\$2,945,882 recognized as retained earnings. Also, a legal reserve of NT\$177,596,410 was appropriated and the amount available for distribution in the current period is NT\$7,159,297,683.

(II) Earnings distribution is planned in accordance with Article 26 of the Articles of Incorporation as follows:

Cash dividends: NT\$9.5 per share is planned for a total of NT\$905,322,184.

The Board of Directors is to be authorized after the Annual shareholders' Meeting to schedule the dividend base date and distribution date.

(III) The amount of unappropriated retained earnings of this year, NT\$6,253,975,499, will be carried forward to the following year.

(IV) The distribution of a cash dividend is calculate to an integral amount (rounded up to the next whole NT\$) proportionally to the shares held by the shareholders. The total amount of the odd lot for less than NT\$1 is combined in the non-operating income of the company.

(V) Profit distribution table is enclosed (please refer to Annex)

**Resolutions:**

The number of shares represented at the time of voting was 89,323,871. The number of the approval votes was 85,195,861 (including 33,575,845 votes casted electronically), disapproval votes was 22 (including 22 votes casted electronically), invalid votes was 0, and abstention votes/no votes was 4,127,988 (including 4,121,266 votes casted electronically); the percentage of the approval votes to the total was 95.37%.

RESOLVED, that the above proposal be and hereby was adopted as presented.



### **III. Discussions**

Proposed by the Board of Directors

The amendment to the Company's "Procedures for the Acquisition and Disposal of Assets" is presented for discussion.

Explanation: (I) In response to the amendment of some of the provision of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", it is proposed to have some of the provisions of the Company's "Procedures for the Acquisition and Disposal of Assets" amended.

(II) The table of the Company's "Procedures for the Acquisition and Disposal of Assets" amendment before and after is enclosed. (please refer to Annex).

Resolutions:

The number of shares represented at the time of voting was 89,323,871. The number of the approval votes was 83,089,861 (including 31,469,845 votes casted electronically), disapproval votes was 1,966,022 (including 1,966,022 votes casted electronically), invalid votes was 0, and abstention votes/no votes was 4,267,988 (including 4,261,266 votes casted electronically); the percentage of the approval votes to the total was 93.02%.

RESOLVED, that the above proposal be and hereby was adopted as presented.

### **IV. Question and Motions: None**

### **V. adjournment: 09:22 a.m.**

(The minutes is intended for summarizing the main purposes and results of the annual shareholders' meeting. The video record shall govern any or all details of the content or procedure of the meeting.)

Chairman: Lin Tsung-Chi

Recorder: Cai Qiu-Zhen



## The 2018 Business Report

The innovative high-end kitchen Rail Kit system that has been developed for years entered a new milestone in 2018. In addition to creating more space design and convenience in use for consumers in daily life, and adding more safety design, the Company continues to complete all production lines for the delivery of new products. In addition to the mass production and shipment made in 2018Q4, there have been re-orders received in 2019. Also, the product launch by fashion furniture chain stores has received positive recognition from all designers. The exchange rate of New Taiwan Dollars was relatively stable compared to 2017, with a depreciation of 2.9%. The increase in material cost was as high as 7.7%. As a result, our operating performance in 2018 increased by 7.91% compared with the consolidated revenue of 2017, and because of the slight depreciation of the exchange rate and the increase in cost of materials, this led to an increase in costs. Operating net profit increased by only 4.39% compared with 2017. The net income increased by 95.44% due to the slight depreciation of the exchange rate, and the after-tax EPS was NT\$18.64. Although the global economic environment was improved in 2018, due to the uncertainty of the Sino-US trade war it is more unpredictable than what it was. The awakening of protectionism became challenging and more rigorous to us regarding the development of global markets. Diversified product innovation and R&D, the development of intelligent manufacturing technology, and the continuing investment in the global market remain our long-term business strategy. Also, enhancing our competitiveness and designing and developing flexible production bases in response to protectionism, coping with global instability, and the demands of customers in different markets remain our long-term goal. We will continue to base our action on the existing strategies and policies to develop innovative products, introduce intelligent production technologies, diversify market risks and customer risks, and establish flexible production bases. We believe the delivery of the innovative European-style high-end kitchen Rail Kit series this year that had been developed for many years will help us continue to perform well in business for the benefits of the shareholders. The 2018 business performance is explained as follows:

### I. Business plan implementation results:

Unit: NT\$ Thousand

| Item                    | 2018      | 2017      | Increase or decrease in amount | Change in ratio (%) |
|-------------------------|-----------|-----------|--------------------------------|---------------------|
| Operating revenue - net | 4,435,607 | 4,110,572 | 325,035                        | 7.91%               |
| Net operating income    | 1,738,196 | 1,665,077 | 73,119                         | 4.39%               |



|            |           |         |         |        |
|------------|-----------|---------|---------|--------|
| Net income | 1,775,964 | 908,700 | 867,264 | 95.44% |
|------------|-----------|---------|---------|--------|

II. Implementation of budget: The 2018 financial forecast was not disclosed, so there is no budget achievement.

### III. Financial revenue and expense and profitability analysis

| Item                    |   | 2018   | 2017   |
|-------------------------|---|--------|--------|
| Financial structure (%) | Ratio of liabilities to assets                                | 10.10  | 11.19  |
|                         | Ratio of long term funding to property, plants, and equipment | 751.36 | 622.05 |
| Solvency (%)            | Current ratio   | 926.31 | 811.01 |
|                         | Quick ratio   | 878.67 | 766.23 |
|                         | Times interest earned ratio                                   | N/A    | N/A    |
| Profitability (%)       | Ratio of return on total assets                               | 16.84  | 9.17   |
|                         | Ratio of return on shareholders' equity                       | 18.83  | 10.42  |
|                         | Ratio of Net income before tax to paid-in capital             | 227.90 | 128.42 |
|                         | Profit ratio  | 40.03  | 22.10  |
|                         | Earnings per share (NT\$)                                     | 18.64  | 9.54   |

### IV. Research development status:

The Company's 2018 annual research and development expenses were NT\$206,605 thousand and its main development status is as follows:

- (1) In the use of cabinets and chassis, the concept of different actuations is gradually being introduced, and the requirements of the corresponding server Rail Kit are more diversified. At present, the focus is on developing such products and to introduce design concepts that have greater value, low costs, and diversity in space, function, and durability to make products that have many humane and safety functions. Also, from the perspective of different applications, continue to develop new types of Rail Kit and cable routing products to meet the different needs.
- (2) In terms of market channel, high-end slides and hinges, a complete range of products is currently in development. Also, we are integrating the relevant specifications of the current market to continuously build a more complete series of products in order to fulfill the demand for modernized models. The development of more models is needed for the use of different markets. The goal is to establish a more stable market position in the fields of high-end kitchen utensils and related cabinets, tool cabinets, etc. We are upgrading production efficiency to become more competitive in the market. The current development in intelligent production control and process technology, the automation of current production lines, and the introduction of more comprehensive production modes



are to create production conditions with low-cost and high-efficiency.

- (3) In terms of consumer electronics products, we are continuing to develop and do research in the field of innovation. Also, we are continuing to invest in the development and introduction of relevant test and process technology equipment.

#### V. Management strategy:

In line with the continuous recruitment, training, and management of marketing and R&D talents as the long-term business policy, the Company is committed to strengthening the management team and talents as the most important assets. Other important principles are as follows:

1. The complete R&D and industrial layout of the RAIL KIT product line developed in line with cloud requirements;
2. The complete R&D and industrial layout of the kitchen Rail Kit product line for household consumption needs;
3. The complete R&D and industrial layout of the handheld consumer product line for personal consumption needs;
4. The introduction of intelligent production technology to improve business management performance;
5. The establishment of a global flexible production base to meet the needs of customers in different markets;

Since its incorporation, the Company has been actively pursuing innovation and transformation to strengthen competitiveness. The Company has held a more cautious and conservative attitude in response to the changing environment. In addition to strictly implementing the cost saving and expense cutting strategy, the Company has invested more funds and resources to actively expand the markets of different industries and promote and enhance the popularity of the “King Slide” brand in the world. Also, we are actively deploying a global distribution network in order to have better business performance in the future.

Chairman: Lin Tsung-Chi   President: Lin Shu-Chen   Chief Accountant: Chen Yi-Nian



**King Slide Works Co., Ltd.**

**Supervisor's Review Report**

The Company's Board of Directors prepared and presented the 2018 individual financial statements, consolidated financial statements, business report, and earnings distribution proposal. The 2018 financial statements and consolidated financial statements were audited by CPA Chu-Yuan Wu and CPA Li-Yuan Kuo of Deloitte & Touche Taiwan with an unmodified opinion issued in the independent auditor's report. The aforementioned accounting statements were reviewed and verified by the supervisors with a supervisor's review report prepared and presented in accordance with the provisions of Article 219 of the Company Act.

To

The Company's 2019 Annual Meeting of Shareholders

King Slide Works Co., Ltd.

Supervisor: Yin Li Investment Inc.

Representative: Lin, Jhang A-Jhu

Wu Ming-Jen

February 27, 2019



## **Annex (Independent Auditor's Report – Parent Company Only Financial Statements)**

### **INDEPENDENT AUDITORS' REPORT**

King Slide Works Co., Ltd.

#### **Opinion**

We have audited the accompanying parent company only financial statements of King Slide Works Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies. (collectively referred to as the "parent company only financial statements").

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 then ended 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 Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. 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.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2018 are stated as follows:

##### Impairment assessment of accounts receivable

As disclosed in Note 7 to the parent company only financial statements, as of December 31, 2018, the net amount of accounts receivable of the Company was NT\$261,563 thousand, representing 3% of the Company's total assets, and the management estimated the allowance for impairment loss based on the aging of accounts receivable and the expected recovery status. Since the allowance for impairment loss involved significant estimates and judgment, therefore, we assessed whether the amount of the allowance for impairment loss of accounts receivable was reasonable.

We assessed the correctness of the Company's accounting policy of allowance for impairment loss and tested the aging schedule prepared by the Company against the supporting documents on a sample basis. We assessed individually the recoverability of overdue accounts or doubtful accounts. We reviewed the reasonableness of the impairment loss based on the historical experience of collection and other available information.

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



Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the Company's 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, including the supervisors, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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 auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the 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 appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiu-Yen Wu and Lee -Yuan Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 27, 2019

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.*



Annex (Parent Company Only Balance Sheets)

**KING SLIDE WORKS CO., LTD.**

**PARENT COMPANY ONLY BALANCE SHEETS**

**DECEMBER 31, 2018 AND 2017**

**(In Thousands of New Taiwan Dollars)**

| ASSETS  | December 31, 2018    |            | December 31, 2017   |            | LIABILITIES AND EQUITY   | December 31, 2018    |            | December 31, 2017   |            |
|---|----------------------|------------|---------------------|------------|--|----------------------|------------|---------------------|------------|
|   | Amount               | %          | Amount              | %          |  | Amount               | %          | Amount              | %          |
| CURRENT ASSETS  |                      |            |                     |            | CURRENT LIABILITIES  |                      |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)                         | \$ 3,302,150         | 31         | \$ 3,159,347        | 34         | Notes payable (Note 11)  | \$ 107,241           | 1          | \$ 100,844          | 1          |
| Notes receivable (Notes 4, 7 and 16)                              | 38,767               | -          | 37,111              | -          | Notes payable - related parties (Notes 11 and 22)                                  | 24,866               | -          | 25,818              | -          |
| Notes receivable - related parties (Notes 7, 16 and 22)           | 88,543               | 1          | 81,037              | 1          | Accounts payable (Note 11)   | 33,448               | -          | 44,418              | 1          |
| Accounts receivable, net (Notes 4, 5, 7 and 16)                   | 261,563              | 3          | 294,102             | 3          | Accounts payable - related parties (Note 11 and 22)                                | 9,584                | -          | 11,718              | -          |
| Accounts receivable - related parties (Notes 7, 16 and 22)        | 43,533               | -          | 41,013              | 1          | Other payables (Note 12)   | 254,542              | 3          | 232,686             | 3          |
| Other receivables (Note 21)                                       | 6,812                | -          | 4,510               | -          | Other payable - related parties (Note 22)  | 4                    | -          | 9                   | -          |
| Other receivables - related parties (Note 22)                     | 1,182                | -          | 2,071               | -          | Current tax liabilities (Note 18)  | 82,280               | 1          | 98,271              | 1          |
| Inventories (Notes 4 and 8)                                       | 184,585              | 2          | 181,700             | 2          | Provisions (Notes 3, 4 and 13)   | -                    | -          | 3,536               | -          |
| Other current assets  | <u>24,800</u>        | <u>-</u>   | <u>23,971</u>       | <u>-</u>   | Refund liability - current (Notes 3 and 13)  | 5,470                | -          | -                   | -          |
|   |                      |            |                     |            | Other current liabilities  | <u>10,727</u>        | <u>-</u>   | <u>6,658</u>        | <u>-</u>   |
| Total current assets  | <u>3,951,935</u>     | <u>37</u>  | <u>3,824,862</u>    | <u>41</u>  | Total current liabilities  | <u>528,162</u>       | <u>5</u>   | <u>523,958</u>      | <u>6</u>   |
| NON-CURRENT ASSETS  |                      |            |                     |            | NON-CURRENT LIABILITIES  |                      |            |                     |            |
| Investments accounted for using the equity method (Notes 4 and 9) | 6,301,925            | 59         | 5,116,739           | 55         | Deferred tax liabilities (Notes 4 and 18)  | 48,926               | 1          | 48,017              | 1          |
| Property, plant and equipment (Notes 4, 5, 10 and 23)             | 375,915              | 4          | 383,808             | 4          | Net defined benefit liabilities (Notes 4 and 14)                                   | <u>39,415</u>        | <u>-</u>   | <u>40,275</u>       | <u>-</u>   |
| Other intangible assets (Note 4)                                  | -                    | -          | 278                 | -          |  |                      |            |                     |            |
| Deferred tax assets (Notes 4 and 18)                              | 26,437               | -          | 38,473              | -          | Total non-current liabilities  | <u>88,341</u>        | <u>1</u>   | <u>88,292</u>       | <u>1</u>   |
| Prepayments for equipment   | 34,558               | -          | 27,216              | -          |  |                      |            |                     |            |
| Refundable deposits   | <u>284</u>           | <u>-</u>   | <u>199</u>          | <u>-</u>   | Total liabilities  | <u>616,503</u>       | <u>6</u>   | <u>612,250</u>      | <u>7</u>   |
| Total non-current assets  | <u>6,739,119</u>     | <u>63</u>  | <u>5,566,713</u>    | <u>59</u>  | EQUITY (Note 15)   |                      |            |                     |            |
|   |                      |            |                     |            | Ordinary shares  | <u>952,971</u>       | <u>9</u>   | <u>952,971</u>      | <u>10</u>  |
|   |                      |            |                     |            | Capital surplus  | <u>796,691</u>       | <u>7</u>   | <u>796,691</u>      | <u>8</u>   |
|   |                      |            |                     |            | Retained earnings  |                      |            |                     |            |
|   |                      |            |                     |            | Legal reserve  | 986,023              | 9          | 986,023             | 11         |
|   |                      |            |                     |            | Special reserve  | 6,221                | -          | 6,221               | -          |
|   |                      |            |                     |            | Unappropriated earnings  | <u>7,336,894</u>     | <u>69</u>  | <u>6,040,361</u>    | <u>64</u>  |
|   |                      |            |                     |            | Total retained earnings  | <u>8,329,138</u>     | <u>78</u>  | <u>7,032,605</u>    | <u>75</u>  |
|   |                      |            |                     |            | Other equity   |                      |            |                     |            |
|   |                      |            |                     |            | Exchange differences on translating the financial statements of foreign operations | <u>(4,249)</u>       | <u>-</u>   | <u>(2,942)</u>      | <u>-</u>   |
|   |                      |            |                     |            | Total equity   | <u>10,074,551</u>    | <u>94</u>  | <u>8,779,325</u>    | <u>93</u>  |
| TOTAL   | <u>\$ 10,691,054</u> | <u>100</u> | <u>\$ 9,391,575</u> | <u>100</u> | TOTAL  | <u>\$ 10,691,054</u> | <u>100</u> | <u>\$ 9,391,575</u> | <u>100</u> |

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



Annex (Parent Company Only Statements of Comprehensive Income)

**KING SLIDE WORKS CO., LTD.**

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | <b>2018</b>      |           | <b>2017</b>      |           |
|---|------------------|-----------|------------------|-----------|
|   | <b>Amount</b>    | <b>%</b>  | <b>Amount</b>    | <b>%</b>  |
| OPERATING REVENUE (Notes 4, 13, 16 and 22)                |                  |           |                  |           |
| Operating revenue, net                                    | \$ 1,925,851     | 100       | \$ 1,988,962     | 100       |
| Processing revenue  | <u>6,662</u>     | <u>-</u>  | <u>6,281</u>     | <u>-</u>  |
| OPERATING REVENUE TOTAL                                   | 1,932,513        | 100       | 1,995,243        | 100       |
| OPERATING COSTS (Notes 8, 17 and 22)                      | <u>1,269,770</u> | <u>66</u> | <u>1,243,670</u> | <u>63</u> |
| GROSS PROFIT  | 662,743          | 34        | 751,573          | 37        |
| UNREALIZED GAIN ON TRANSACTIONS<br>WITH SUBSIDIARIES      | (1,661)          | -         | (2,311)          | -         |
| REALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES        | <u>2,311</u>     | <u>-</u>  | <u>2,431</u>     | <u>-</u>  |
| REALIZED GROSS PROFIT                                     | <u>663,393</u>   | <u>34</u> | <u>751,693</u>   | <u>37</u> |
| OPERATING EXPENSES (Notes 17 and 22)                      |                  |           |                  |           |
| Selling and marketing                                     | 95,619           | 5         | 86,933           | 4         |
| General and administrative                                | 90,698           | 5         | 80,597           | 4         |
| Research and development                                  | <u>107,643</u>   | <u>5</u>  | <u>92,192</u>    | <u>5</u>  |
| Total operating expenses                                  | <u>293,960</u>   | <u>15</u> | <u>259,722</u>   | <u>13</u> |
| PROFIT FROM OPERATIONS                                    | <u>369,433</u>   | <u>19</u> | <u>491,971</u>   | <u>24</u> |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 4, 17 and 22) |                  |           |                  |           |
| Other gains and losses                                    | 102,663          | 5         | (265,933)        | (13)      |
| Interest income   | 61,004           | 3         | 41,618           | 2         |
| Share of profit of subsidiaries                           | <u>1,386,302</u> | <u>72</u> | <u>764,750</u>   | <u>38</u> |
| Total non-operating income and expenses                   | <u>1,549,969</u> | <u>80</u> | <u>540,435</u>   | <u>27</u> |
| PROFIT BEFORE INCOME TAX                                  | 1,919,402        | 99        | 1,032,406        | 51        |
| INCOME TAX EXPENSE (Notes 4 and 18)                       | <u>143,438</u>   | <u>7</u>  | <u>123,706</u>   | <u>6</u>  |
| NET PROFIT FOR THE YEAR                                   | <u>1,775,964</u> | <u>92</u> | <u>908,700</u>   | <u>45</u> |

(Continued)



# KING SLIDE WORKS CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2018                |           | 2017              |           |
|---|---------------------|-----------|-------------------|-----------|
|   | Amount              | %         | Amount            | %         |
| OTHER COMPREHENSIVE INCOME (LOSS)   |                     |           |                   |           |
| (Notes 4, 14, 15 and 18)  |                     |           |                   |           |
| Items that will not be reclassified subsequently to profit or loss:                       |                     |           |                   |           |
| Remeasurement of defined benefit plans  | \$ (4,632)          | -         | \$ (934)          | -         |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>1,686</u>        | <u>-</u>  | <u>159</u>        | <u>-</u>  |
|   | <u>(2,946)</u>      | <u>-</u>  | <u>(775)</u>      | <u>-</u>  |
| Items that may be reclassified subsequently to profit or loss:                            |                     |           |                   |           |
| Exchange differences on translating foreign operations                                    | (1,766)             | -         | (2,896)           | -         |
| Income tax relating to items that may be reclassified subsequently to profit or loss      | <u>459</u>          | <u>-</u>  | <u>493</u>        | <u>-</u>  |
|   | <u>(1,307)</u>      | <u>-</u>  | <u>(2,403)</u>    | <u>-</u>  |
| Other comprehensive loss for the year, net of income tax                                  | <u>(4,253)</u>      | <u>-</u>  | <u>(3,178)</u>    | <u>-</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>\$ 1,771,711</u> | <u>92</u> | <u>\$ 905,522</u> | <u>45</u> |
| EARNINGS PER SHARE (Note 19)  |                     |           |                   |           |
| Basic   | <u>\$ 18.64</u>     |           | <u>\$ 9.54</u>    |           |
| Diluted   | <u>\$ 18.59</u>     |           | <u>\$ 9.52</u>    |           |

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



Annex (Parent Company Only Statements of Changes In Equity)  
**KING SLIDE WORKS CO., LTD.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(In Thousands of New Taiwan Dollars)**

|   |                 |                 | Retained Earnings |                 | Unappropriated | Other Equity<br>Exchange<br>Differences on<br>Translating the<br>Financial<br>Statements of<br>Foreign<br>Operations | Total Equity  |
|---|-----------------|-----------------|-------------------|-----------------|----------------|--|---------------|
|   | Ordinary Shares | Capital Surplus | Legal Reserve     | Special Reserve | Earnings       |  |               |
| BALANCE, JANUARY 1, 2017                            | \$ 952,971      | \$ 796,691      | \$ 986,023        | \$ 6,221        | \$ 5,918,637   | \$ (539)   | \$ 8,660,004  |
| Appropriation of 2016 earnings (Note 15)            |                 |                 |                   |                 |                |  |               |
| Cash dividends distributed by the Company - 82.5%   | -               | -               | -                 | -               | (786,201)      | -  | (786,201)     |
| Net income in 2017                                  | -               | -               | -                 | -               | 908,700        | -  | 908,700       |
| Other comprehensive loss in 2017, net of income tax | -               | -               | -                 | -               | (775)          | (2,403)  | (3,178)       |
| Total comprehensive income (loss) in 2017           | -               | -               | -                 | -               | 907,925        | (2,403)  | 905,522       |
| BALANCE, DECEMBER 31, 2017                          | 952,971         | 796,691         | 986,023           | 6,221           | 6,040,361      | (2,942)  | 8,779,325     |
| Appropriation of 2017 earnings (Note 15)            |                 |                 |                   |                 |                |  |               |
| Cash dividends distributed by the Company - 50%     | -               | -               | -                 | -               | (476,485)      | -  | (476,485)     |
| Net income in 2018                                  | -               | -               | -                 | -               | 1,775,964      | -  | 1,775,964     |
| Other comprehensive loss in 2018, net of income tax | -               | -               | -                 | -               | (2,946)        | (1,307)  | (4,253)       |
| Total comprehensive income (loss) in 2018           | -               | -               | -                 | -               | 1,773,018      | (1,307)  | 1,771,711     |
| BALANCE, DECEMBER 31, 2018                          | \$ 952,971      | \$ 796,691      | \$ 986,023        | \$ 6,221        | \$ 7,336,894   | \$ (4,249)   | \$ 10,074,551 |

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



**KING SLIDE WORKS CO., LTD.**
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(In Thousands of New Taiwan Dollars)**

|   | 2018            | 2017            |
|---|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                 |                 |
| Profit before income tax                                | \$ 1,919,402    | \$ 1,032,406    |
| Adjustments for:  |                 |                 |
| Depreciation expense                                    | 32,138          | 33,869          |
| Amortization expense                                    | 278             | 319             |
| Expected credit loss recognized on accounts receivable  | 218             | -               |
| Impairment loss recognized on accounts receivable       | -               | 21              |
| Gain on disposal of property, plant and equipment, net  | (231)           | (285)           |
| Interest income   | (61,004)        | (41,618)        |
| Share of profit of subsidiaries                         | (1,386,302)     | (764,750)       |
| Write-downs of inventories                              | 478             | 245             |
| Unrealized gain on transactions with subsidiaries       | 1,661           | 2,311           |
| Realized gain on transactions with subsidiaries         | (2,311)         | (2,431)         |
| Provision for sales allowances                          | 1,934           | 1,592           |
| Changes in operating assets and liabilities             |                 |                 |
| Notes receivable  | (1,656)         | (8,091)         |
| Notes receivable - related parties                      | (7,506)         | (7,507)         |
| Accounts receivable                                     | 32,321          | 19,491          |
| Accounts receivable - related parties                   | (2,520)         | 1,966           |
| Other receivables                                       | (108)           | (783)           |
| Other receivables - related parties                     | 889             | (2,071)         |
| Inventories   | (3,363)         | (37,335)        |
| Other current assets                                    | (829)           | (4,238)         |
| Notes payable   | 2,395           | (3,654)         |
| Notes payable - related parties                         | (952)           | (8,314)         |
| Accounts payable  | (10,970)        | (635)           |
| Accounts payable - related parties                      | (2,134)         | (4,348)         |
| Other payables  | 20,414          | (31,797)        |
| Other payable - related parties                         | (5)             | (263)           |
| Other current liabilities                               | 4,031           | 518             |
| Net defined benefit liabilities                         | (5,492)         | (7,613)         |
| Cash generated from operations                          | 530,776         | 167,005         |
| Interest received                                       | 58,810          | 40,163          |
| Dividends income  | 200,000         | 200,000         |
| Income tax paid   | (144,339)       | (203,044)       |
| Net cash generated from operating activities            | <u>645,247</u>  | <u>204,124</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                 |                 |
| Acquisition of property, plant and equipment            | (26,755)        | (30,919)        |
| Proceeds from disposal of property, plant and equipment | 843             | 606             |
| Increase in refundable deposits                         | (85)            | -               |
| Decrease in refundable deposits                         | <u>-</u>        | <u>3</u>        |
| Net cash used in investing activities                   | <u>(25,997)</u> | <u>(30,310)</u> |

(Continued)



**KING SLIDE WORKS CO., LTD.****PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)**

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|   | 2018                | 2017                |
|---|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES                    |                     |                     |
| Refunds of guarantee deposits received                  | \$ 38               | \$ -                |
| Cash dividends  | <u>(476,485)</u>    | <u>(786,201)</u>    |
| Net cash used in financing activities                   | <u>(476,447)</u>    | <u>(786,201)</u>    |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS | 142,803             | (612,387)           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR            | <u>3,159,347</u>    | <u>3,771,734</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR                  | <u>\$ 3,302,150</u> | <u>\$ 3,159,347</u> |

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



**Annex (Independent Auditor's Report - Consolidated Financial Statements)**  
**INDEPENDENT AUDITORS' REPORT**  
King Slide Works Co., Ltd.

**Opinion**

We have audited the accompanying consolidated financial statements of King Slide Works Co., Ltd. (the "Company" ) and its subsidiaries, 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 then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (FSC).

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. 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.

Key audit matters of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2018 are stated as follows:

**Impairment assessment of accounts receivable**

As disclosed in Note 7 to the consolidated financial statements, as of December 31, 2018 the net amount of accounts receivable of the Company and its subsidiaries was NT\$1,005,838 thousand, representing 9% of the Company and its subsidiaries' total assets, and the management estimated the allowance for impairment loss based on the aging of accounts receivable and the expected recovery status. Since the allowance for impairment loss involved significant estimates and judgment, therefore, we assessed whether the amount of the allowance for impairment loss of accounts receivable was reasonable. We assessed the correctness of the Company and its subsidiaries' accounting policy of allowance for impairment loss and tested the aging schedule prepared by the Company and its subsidiaries against the supporting documents on a sample basis. We assessed individually the recoverability of overdue accounts or doubtful accounts. We reviewed the reasonableness of the impairment loss based on the historical experience of collection and other available information.

**Other Matter**



We have also audited the parent company only financial statements of King Slide Works Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC, 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 Company and its subsidiaries' 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 and its subsidiaries' or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Company and its subsidiaries' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the 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 Company and its subsidiaries' 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the



audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chiu-Yen Wu and Lee-Yuan Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 27, 2019

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*



Annex (Consolidated Balance Sheets)

**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2018 AND 2017**

**(In Thousands of New Taiwan Dollars)**

| ASSETS  | December 31, 2018    |            | December 31, 2017   |            | LIABILITIES AND EQUITY   | December 31, 2018    |            | December 31, 2017   |            |
|---|----------------------|------------|---------------------|------------|--|----------------------|------------|---------------------|------------|
|   | Amount               | %          | Amount              | %          |  | Amount               | %          | Amount              | %          |
| CURRENT ASSETS  |                      |            |                     |            | CURRENT LIABILITIES  |                      |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)             | \$ 8,042,135         | 72         | \$ 6,824,301        | 69         | Notes payable (Note 11)  | \$ 239,089           | 2          | \$ 234,962          | 2          |
| Notes receivable (Notes 4, 7 and 16)                  | 45,006               | 1          | 44,994              | 1          | Accounts payable (Note 11)   | 73,254               | 1          | 83,565              | 1          |
| Accounts receivable, net (Notes 4, 5, 7 and 16)       | 1,005,838            | 9          | 911,652             | 9          | Other payables (Note 12)   | 439,882              | 4          | 402,521             | 4          |
| Other receivables                                     | 17,914               | -          | 11,215              | -          | Current tax liabilities (Note 18)  | 252,781              | 2          | 256,704             | 3          |
| Inventories (Notes 4 and 8)                           | 466,015              | 4          | 431,615             | 5          | Provisions (Notes 3, 4 and 13)   | -                    | -          | 19,520              | -          |
| Other current assets                                  | <u>38,341</u>        | <u>-</u>   | <u>35,807</u>       | <u>-</u>   | Refund liability - current (Notes 3 and 13)  | 18,243               | -          | -                   | -          |
|   |                      |            |                     |            | Other current liabilities  | <u>14,761</u>        | <u>-</u>   | <u>21,150</u>       | <u>-</u>   |
| Total current assets                                  | <u>9,615,249</u>     | <u>86</u>  | <u>8,259,584</u>    | <u>84</u>  | Total current liabilities  | <u>1,038,010</u>     | <u>9</u>   | <u>1,018,422</u>    | <u>10</u>  |
| NON-CURRENT ASSETS                                    |                      |            |                     |            | NON-CURRENT LIABILITIES  |                      |            |                     |            |
| Property, plant and equipment (Notes 4, 5, 10 and 24) | 1,353,349            | 12         | 1,425,528           | 14         | Deferred tax liabilities (Notes 4 and 18)  | 54,679               | 1          | 48,017              | 1          |
| Other intangible assets (Note 4)                      | 269                  | -          | 1,274               | -          | Net defined benefit liabilities (Notes 4 and 14)                                   | <u>39,415</u>        | <u>-</u>   | <u>40,275</u>       | <u>-</u>   |
| Deferred tax assets (Notes 4 and 18)                  | 32,797               | -          | 54,383              | 1          |  |                      |            |                     |            |
| Prepayments for equipment                             | 204,590              | 2          | 144,954             | 1          | Total non-current liabilities  | <u>94,094</u>        | <u>1</u>   | <u>88,292</u>       | <u>1</u>   |
| Refundable deposits                                   | <u>401</u>           | <u>-</u>   | <u>316</u>          | <u>-</u>   | Total liabilities  | <u>1,132,104</u>     | <u>10</u>  | <u>1,106,714</u>    | <u>11</u>  |
| Total non-current assets                              | <u>1,591,406</u>     | <u>14</u>  | <u>1,626,455</u>    | <u>16</u>  | EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY                                       |                      |            |                     |            |
|   |                      |            |                     |            | (Note 15)  |                      |            |                     |            |
|   |                      |            |                     |            | Ordinary shares  | <u>952,971</u>       | <u>9</u>   | <u>952,971</u>      | <u>10</u>  |
|   |                      |            |                     |            | Capital surplus  | <u>796,691</u>       | <u>7</u>   | <u>796,691</u>      | <u>8</u>   |
|   |                      |            |                     |            | Retained earnings  |                      |            |                     |            |
|   |                      |            |                     |            | Legal reserve  | 986,023              | 9          | 986,023             | 10         |
|   |                      |            |                     |            | Special reserve  | 6,221                | -          | 6,221               | -          |
|   |                      |            |                     |            | Unappropriated earnings  | <u>7,336,894</u>     | <u>65</u>  | <u>6,040,361</u>    | <u>61</u>  |
|   |                      |            |                     |            | Total retained earnings  | <u>8,329,138</u>     | <u>74</u>  | <u>7,032,605</u>    | <u>71</u>  |
|   |                      |            |                     |            | Other equity   |                      |            |                     |            |
|   |                      |            |                     |            | Exchange differences on translating the financial statements of foreign operations | <u>(4,249)</u>       | <u>-</u>   | <u>(2,942)</u>      | <u>-</u>   |
|   |                      |            |                     |            | Total equity   | <u>10,074,551</u>    | <u>90</u>  | <u>8,779,325</u>    | <u>89</u>  |
| TOTAL   | <u>\$ 11,206,655</u> | <u>100</u> | <u>\$ 9,886,039</u> | <u>100</u> | TOTAL  | <u>\$ 11,206,655</u> | <u>100</u> | <u>\$ 9,886,039</u> | <u>100</u> |

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



Annex (Consolidated Statements of Comprehensive Income)

**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

|  | <b>2018</b>      |           | <b>2017</b>      |             |
|--|------------------|-----------|------------------|-------------|
|  | <b>Amount</b>    | <b>%</b>  | <b>Amount</b>    | <b>%</b>    |
| OPERATING REVENUE (Notes 4, 13 and 16)   |                  |           |                  |             |
| OPERATING REVENUE, NET   | \$ 4,435,607     | 100       | \$ 4,110,572     | 100         |
| OPERATING COSTS (Notes 8 and 17)   | <u>2,108,995</u> | <u>48</u> | <u>1,918,265</u> | <u>46</u>   |
| GROSS PROFIT   | <u>2,326,612</u> | <u>52</u> | <u>2,192,307</u> | <u>54</u>   |
| OPERATING EXPENSES (Notes 7 and 17)  |                  |           |                  |             |
| Selling and marketing  | 182,007          | 4         | 170,359          | 4           |
| General and administrative   | 194,708          | 4         | 174,750          | 4           |
| Research and development   | 206,605          | 5         | 182,121          | 5           |
| Expected credit loss   | <u>5,096</u>     | <u>-</u>  | <u>-</u>         | <u>-</u>    |
| Total operating expenses   | <u>588,416</u>   | <u>13</u> | <u>527,230</u>   | <u>13</u>   |
| PROFIT FROM OPERATIONS   | <u>1,738,196</u> | <u>39</u> | <u>1,665,077</u> | <u>41</u>   |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 4 and 17)  |                  |           |                  |             |
| Interest income  | 141,008          | 3         | 80,618           | 2           |
| Other gains and losses   | <u>292,674</u>   | <u>7</u>  | <u>(521,865)</u> | <u>(13)</u> |
| Total non-operating income and expenses  | <u>433,682</u>   | <u>10</u> | <u>(441,247)</u> | <u>(11)</u> |
| PROFIT BEFORE INCOME TAX   | 2,171,878        | 49        | 1,223,830        | 30          |
| INCOME TAX (Notes 4 and 18)  | <u>395,914</u>   | <u>9</u>  | <u>315,130</u>   | <u>8</u>    |
| NET PROFIT FOR THE YEAR  | <u>1,775,964</u> | <u>40</u> | <u>908,700</u>   | <u>22</u>   |
| OTHER COMPREHENSIVE INCOME (LOSS)<br>(Notes 4, 14, 15 and 18)                                |                  |           |                  |             |
| Items that will not be reclassified subsequently<br>to profit or loss:                       |                  |           |                  |             |
| Remeasurement of defined benefit plans   | (4,632)          | -         | (934)            | -           |
| Income tax relating to items that will not be<br>reclassified subsequently to profit or loss | <u>1,686</u>     | <u>-</u>  | <u>159</u>       | <u>-</u>    |
|  | <u>(2,946)</u>   | <u>-</u>  | <u>(775)</u>     | <u>-</u>    |

(Continued)



# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2018                |           | 2017              |           |
|--|---------------------|-----------|-------------------|-----------|
|  | Amount              | %         | Amount            | %         |
| Items that may be reclassified subsequently to profit or loss:                       |                     |           |                   |           |
| Exchange differences on translating the financial statements of foreign operations   | \$ (1,766)          | -         | \$ (2,896)        | -         |
| Income tax relating to items that may be reclassified subsequently to profit or loss | <u>459</u>          | <u>-</u>  | <u>493</u>        | <u>-</u>  |
|  | <u>(1,307)</u>      | <u>-</u>  | <u>(2,403)</u>    | <u>-</u>  |
| Other comprehensive loss for the year, net of income tax                             | <u>(4,253)</u>      | <u>-</u>  | <u>(3,178)</u>    | <u>-</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR  | <u>\$ 1,771,711</u> | <u>40</u> | <u>\$ 905,522</u> | <u>22</u> |
| NET PROFIT ATTRIBUTABLE TO:  |                     |           |                   |           |
| Owner of the Company   | <u>\$ 1,775,964</u> | <u>40</u> | <u>\$ 908,700</u> | <u>22</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:  |                     |           |                   |           |
| Owner of the Company   | <u>\$ 1,771,711</u> | <u>40</u> | <u>\$ 905,522</u> | <u>22</u> |
| EARNINGS PER SHARE (Note 19)   |                     |           |                   |           |
| Basic  | <u>\$ 18.64</u>     |           | <u>\$ 9.54</u>    |           |
| Diluted  | <u>\$ 18.59</u>     |           | <u>\$ 9.54</u>    |           |

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



**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(In Thousands of New Taiwan Dollars)**

|   |                        |                        | <u>Retained Earnings</u> |                        | <u>Unappropriated Earnings</u> | <u>Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations</u> | <u>Total Equity</u> |
|---|------------------------|------------------------|--------------------------|------------------------|--------------------------------|--|---------------------|
|   | <u>Ordinary Shares</u> | <u>Capital Surplus</u> | <u>Legal Reserve</u>     | <u>Special Reserve</u> |                                |  |                     |
| BALANCE, JANUARY 1, 2017                            | \$ 952,971             | \$ 796,691             | \$ 986,023               | \$ 6,221               | \$ 5,918,637                   | \$ (539)   | \$ 8,660,004        |
| Appropriation of 2016 earnings (Note 15)            |                        |                        |                          |                        |                                |  |                     |
| Cash dividends distributed by the Company - 82.5%   | -                      | -                      | -                        | -                      | (786,201)                      | -  | (786,201)           |
| Net income in 2017                                  | -                      | -                      | -                        | -                      | 908,700                        | -  | 908,700             |
| Other comprehensive loss in 2017, net of income tax | -                      | -                      | -                        | -                      | (775)                          | (2,403)  | (3,178)             |
| Total comprehensive income (loss) in 2017           | -                      | -                      | -                        | -                      | 907,925                        | (2,403)  | 905,522             |
| BALANCE, DECEMBER 31, 2017                          | 952,971                | 796,691                | 986,023                  | 6,221                  | 6,040,361                      | (2,942)  | 8,779,325           |
| Appropriation of 2017 earnings (Note 15)            |                        |                        |                          |                        |                                |  |                     |
| Cash dividends distributed by the Company - 50%     | -                      | -                      | -                        | -                      | (476,485)                      | -  | (476,485)           |
| Net income in 2018                                  | -                      | -                      | -                        | -                      | 1,775,964                      | -  | 1,775,964           |
| Other comprehensive loss in 2018, net of income tax | -                      | -                      | -                        | -                      | (2,946)                        | (1,307)  | (4,253)             |
| Total comprehensive income (loss) in 2018           | -                      | -                      | -                        | -                      | 1,773,018                      | (1,307)  | 1,771,711           |
| BALANCE, DECEMBER 31, 2018                          | \$ 952,971             | \$ 796,691             | \$ 986,023               | \$ 6,221               | \$ 7,336,894                   | \$ (4,249)   | \$ 10,074,551       |

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



## Annex (Consolidated Statements of Cash Flows)

**KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(In Thousands of New Taiwan Dollars)**

|   | 2018             | 2017             |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                  |                  |
| Profit before income tax                                | \$ 2,171,878     | \$ 1,223,830     |
| Adjustments for:  |                  |                  |
| Depreciation expense                                    | 140,720          | 140,479          |
| Amortization expense                                    | 1,005            | 1,573            |
| Expected credit loss recognized on accounts receivable  | 5,096            | -                |
| Impairment loss recognized on accounts receivable       | -                | 279              |
| Gain on disposal of property, plant and equipment, net  | (241)            | (481)            |
| Interest income   | (141,008)        | (80,618)         |
| Write-downs (reversal of write-downs) of inventories    | 3,052            | (77)             |
| Provision for sales allowances                          | 5,470            | 4,684            |
| Changes in operating assets and liabilities             |                  |                  |
| Notes receivable  | (12)             | (10,491)         |
| Accounts receivable                                     | (106,001)        | 165,276          |
| Other receivables                                       | (579)            | (2,074)          |
| Inventories   | (37,452)         | (112,883)        |
| Other current assets                                    | (2,534)          | (7,150)          |
| Notes payable   | 22,227           | (25,081)         |
| Accounts payable  | (10,311)         | (1,517)          |
| Other payables  | 32,173           | (46,714)         |
| Other current liabilities                               | (6,427)          | (469)            |
| Net defined benefit liabilities                         | (5,492)          | (7,613)          |
| Cash generated from operations                          | 2,071,564        | 1,240,953        |
| Interest received                                       | 134,860          | 76,783           |
| Income tax paid   | (369,444)        | (434,516)        |
| Net cash generated from operating activities            | <u>1,836,980</u> | <u>883,220</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                  |                  |
| Acquisition of property, plant and equipment            | (143,024)        | (198,787)        |
| Proceeds from disposal of property, plant and equipment | 853              | 1,384            |
| Increase in refundable deposits                         | (85)             | -                |
| Decrease in refundable deposits                         | <u>-</u>         | <u>5</u>         |
| Net cash used in investing activities                   | <u>(142,256)</u> | <u>(197,398)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                  |                  |
| Refunds of guarantee deposits received                  | 38               | -                |
| Cash dividends  | <u>(476,485)</u> | <u>(786,201)</u> |
| Net cash used in financing activities                   | <u>(476,447)</u> | <u>(786,201)</u> |

(Continued)



# KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

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|  | 2018                | 2017                |
|--|---------------------|---------------------|
| EFFECT OF EXCHANGE RATE CHANGES ON THE<br>BALANCE OF CASH AND CASH EQUIVALENTS HELD IN<br>FOREIGN CURRENCIES | \$ (443)            | \$ (294)            |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS  | 1,217,834           | (100,673)           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR   | <u>6,824,301</u>    | <u>6,924,974</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR   | <u>\$ 8,042,135</u> | <u>\$ 6,824,301</u> |

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



Annex (Earnings Distribution Statement)

## King Slide Works Co., Ltd.

### Profit Distribution Table

January 1 – December 31, 2018

Unit: NTD

| Item   | Amount        |
|--|---------------|
| Beginning retained earnings  | 5,563,875,874 |
| Defined benefit plan re-measurement amount recognized in the retained earnings | ( 2,945,882 ) |
| Adjusted beginning retained earnings   | 5,560,929,992 |
| Add: Net income after tax  | 1,775,964,101 |
| Less: legal reserve  | 177,596,410   |
|  |               |
| Distributable earnings   | 7,159,297,683 |
| Earnings distribution  |               |
| Less: Dividend to shareholders (cash dividend NT\$9.5 per share)               | 905,322,184   |
|  |               |
| Unappropriated retained earnings   | 6,253,975,499 |

Note: 1. The Company's profit distribution is based on the most recent annual earnings.

2. The ex-dividend date and the issuance date of the cash dividend are to be scheduled separately by the Board of Directors with the resolution of the shareholders meeting.

Chairman: Lin Tsung-Chi    President: Lin Shu-Chen    Chief Accountant: Chen Yi-Nian



**Annex (Procedures for the Acquisition and Disposal of Assets amendment made before and after)**

**King Slide Works Co., Ltd.**

**Procedures for the Acquisition and Disposal of Assets amendment made before and after**

| Clause No. | Current Clause   | Clause No. after amendment   | Reason for amendment   |
|------------|--|--|--|
| Article 2  | <p>Applicable scope of the assets</p> <p>(I) Investment in stocks, government bonds, corporate bonds, financial bonds, securities presenting interest in a fund, depositary receipts, call (put) warrants, beneficiary certificates, and asset-backed securities;</p> <p>(II) Real property (including land, houses and buildings, investment property, and <u>right-of-use land</u>) and equipment.</p> <p>(III) Memberships.</p> <p>(IV) Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>(V) Financial derivatives: Refers to forward contracts, options contracts, futures contracts, leverage bonds contracts, exchange contracts, and <u>compound contracts</u> of the aforementioned products whose value is derived from <u>assets</u>, interest rates, exchange rates, indexes, or <u>other interests</u>. The so-called “forward contracts” do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchases (sales) contracts.</p> <p>(VI) Assets acquired or disposed of in accordance with law mergers, demergers, acquisitions, or transfer of shares: Refers to the acquisition and disposal of assets by a merger, demerger, or acquisition according to the Business Merger and Acquisitions Act, Financial Holding Company Act, the Financial Institution Merger Act, or other laws, or by transfer of shares (referred to as “share transfer” hereinafter) with new shares issued</p> | <p>Applicable scope of the assets</p> <p>(I) Investment in stocks, government bonds, corporate bonds, financial bonds, securities presenting interest in a fund, depositary receipts, call (put) warrants, beneficiary certificates, and asset-backed securities;</p> <p>(II) Real property (including land, houses and buildings, and investment property) and equipment;</p> <p>(III) Memberships.</p> <p>(IV) Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>(V) <u>Right-of-use assets</u></p> <p>(VI) Financial derivatives: Refers to a transaction contract whose value is derived from specific interest rates, <u>financial instrument price, product price, exchange rates, price or fee indexes, credit rating or credit index</u>, or forward contract, <u>option</u> contract, futures contract, leverage bond contract, exchange contract, portfolio of the <u>aforementioned</u> contracts, <u>embedded derivatives contracts</u>, or <u>structured products</u> derived from other variables. The so-called “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchases (sales) <u>contracts</u>.</p> <p>(VII) Assets acquired or disposed of in accordance with law mergers, demergers, acquisitions, or transfer of shares: Refers to the acquisition and disposal of assets by a merger, demerger, or acquisition according to</p> | <p>In accordance with the provisions of International Financial Reporting Standard No. 16 “Leases”, subparagraph 5 is added to expand the scope of assets and move the current subparagraph 2 “right-of-use land” to subparagraph 5. In accordance with the definition of International Financial Reporting Standards No. 9 “Financial Instruments”, the scope of financial derivatives is amended with a rephrasing made accordingly.</p> |



| Clause No. | Current Clause  | Clause No. after amendment  | Reason for amendment |
|------------|---|---|----------------------|
|            | <p>according to <u>paragraph 6</u> of Article 156 of the Company Act.</p> <p>(VII) Other major assets</p>   | <p>the Business Merger and Acquisitions Act, Financial Holding Company Act, the Financial Institution Merger Act, or other laws, or by transfer of shares (referred to as “share transfer” hereinafter) with new shares issued according to Article 156-3 of the Company Act.</p> <p>(VIII) Other major assets</p>  |                      |
| Article 3  | <p>Appraisal procedures</p> <p>(I) When the Company obtains or disposes of securities investments or engages in the trading of financial derivatives, the Finance and Accounting Department shall conduct the relevant benefit analysis and assess possible risks. For the acquisition and disposal of real property and other assets, each unit shall formulate capital expenditure plans in advance to initiate a feasibility assessment on the purpose and expected benefit from the acquisition and disposal of assets. If the real property is obtained from a related party, the reasonableness of trading conditions shall be assessed in accordance with the provisions of Chapter 2 of the Procedures.</p> <p>(II) For the acquisition and disposal of securities, the Company shall obtain the financial statements of the target company that have recently been certified or reviewed by the accountants for reference in evaluating the transaction price before the date of occurrence. In addition, for the transaction amount reaching 20% of the Company’s paid-in capital or NT\$300 million or more, the accountants should be consulted</p> | <p>Appraisal procedures</p> <p>(I) When the Company obtains or disposes of securities investments or engages in the trading of financial derivatives, the Finance and Accounting Department shall conduct the relevant benefit analysis and assess possible risks. For the acquisition and disposal of real property and other assets, each unit shall formulate capital expenditure plans in advance to initiate a feasibility assessment on the purpose and expected benefit from the acquisition and disposal of assets. If the real property is obtained from a related party, the reasonableness of trading conditions shall be assessed in accordance with the provisions of Chapter 2 of the Procedures.</p> <p>(II) For the acquisition and disposal of securities, the Company shall obtain the financial statements of the target company that have recently been certified or reviewed by the accountants for reference in evaluating the transaction price before the date of occurrence. In addition, for the transaction amount reaching 20% of the Company’s paid-in capital or NT\$300 million or more, the accountants should be consulted</p> | Partial rephrasing   |



| Clause No. | Current Clause  | Clause No. after amendment   | Reason for amendment |
|------------|---|--|----------------------|
|            | <p>before the date of occurrence to express an opinion on the reasonableness of the transaction price. If the accountants need to use a report by an expert, it shall be handled in accordance with the provisions of Statement of Auditing Standard No. 20 issued by the Accounting Research and Development Foundation. However, securities with an available market price or otherwise provided by competent securities authorities are not subject to such requirement.</p> <p>(III) In acquiring or disposing of <u>memberships</u> or intangible assets thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, unless transacting with a government agency, an accountant shall be engaged to render an opinion on the reasonableness of the transaction price before the date of the occurrence in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF).</p> <p>(IV) The acquisition and disposal of real property <u>and</u> equipment, if any, should be handled in accordance with the provisions of Article 6 of the Procedures.</p> <p>(V) The Company, while handling the merger, division, acquisition, or transfer of shares, shall engage an accountant, attorney, or securities underwriter to express opinions on the reasonableness of the conversion ratio, the purchase price, and the cash or other property distributed to the</p> | <p>before the date of occurrence to express an opinion on the reasonableness of the transaction price. If the accountants need to use a report by an expert, it shall be handled in accordance with the provisions of Statement of Auditing Standard No. 20 issued by the Accounting Research and Development Foundation. However, securities with an available market price or otherwise provided by competent securities authorities are not subject to such requirement.</p> <p>(III) In acquiring or disposing of intangible assets or <u>right-of-use assets or memberships</u> thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, unless transacting with a domestic government agency, an accountant shall be engaged to render an opinion on the reasonableness of the transaction price before the date of occurrence in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF).</p> <p>(IV) The acquisition and disposal of real property, equipment, <u>or right-of-use assets,</u> if any, should be handled in accordance with the provisions of Article 6 of the Procedures.</p> <p>(V) The Company, while handling the merger, division, acquisition, or transfer of shares, shall engage an accountant, attorney, or securities underwriter to express opinions on the reasonableness of the conversion ratio, the purchase price, and the cash or other property distributed to the shareholders before a board meeting</p> |                      |



| Clause No. | Current Clause  | Clause No. after amendment   | Reason for amendment |
|------------|---|--|----------------------|
|            | <p>shareholders before a board meeting is convened, and then present it to the board of directors for discussion and resolution.</p> <p>(VI) The price determination methods and references for the Company's acquisition and disposal of assets, in addition to the opinions of professional experts, accountants, and other relevant experts as stated in the preceding paragraph, shall be handled as follows:</p> <ol style="list-style-type: none"> <li>1. Securities acquired or disposed of that have been traded in the stock exchange market or TPEx should be determined according to the current equity or bond price.</li> <li>2. Securities acquired or disposed of that are not traded in the stock exchange market or TPEx should be priced with the net worth per share, technology and profitability, future development potential, market interest rate, bond coupon rate, debtor's credit, and transaction price at the time taking into account.</li> <li>3. To obtain or dispose of the membership card, it is necessary to consider the benefits that can be generated and refer to the transaction price at the time. For the acquisition and disposal of patents, copyrights, trademarks, franchise rights, and other intangible assets, it is necessary to refer to international or market practices, useful lives, and the impact on the company's technology and business.</li> <li>4. The acquisition and disposal of real property <u>and</u> equipment shall be determined by referring to the announced present value, the assessed present value, the actual transaction price or book value of the</li> </ol> | <p>is convened, and then present it to the board of directors for discussion and resolution.</p> <p>(VI) The price determination methods and references for the Company's acquisition and disposal of assets, in addition to the opinions of professional experts, accountants, and other relevant experts as stated in the preceding paragraph, shall be handled as follows:</p> <ol style="list-style-type: none"> <li>1. Securities acquired or disposed of that have been traded in the stock exchange market or TPEx should be determined according to the current equity or bond price.</li> <li>2. Securities acquired or disposed of that are not traded in the stock exchange market or TPEx should be priced with the net worth per share, technology and profitability, future development potential, market interest rate, bond coupon rate, debtor's credit, and transaction price at the time taking into account.</li> <li>3. To obtain or dispose of the membership card, it is necessary to consider the benefits that can be generated and refer to the transaction price at the time. For the acquisition and disposal of patents, copyrights, trademarks, franchise rights, and other intangible assets, it is necessary to refer to international or market practices, useful lives, and the impact on the company's technology and business.</li> </ol> <p>The acquisition and disposal of real property, equipment, <u>or right-of-use assets</u> shall be determined by referring to the announced present value, the assessed present value, the actual transaction price or book value of the adjacent real property, or the</p> |                      |



| Clause No. | Current Clause  | Clause No. after amendment  | Reason for amendment |
|------------|---|---|----------------------|
|            | <p>adjacent real property, or the quotation of the suppliers. If the real property is acquired from a related party, it should be calculated according to the methods specified in Chapter 2 of the Procedures in order to assess whether the transaction price is reasonable or not.</p> <p>5. The trading of financial derivatives should take into account the trading conditions of the futures market, exchange rates, and the trend of interest rate.</p> <p>6. The merger, division, acquisition or transfer of shares shall take into account the nature of its business, net value per share, asset value, technology and profitability, production capacity, and future growth potential.</p>   | <p>quotation of the suppliers. If the real property is acquired from a related party, it should be calculated according to the methods specified in Chapter 2 of the Procedures in order to assess whether the transaction price is reasonable or not.</p> <p>5. The trading of financial derivatives should take into account the trading conditions of the futures market, exchange rates, and the trend of interest rate.</p> <p>6. The merger, division, acquisition or transfer of shares shall take into account the nature of its business, net value per share, asset value, technology and profitability, production capacity, and future growth potential.</p>  |                      |
| Article 4  | <p>Operating procedures</p> <p>(I) Authorized amount and Authorization Level</p> <p>1. Securities: Authorize the President to conduct transactions within the amount specified in Article 7 of the Procedures. If it meets the public announcement and filing standards as stipulated in Article 5, it shall be reported to the Chairman for verification on the next day and presented in the most recent board meeting for ratification. However, for the acquisition and disposal of stock shares, corporate bonds, and private placement securities that are not traded in the stock exchange market or TPEX for an amount meeting the public announcement and filing standard, it shall be resolved by the Board of Directors in advance. In addition, the Company's Mainland China area investment must be approved by the board of</p> | <p>Operating procedures</p> <p>(I) Authorized amount and Authorization Level</p> <p>1. Securities: Authorize the President to conduct transactions within the amount specified in Article 7 of the Procedures. If it meets the public announcement and filing standards as stipulated in Article 5, it shall be reported to the Chairman for verification on the next day and presented in the most recent board meeting for ratification. However, for the acquisition and disposal of stock shares, corporate bonds, and private placement securities that are not traded in the stock exchange market or TPEX for an amount meeting the public announcement and filing standard, it shall be resolved by the Board of Directors in advance. In addition, the Company's Mainland China area investment must be approved by the board of</p> | Partial rephrasing   |



| Clause No. | Current Clause   | Clause No. after amendment   | Reason for amendment |
|------------|--|--|----------------------|
|            | <p>directors before it is listed for trade. After it is listed for trade, it should be implemented with the approval of the shareholders meeting or implemented by the Board of Directors with the authorization of the shareholders meeting, and may not be initiated without the approval of the Investment Commission MOEA.</p> <p>2. Trading of financial derivatives</p> <p>(1) Hedging transactions: According to the changes in the company's turnover and risk position, the Chairman designates personnel to conduct transactions for an amount of US\$1 million or less (including equivalent amount in different currency) of a single or cumulative transactions. The transaction for an amount exceeding US\$1 million should be approved by the Chairman in advance.</p> <p>(2) Non-hedging transactions: In order to reduce risks, the transactions for an amount of US\$1 million or less (including an equivalent amount in a different currency) of a single or cumulative transactions must be approved by the Chairman. Also, the transactions for an amount of US\$1 million or more of a single or cumulative transactions should be approved by the Board of Directors in advance.</p> <p>(3) In order for the company's authorization to correspond to the bank's relative supervision and management, the authorized trader must inform the bank.</p> <p>(4) The trading of financial derivatives conducted according to the aforementioned authorization</p> | <p>directors before it is listed for trade. After it is listed for trade, it should be implemented with the approval of the shareholders meeting or implemented by the Board of Directors with the authorization of the shareholders meeting, and may not be initiated without the approval of the Investment Commission MOEA.</p> <p>2. Trading of financial derivatives</p> <p>(1) Hedging transactions: According to the changes in the company's turnover and risk position, the Chairman designates personnel to conduct transactions for an amount of US\$1 million or less (including equivalent amount in different currency) of a single or cumulative transactions. The transaction for an amount exceeding US\$1 million should be approved by the Chairman in advance.</p> <p>(2) Non-hedging transactions: In order to reduce risks, the transactions for an amount of US\$1 million or less (including an equivalent amount in a different currency) of a single or cumulative transactions must be approved by the Chairman. Also, the transactions for an amount of US\$1 million or more of a single or cumulative transactions should be approved by the Board of Directors in advance.</p> <p>(3) In order for the company's authorization to correspond to the bank's relative supervision and management, the authorized trader must inform the bank.</p> <p>(4) The trading of financial derivatives conducted according to the aforementioned authorization</p> |                      |



| Clause No. | Current Clause  | Clause No. after amendment  | Reason for amendment |
|------------|---|---|----------------------|
|            | <p>shall be reported in the most recent board meeting afterwards.</p> <p>3. Acquisition of real property from related parties: Relevant information should be prepared in accordance with the provisions of Chapter 2 of the Procedures, and it should be resolved in the board meeting and recognized by the supervisors in advance.</p> <p>4. Mergers, demergers, acquisitions, or transfer of shares: The relevant procedures and information preparation shall be carried out in accordance with the provisions of Chapter 4 of the Procedures, where mergers, divisions, and acquisitions shall be subject to the resolution of the shareholders meeting, provided that where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, the transfer of shares shall be resolved by the Board of Directors in advance.</p> <p>5. Others: It should be handled according to the internal control system and the operating procedures stipulated by the authority. If the transaction amount reaches the public announcement and filing standard of Article 5, the equipment that is acquired or disposed of for business use can be reported to the Board of Directors for recognition afterwards, the resolution of the Board of Directors must be obtained in advance for the rest. The matters as stipulated in Article 185 of the Company Act must be resolved in the shareholders meeting in advance.</p> | <p>shall be reported in the most recent board meeting afterwards.</p> <p>3. Acquisition of real property <u>or right-of-use assets</u> from related parties: Relevant information should be prepared in accordance with the provisions of Chapter 2 of the Procedures, and it should be resolved in the board meeting and recognized by the supervisors in advance.</p> <p>4. Mergers, demergers, acquisitions, or transfer of shares: The relevant procedures and information preparation shall be carried out in accordance with the provisions of Chapter 4 of the Procedures, where mergers, divisions, and acquisitions shall be subject to the resolution of the shareholders meeting, provided that where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, the transfer of shares shall be resolved by the Board of Directors in advance.</p> <p>5. Others: It should be handled according to the internal control system and the operating procedures stipulated by the authority. If the transaction amount reaches the public announcement and filing standard of Article 5, the equipment that is acquired or disposed of for business use can be reported to the Board of Directors for recognition afterwards, the resolution of the Board of Directors must be obtained in advance for the rest. The matters as stipulated in Article 185 of the Company Act must be resolved in the shareholders meeting in advance.</p> |                      |
|            | (II) Execution unit and transaction process   | (II) Execution unit and transaction process   |                      |



| Clause No. | Current Clause   | Clause No. after amendment   | Reason for amendment |
|------------|--|--|----------------------|
|            | <p>The Company's securities investment and trading of financial derivatives are to be implemented by the Finance and Accounting Department and the personnel designated by the Chairman. The real property and other assets are to be handled by the applying departments and relevant responsible units. The mergers, divisions, acquisitions, or transfer of shares are to be handled by the units designated by the Chairman. After the acquisition and disposal of assets is assessed and approved accordingly, the execution unit shall perform the contracting, receiving, paying, delivering, and inspecting and accepting process, and shall handle the relevant operating procedures of the internal control system depending on the nature of the assets. In addition, related party transactions, the trading of financial derivatives, and mergers, demergers, acquisitions, or transfer of shares shall be handled in accordance with the provisions of Chapters 2-4 of the Procedures.</p> | <p>The Company's securities investment and trading of financial derivatives are to be implemented by the Finance and Accounting Department and the personnel designated by the Chairman. The real property and other assets are to be handled by the applying departments and relevant responsible units. The mergers, divisions, acquisitions, or transfer of shares are to be handled by the units designated by the Chairman. After the acquisition and disposal of assets is assessed and approved accordingly, the execution unit shall perform the contracting, receiving, paying, delivering, and inspecting and accepting process, and shall handle the relevant operating procedures of the internal control system depending on the nature of the assets. In addition, related party transactions, the trading of financial derivatives, and mergers, demergers, acquisitions, or transfer of shares shall be handled in accordance with the provisions of Chapters 2-4 of the Procedures.</p> |                      |
| Article 5  | <p>Public announcement and filing procedures</p> <p>(I) Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and file the relevant information on the FSC's designated website in the appropriate format as prescribed by the regulations within 2 days counting inclusively from the date of the event:</p> <p>1. Acquisition or disposal of real property thereof from or to a related party, or acquisition or disposal of assets other than real property thereof from or to a related party where the transaction amount</p>  | <p>Public announcement and filing procedures</p> <p>(I) Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and file the relevant information on the FSC's designated website in the appropriate format as prescribed by the regulations within 2 days counting inclusively from the date of the event:</p> <p>1. Acquisition and disposal of real property or <u>right-of-use assets</u> thereof from or to a related party, or acquisition and disposal of assets other than real property or <u>right-of-use assets</u> thereof from or</p>  | Partial rephrasing   |



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|            | <p>reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. Provided, this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Mergers, demergers, acquisitions, and transfer of shares</p> <p>3. Losses from the trading of financial derivatives reaching the limits on aggregate losses or losses on individual contracts stipulated according to paragraph 1, Article 8, Chapter 4 of the Procedures.</p> <p>4. Where <u>assets</u> acquired or disposed of thereof are equipment for business use, and the transaction counterparty is not a related party, and the transaction amount exceeds NT\$500 million.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or Mainland China area investment is</p> | <p>to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of total assets, or NT\$300 million or more. Provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>2. Mergers, demergers, acquisitions, and transfer of shares.</p> <p>3. Losses from the trading of financial derivatives reaching the limits on aggregate losses or losses on individual contracts stipulated according to paragraph 1, Article 8, Chapter 4 of the Procedures.</p> <p>4. Where equipment or <u>right-of-use assets</u> are acquired and disposed of thereof for business use, the transaction counterparty is not a related party, and the transaction amount exceeds NT\$500 million.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction counterparty is <u>not a related party</u>. Also, the amount the company expects to invest in the transaction reaches NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or Mainland China area investment is</p> |                      |



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|            | <p>for an amount reaching 20% of the company's paid-in capital or NT\$300 million or more, such as the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction". Items that are duly announced in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and supported with an appraisal reported issued by the professional appraisers or the opinions of an accountant need not be counted toward the transaction amount. Provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds;</p> <p>(2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises;</p> <p>(II) The Company shall compile monthly</p> | <p>for an amount reaching 20% of the company's paid-in capital or NT\$300 million or more, such as the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction". Items that are duly announced in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and supported with an appraisal reported issued by the professional appraisers or the opinions of an accountant need not be counted toward the transaction amount. Provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of <u>domestic</u> government bonds</p> <p>(2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises;</p> |                      |



| Clause No. | Current Clause  | Clause No. after amendment   | Reason for amendment |
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|            | <p>reports on the status of the trading of financial derivatives engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC before the 10<sup>th</sup> day of each month.</p> <p>(III) When a public announcement is made with an error or omission in an item required by regulations to be publicly announced and it is required to correct it, all the items shall be publicly announced again and filed in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(IV) For the transactions announced and filed according to the provision of (I), under any of the following circumstances, it is necessary to publicly announce and file the relevant information on the FSC's designated website in the appropriate format as prescribed by the regulations within 2 days counting inclusively from the date of the event:</p> <ol style="list-style-type: none"> <li>1. The relevant contract signed for the original transaction has been changed, terminated, or canceled.</li> <li>2. Mergers, demergers, acquisitions, or transfers of shares are not completed on the contractual schedule.</li> <li>3. The contents originally announced and filed have changed.</li> </ol> | <p>(II) The Company shall compile monthly reports on the status of the trading of financial derivatives engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC before the 10<sup>th</sup> day of each month.</p> <p>(III) When a public announcement is made with an error or omission in an item required by regulations to be publicly announced and it is required to correct it, all the items shall be publicly announced again and filed in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(IV) For the transactions announced and filed according to the provision of (I), under any of the following circumstances, it is necessary to publicly announce and file the relevant information on the FSC's designated website in the appropriate format as prescribed by the regulations within 2 days counting inclusively from the date of the event:</p> <ol style="list-style-type: none"> <li>1. The relevant contract signed for the original transaction has been changed, terminated, or canceled.</li> <li>2. Mergers, demergers, acquisitions, or transfers of shares are not completed on the contractual schedule.</li> <li>3. The contents originally announced and filed have changed.</li> </ol> |                      |
| Article 6  | <p>Assets appraisal procedures</p> <p>In acquiring and disposing of real property or equipment thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300</p>   | <p>Assets appraisal procedures</p> <p>In acquiring and disposing of real property, equipment, <u>or right-of-use assets</u> thereof where the transaction amount reaches 20% of the company's paid-in</p>  | Partial rephrasing   |



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|------------|---|--|----------------------|
|            | <p>million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of the event from a professional appraiser and shall further comply with the following provisions: Where the Company acquires and disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal reports or CPA opinions.</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors. <u>The same procedure shall also be followed</u> whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisal service provided by two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20</p> | <p>capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets</u> thereof held for business use, shall obtain an appraisal report prior to the date of the event from a professional appraiser and shall further comply with the following provisions: Where the Company acquires and disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal reports or CPA opinions.</p> <p>(I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors. <u>The same procedure shall also be followed</u> whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion or more, appraisal service provided by two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance</p> |                      |



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|            | <p>published by the Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> | <p>with the provisions of the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> |                      |
| Article 7  | <p>Investment scope and amount</p> <p>In addition to the assets obtained for business use, the Company and its subsidiaries have also invested in and purchased the real property and securities that are not intended for business use with a limited amount set as follows:</p> <p>(I) The total amount of real property not intended for business use shall not exceed 50% of the net value on the Company's most recent financial report, and shall not exceed 30% of the net value on the subsidiary's most recent financial report.</p> <p>(II) The total amount of securities shall not exceed 150% of the net value on</p>  | <p>Investment scope and amount</p> <p>In addition to the assets obtained for business use, the Company and its subsidiaries have also invested in and purchased the real property, <u>right-of-use assets</u>, or securities that are not intended for business use with a limited amount set as follows:</p> <p>(I) The total amount of real property and <u>right-of-use assets</u> not intended for business use shall not exceed 50% of the net value on the Company's most recent financial report, and shall not exceed 30% of the net value on the subsidiary's most recent financial report.</p> <p>(II) The total amount of securities shall</p>   | Partial rephrasing   |



| Clause No. | Current Clause  | Clause No. after amendment  | Reason for amendment |
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|            | <p>the Company's most recent financial report, and shall not exceed 150% of the net value on the subsidiary's most recent financial report.</p> <p>(III) The investment in an individual security shall not exceed 100% of the net value on the Company's most recent financial report, and shall not exceed 100% of the net value on the subsidiary's most recent financial report.</p>  | <p>not exceed 150% of the net value on the Company's most recent financial report, and shall not exceed 150% of the net value on the subsidiary's most recent financial report.</p> <p>(III) The investment in an individual security shall not exceed 100% of the net value on the Company's most recent financial report, and shall not exceed 100% of the net value on the subsidiary's most recent financial report.</p>  |                      |
| Article 8  | <p>Control over the acquisition and disposal of assets by subsidiaries</p> <p>(I) The subsidiaries of the Company shall also stipulate the "Procedures for the Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", which shall be approved by the Board of Directors of each subsidiary. It should also be submitted to the supervisors of the domestic subsidiaries and then reported in the shareholders meeting for approval. The same applies to the amendments</p> <p>(II) The acquisition and disposal of assets by subsidiaries of the Company shall also be handled in accordance with the regulations.</p> <p>(III) If the subsidiary of the Company is not a domestic public offering company, and the assets obtained or disposed of meet the public announcement and filing standards, the Company should be notified on the date of the event. Also, the public announcement and filing matters shall be handled by the parent Company on the FSC's designated website.</p> <p>(IV) The aforementioned subsidiaries shall apply the public announcement</p> | <p>Control over the acquisition and disposal of assets by subsidiaries</p> <p>(I) The subsidiaries of the Company shall also stipulate the "Procedures for the Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", which shall be approved by the Board of Directors of each subsidiary. It should also be submitted to the supervisors of the domestic subsidiaries and then reported in the shareholders meeting for approval. The same applies to the amendments</p> <p>(II) The acquisition and disposal of assets by subsidiaries of the Company shall also be handled in accordance with the regulations.</p> <p>(III) If the subsidiary of the Company is not a domestic public offering company, and the assets obtained or disposed of meet the public announcement and filing standards, the Company should be notified on the date of the event. Also, the public announcement and filing matters shall be handled by the parent Company on the FSC's designated website.</p> <p>(IV) The aforementioned subsidiaries shall apply the public announcement</p> | Partial rephrasing   |



| Clause No. | Current Clause  | Clause No. after amendment   | Reason for amendment                              |
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|            | and filing standards as stipulated in Article 5 of the Procedures. The so-called “reaching the threshold of <u>20%</u> of the company’s paid-up capital or <u>10%</u> of the total assets” as stipulated in the public announcement and filing standard of the subsidiary is based on the paid-in capital or total assets of the Company.   | and filing standards as stipulated in Article 5 of the Procedures. The requirement of “paid-up capital or total assets” is based on the paid-in capital or total assets of the Company.  |   |
| Article 11 | <p>Resolution procedures</p> <p>When the Company intends to acquire or dispose of real property thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company’s total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:</p> <p>(I) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.</p> <p>(IV) The date and price at which the related party originally acquired the</p> | <p>Resolution procedures</p> <p>When the Company intends to acquire or dispose of real property or <u>right-of-use assets</u> thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or <u>right-of-use assets</u> thereof from or to a related party and the transaction amount reaches 20% or more of the company’s paid-in capital, 10% or more of the total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:</p> <p>(I) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a transaction counterparty.</p> <p>(III) With respect to the acquisition of real property or <u>right-of-use assets</u> thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of exclusion as stipulated in Article 12 and Article</p> | The clause is amended in accordance with the law. |



| Clause No. | Current Clause  | Clause No. after amendment   | Reason for amendment |
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|            | <p>real property, the original transaction counterparty, and the transaction counterparty's relationship to the company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the provisions of Article 10.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p><u>The acquisition and disposal of equipment for business use</u> between the Company and its parent company or subsidiaries should be handled in accordance with the <u>operating procedures</u> as stipulated in Article 4.</p> | <p>13.</p> <p>(IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and the transaction counterparty's relationship to the company and the related party.</p> <p>(V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the provisions of Article 10.</p> <p>(VII) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p><u>With respect to the following transactions conducted between the Company and its parent company and subsidiaries, or subsidiaries where the Company directly or indirectly holds 100% of the issued shares or total capital, the Company's Board of Directors may, pursuant to the regulations of Article 4, delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified in the next board meeting:</u></p> <p><u>(I) Acquire or dispose of equipment or right-of-use assets thereof for</u></p> |                      |



| Clause No. | Current Clause   | Clause No. after amendment  | Reason for amendment                                     |
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|            |  | <u>business use.</u><br>(II) <u>Acquire or dispose of real property right-of-use assets for business use.</u>   |  |
| Article 12 | <p>Assessing the reasonableness of the transaction conditions</p> <p><u>When the Company acquires real property from a related party, except for when the related party has acquired the real property through inheritance or as a gift, or more than 5 years have elapsed from the time the related party signed the contract to obtain the real property thereof to the signing date for the current transaction, or the real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land on rented land, it is necessary to assess the reasonableness of the trading cost according to the following methods and engage a CPA to check the appraisal and render a specific opinion.</u></p> <p>(I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property, provided that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>(II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as a security for a loan, provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of</p> | <p>Assessing the reasonableness of the transaction conditions</p> <p>Where the Company acquires real property or <u>right-of-use assets</u> thereof from a related party and appraises the reasonableness of the transaction cost according to the following methods:</p> <p>(I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property, provided that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>(II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as a security for a loan, provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or longer. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased or <u>leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with any of the means listed in the preceding paragraph.</p> | <p>The clause is amended in accordance with the law.</p> |



| Clause No. | Current Clause  | Clause No. after amendment  | Reason for amendment                                     |
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|            | <p>the property and the period of the loan shall have been 1 year or longer. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>(III) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with any of the means listed in the preceding paragraphs (I) and (II).</p> | <p><u>The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding 2 paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</u></p> <p><u>Where the Company that acquires real property or right-of-use assets thereof from a related party and with any of the following conditions should be handled in accordance with the provisions of the preceding article and the first three provisions shall not apply:</u></p> <p><u>(I) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift;</u></p> <p><u>(II) The time for the related party to sign a contract to acquire the real property or right-of-use assets has been more than five years from the date of the transaction.</u></p> <p><u>(III) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</u></p> <p><u>(IV) The Company and its parent company, subsidiaries, or subsidiaries where the Company directly or indirectly holds 100% of the issued shares or total capital, acquire the right-of-use assets for business use.</u></p> |  |
| Article 13 | <p>The matters to be handled when the imputed transaction cost is uniformly lower than the transaction price:</p> <p>When the results of the appraisal conducted in accordance with the preceding Article are uniformly lower than the transaction price, where the following circumstances exist, objective</p>  | <p>The matters to be handled when the imputed transaction cost is uniformly lower than the transaction price:</p> <p>When the results of the appraisal conducted in accordance with the preceding Article are uniformly lower than the transaction price, where the following circumstances exist, objective</p>  | <p>The clause is amended in accordance with the law.</p> |



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|            | <p>evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, it shall be handled in accordance with the provision of paragraph 3.</p> <p>(I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed as the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after the calculation of reasonable price discrepancies in floor or area land prices in accordance with the standard property market sale practices.</p> <p><u>3. Lease transactions by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are concluded to be similar after</u></p> | <p>evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, it shall be handled in accordance with the provision of paragraph 3.</p> <p>(I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed as the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. Transactions of the unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after the calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sales or <u>lease</u> practices.</p> <p>(II) Where the Company acquiring real property or <u>right-of-use assets</u> by leasing from a related party provides evidence that the terms of the transaction are similar to the terms of</p> |                      |



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|            | <p><u>calculation of reasonable price discrepancies in floor prices in accordance with standard property market leasing practices.</u></p> <p>(II) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. Transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. Within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p> <p>Where the Company acquires real property thereof from a related party and the results of appraisals conducted in accordance with the preceding paragraph are uniformly lower than the transaction price, and without any of the conditions as stated in paragraph 1 of this Article, the following steps shall be taken:</p> <p>(I) A special reserve shall be set aside against the difference between the real property transaction price and the appraised cost in accordance with paragraph 1 of Article 41 of the Securities Exchange Act, and may not be distributed or used for capital increase or issuance of bonus shares. The appropriated special reserve may</p> | <p>transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>The transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value. Transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. Within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or right-of-use assets thereof.</u></p> <p>Where the Company acquires real property <u>or right-of-use assets</u> thereof from a related party and the results of appraisals conducted in accordance with the preceding two paragraphs are uniformly lower than the transaction price, and without any of the conditions as stated in paragraph 1 of this Article, the following steps shall be taken:</p> <p>(I) A special reserve shall be set aside against the difference between the real property <u>or right-of-use assets</u> transaction price and the appraised cost in accordance with paragraph 1 of Article 41 of the Securities Exchange Act, and may not be distributed or used for capital increase or issuance of bonus shares. The appropriated special reserve may not be used until recognizing a loss on decline in the market value of the assets purchased or leased, or the assets have been disposed of or the <u>lease</u> has been terminated, or</p> |                      |



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|            | <p>not be used until recognizing a loss on decline in market value of the assets purchased, or the assets have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>(II) The supervisors shall have it handled in accordance with Article 218 of the Company Act.</p> <p>(III) Actions taken pursuant to <u>subparagraphs 1 and 2</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p>   | <p>adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>(II) The supervisors shall have it handled in accordance with Article 218 of the Company Act.</p> <p>(III) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p>   |                      |
| Article 15 | <p>Risk management measures</p> <p>The Company is engaged in the trading of financial derivatives with the risk management scope and risk management measures to be adopted as follows:</p> <p>(I) Credit risk considerations: The selection of the transaction counterparty is based on the principle of financial institutions and futures brokers who have a good reputation with the company and can provide professional information.</p> <p>(II) Market risk considerations: The losses that may occur in the future market price fluctuations of financial derivatives are uncertain. Therefore, the stop-loss point for the established position should be strictly adhered to.</p> <p>(III) Liquidity risk considerations: In order to ensure the liquidity of financial derivatives, the trading institution must have sufficient equipment, information, and trading capabilities and be able to trade in any market.</p> | <p>Risk management measures</p> <p>The Company is engaged in the trading of financial derivatives with the risk management scope and risk management measures to be adopted as follows:</p> <p>(I) Credit risk considerations: The selection of the transaction counterparty is based on the principle of financial institutions and futures brokers who have a good reputation with the company and can provide professional information.</p> <p>(II) Market risk considerations: The losses that may occur in the future market price fluctuations of financial derivatives are uncertain. Therefore, the stop-loss point for the established position should be strictly adhered to.</p> <p>(III) Liquidity risk considerations: In order to ensure the liquidity of financial derivatives, the trading institution must have sufficient equipment, information, and trading capabilities and be able to trade in any market.</p> | Rephrasing           |



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|            | <p>(IV) Operational risk considerations: The authorization amount and work flow must be strictly observed to avoid the risk of operation.</p> <p>(V) Legal risk considerations: Any contract documents signed with financial institutions should be an international standardization document whenever possible to avoid legal risks.</p> <p>(VI) Financial product risk considerations: Internal traders should have comprehensive and correct expertise in the trading of financial derivatives in order to avoid misuse of financial derivatives with losses resulting.</p> <p>(VII) Cash delivery risk consideration: Authorized traders should strictly comply with the provisions within the authorization amount, and should pay attention to the company's cash flow in order to ensure sufficient cash payment at the time of delivery.</p> <p>(VIII) Traders and operators responsible for confirmation and delivery may not be the same person.</p> <p>(IX) Confirmation personnel should regularly reconcile with the bank in person or by letter, and check whether the total amount of the transaction exceeds the upper limit specified in the Procedures.</p> <p>(X) The risk measurement, supervision, and control personnel shall be assigned to a department different from the personnel as specified in paragraph (I), and shall report to the Board of Directors or to the senior director who is not responsible for trading or the decision of the transaction or position.</p> <p>(XI) The held position should be evaluated at least once a week, but</p> | <p>(IV) Operational risk considerations: The authorization amount and work flow must be strictly observed to avoid the risk of operation.</p> <p>(V) Legal risk considerations: Any contract documents signed with financial institutions should be an international standardization document whenever possible to avoid legal risks.</p> <p>(VI) Financial product risk considerations: Internal traders should have comprehensive and correct expertise in the trading of financial derivatives in order to avoid misuse of financial derivatives with losses resulting.</p> <p>(VII) Cash delivery risk consideration: Authorized traders should strictly comply with the provisions within the authorization amount, and should pay attention to the company's cash flow in order to ensure sufficient cash payment at the time of delivery.</p> <p>(VIII) Traders and operators responsible for confirmation and delivery may not be the same person.</p> <p>(IX) Confirmation personnel should regularly reconcile with the bank in person or by letter, and check whether the total amount of the transaction exceeds the upper limit specified in the Procedures.</p> <p>(X) The risk measurement, supervision, and control personnel shall be assigned to a department different from the personnel as specified in paragraph (I), and shall report to the Board of Directors or to the senior director who is not responsible for trading or the decision of the transaction or position.</p> <p>(XI) The held position should be evaluated at least once a week, but</p> |                      |



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|            | the hedging transactions needed for business operation should be evaluated at least twice a month. The evaluation report should be <u>presented</u> to the senior executive authorized by the Board of Directors (Note: the senior management of the non-executive units should be designated).   | the hedging transactions needed for business operation should be evaluated at least twice a month. The evaluation report should be submitted to the senior executive authorized by the Board of Directors (Note: the senior management of the non-executive units should be designated).   |   |
| Article 16 | <p>Internal audit system</p> <p>(I) The internal auditors of the Company shall regularly understand the adequacy of the internal control for the trading of financial derivatives, and conduct monthly audits in accordance with the prescribed conditions on the trading of financial derivatives of the trading department with an audit report issued. The identified major nonconformities, if any, should be immediately reported to the Chairman and the senior executive appointed by the Board of Directors and with the supervisors informed in writing.</p> <p>(II) The audit personnel of the Company shall include the trading of financial derivatives in the audit plan, and report the implementation of the last annual audit plan to the competent authority before the end of February of the following year, and report the corrected nonconformities to the competent authorities for future reference before the end of May of the following year.</p> | <p>Internal audit system</p> <p>(I) The internal auditors of the Company shall regularly understand the adequacy of the internal control for the trading of financial derivatives, and conduct monthly audits in accordance with the prescribed conditions on the trading of financial derivatives of the trading department with an audit report issued. The identified major nonconformities, if any, should be immediately reported to the Chairman and the senior executive appointed by the Board of Directors and with the supervisors informed in writing.</p> <p><u>(If independent directors have been appointed, they should also be informed in writing while having the supervisors informed regarding the matters stated in the preceding paragraph.)</u></p> <p>(II) The audit personnel of the Company shall include the trading of financial derivatives in the audit plan, and report the implementation of the last annual audit plan to the competent authority before the end of February of the following year, and report the corrected nonconformities to the competent authorities for future reference before the end of May of the following year.</p> | The clause is amended in accordance with the law. |
| Article 25 | Professional appraisers and their officers, certified public accounts, attorneys, and   | Professional appraisers (referring to real property appraisers or other persons who  | The clause is amended in                          |



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|            | securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of the trade party: | <p>are legally engaged in real property and equipment valuation operations) and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p><u>(I) May not have previously received a final and un-appealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, and Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of the service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>(II) May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>(III) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>(I) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>(II) When examining a case, they shall appropriately plan and execute</u></p> | accordance with the law. |



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|            |                | <p><u>adequate working procedures, in order to produce a conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>(III) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>(IV) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable law and regulations.</u></p> |                      |