

King Slide Works Co., Ltd.
2020 Annual Meeting of Shareholders
Minutes
(Translation)

Time: 9 a.m. on June 30, 2020

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: 86,665,197 shares

Percentage of shares held by shareholders present in person or by proxy: 90.94%

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), Chen Jhen-Li (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 2019 business report is presented for resolutions.

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

Report No. 2

The 2019 supervisor's review report is presented for resolutions.

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

Report No. 3

The 2019 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\$62,329,000 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 17 ~ April 27, 2020, 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 2019 business report and financial statements are presented for adoption.

Explanation: (I) CPA Jhen-Li Chen and CPA Li-Yuan Kuo of Deloitte & Touche Taiwan audited the 2019 parent company only financial statements and the consolidated financial statements with independent auditor's reports issued and unmodified opinion for the parent and unmodified opinion with emphasis of matter paragraph for the consolidated included, together with the business report resolved in the board meeting on February 26, 2020 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 (the votes casted electronically included) was 86,665,197. The number of the approval votes was 83,431,962, disapproval votes was 1,128, invalid votes was 0, and abstention votes/no votes was 3,232,107; the percentage of the approval votes to the total was 96.26%.

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

Proposal 2 Proposed by the Board of Directors

The 2019 earnings distribution proposal is presented for adoption.

Explanation: (I) The net income after tax from 2019 was NT\$1,558,250,072, add the

undistributed earnings of NT\$6,253,975,499 in the previous period, and less the defined benefit plan re-measurement amount with a balance amount of NT\$3,521,135 recognized as retained earnings. Also, a legal reserve of NT\$155,825,007 and a special reserve of NT\$1,448,753 were appropriated and the amount available for distribution in the current period is NT\$7,651,430,676.

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

Cash dividends: NT\$8 per share is planned for a total of NT\$762,376,576.

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\$6,889,054,100, 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 (votes casted electronically included) was 86,665,197. The number of the approval votes was 83,439,962, disapproval votes was 1,128, invalid votes was 0, and abstention votes/no votes was 3,224,107; the percentage of the approval votes to the total was 96.27%.

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

III. Discussions

Proposed by the Board of Directors

The revision to the Company's "External Party Lending, Endorsement and Guarantee Procedures" is presented for discussion.

Explanation: (I) In response to the amendment of some of the provision of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", it is proposed to have some of the provisions of the Company's "External Party Lending, Endorsement and Guarantee Procedures" amended.

(II) The table of the Company's comparison of existing and revised "External Party Lending, Endorsement and Guarantee Procedures" is enclosed. (please refer to Annex).

Resolutions:

The number of shares represented at the time of voting (votes casted electronically included) was 86,665,197. The number of the approval votes was 83,423,962, disapproval votes was 7,128, invalid votes was 0, and abstention votes/no votes was 3,234,107; the percentage of the approval votes to the total was 96.26%.

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

IV. Question and Motions: None

V. adjournment: 09:23 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 2019 Business Report

The Company generated 9.77% higher consolidated revenues and 15.93% higher net operating profits in 2019 than 2018. However, due to the appreciation of the exchange rate, the Company incurred a loss of NT\$198,978,000 in the current year compared to the gain of NT\$235,089,000 in 2018. The difference of NT\$434,067,000 caused by adverse exchange rate appreciation, expiry of the 5-year tax-exemption period, and increase of the income tax rate from 18.23% to 23.04% account for the 12.26% fall of net income, with the after-tax EPS NT\$16.35. Overall, performance in 2019 was generally reflective of our prolonged efforts in terms of product diversification, innovation, R&D, adoption of intelligent production technology, and global market expansion, and all of which provide us with the foundation to grow. We pride ourselves on enhancing our competitiveness as well as designing and developing more flexible production bases to respond to the world's rising protectionism and uncertainties, and will continue to satisfy needs of customers from different markets throughout the world. In the meantime, we will adhere to our existing strategies to introduce innovative products, adopt intelligent production technologies, diversify the risks of markets and customers, and construct flexible production facilities around the world. In 2019, we have begun to ship a new series of European style premium kitchen slides that we had committed an extensive amount of time for developing. In order to reduce the production cost of the new series, a new plant featuring intelligent production lines has been scheduled to commence construction in 2020, expected to be completed by the end of 2021, and will be put into operation in 2022, and we believe that will help us to improve business performance further for the benefit of our shareholders in the near future. The 2019 business performance is explained as follows:

I. Business plan implementation results:

Unit: NT\$ Thousand

Item	2019	2018	Increase or decrease in amount	Change in ratio (%)
Operating revenue	4,868,807	4,435,607	433,200	9.77%
Profit from operations	2,015,151	1,738,196	276,955	15.93%
Net profit	1,558,250	1,775,964	(217,714)	(12.26%)

II. Implementation of budget: The 2019 financial forecast was not disclosed, so there is no budget achievement.

III. Financial revenue and expense and profitability analysis

Item		2019	2018
Financial	Ratio of liabilities to assets	15.67	10.10

Item		2019	2018
structure (%)	Ratio of long term funding to property, plants, and equipment	836.82	751.36
Solvency (%)	Current ratio	829.18	926.31
	Quick ratio	790.27	878.67
	Times interest earned ratio	179.17	N/A
Profitability (%)	Ratio of return on total assets	13.10	16.84
	Ratio of return on shareholders' equity	14.98	18.83
	Ratio of profit before income tax to paid-in capital	212.45	227.90
	Profit ratio	32.00	40.03
	Earnings per share (NT\$)	16.35	18.64

IV. Research development status:

The Company's 2019 annual research and development expenses were NT\$231,418 thousand, and the status and prospects are presented as follows:

- (1) The new cabinets and chassis are being designed to incorporate more mechanical actions which in turn inspires diverse applications and designs of server Rail Kit, and the new design ideas are being created to accommodate the multiple industries' growing attentions toward user-friendliness and safety as well as the existing requirements of space, function, and safety concerns. Besides, the Company continues to invest in the development of new types of Rail Kit and cable organizers for different applications to respond to the various needs of different markets and industries.
- (2) For market channel, series of high-end Rail Kit, and hinges, the assortments of product series are currently in development. In the meantime, the relevant specifications of all kinds of application in the current market have been considered and integrated into product development to make the product series more complete, comprehensive, and capable to catch up with the demand change of modernization. Besides, there will be more types of product models developed in response to the different application needs of the fields of practice to help the Company establish a more stable market position in the fields of high-end kitchen utensils and related cabinets, tool cabinets, etc. Meanwhile, to enhance competitiveness of the Company, the production efficiency is managed to upgraded, and the developments in intelligent production control, process technology, and automation of the existing production lines are under construction and will be introduced by the more comprehensive and intelligent production modes to improve the production conditions with low-cost and high-efficiency.
- (3) In terms of consumer electronics, the Company has engaged in the products and relevant

techniques innovation and the development and introduction of relevant equipments of test and process technology.

V. Management strategy:

In line with the continuous recruitment and training of management, marketing, and R&D talents as the long-term business policy, the Company is committed to strengthening the management team and talents to become 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 computing 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 consumer product line for personal consumption needs;
4. The introduction of intelligent production technology to improve business management performance;
5. The establishment of global flexible production bases 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 2019 individual financial statements, consolidated financial statements, business report, and earnings distribution proposal. The 2019 financial statements and consolidated financial statements were audited by CPA Jhen-Li Chen and CPA Li-Yuan Kuo of Deloitte & Touche Taiwan with unmodified opinion for the parent and unmodified opinion with emphasis of matter paragraph for the consolidated 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 2020 Annual Meeting of Shareholders

King Slide Works Co., Ltd.

Supervisor: Yin Li Investment Inc.

Representative: Lin, Jhang A-Jhu

Wu Ming-Jen

February 26, 2020

Annex (Independent Auditor's Report –Financial Statements)

INDEPENDENT AUDITORS' REPORT

King Slide Works Co., Ltd.

Opinion

We have audited the accompanying financial statements of King Slide Works Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

Recoverability of accounts receivable

As of December 31, 2019, the net amount of accounts receivable of the Company was NT\$238,209 thousand, representing 2% of the Company's total assets. Management estimated the recoverability of accounts receivable based on the International Financial Reporting Standards and considered the customers' past default records and their current financial position to estimate the allowance for impairment loss. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of internal control activities relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We examined the existence of the accounts receivable, which included samples of letter confirmation, collection records after the balance sheets date, and the verification of goods receipts by customers or shipping records.
2. We 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 and also 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 financial statements for the year ended December 31, 2019 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 Chen-Li Chen and Lee -Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

KING SLIDE WORKS CO., LTD.**DECEMBER 31, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

	December 31, 2019		December 31, 2018	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,894,097	26	\$ 3,302,150	31
Notes receivable (Notes 4, 7 and 16)	40,477	-	38,767	-
Notes receivable - related parties (Notes 7, 16 and 22)	92,527	1	88,543	1
Accounts receivable, net (Notes 4, 5, 7 and 16)	238,209	2	261,563	3
Accounts receivable - related parties (Notes 7, 16 and 22)	55,617	1	43,533	-
Other receivables (Note 21)	3,760	-	6,812	-
Other receivables - related parties (Note 22)	3,279	-	1,182	-
Inventories (Notes 4 and 8)	164,319	1	184,585	2
Other current assets	21,224	-	24,800	-
Total current assets	3,513,509	31	3,951,935	37
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 9)	7,379,944	65	6,301,925	59
Property, plant and equipment (Notes 4, 10 and 23)	373,866	3	375,915	4
Other intangible assets (Note 4)	2,654	-	-	-
Deferred tax assets (Notes 4 and 18)	37,606	-	26,437	-
Prepayments for equipment	39,254	1	34,558	-
Refundable deposits	281	-	284	-
Total non-current assets	7,833,605	69	6,739,119	63
TOTAL	\$ 11,347,114	100	\$ 10,691,054	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 11)	\$ 99,390	1	\$ 107,241	1
Notes payable - related parties (Notes 11 and 22)	26,282	-	24,866	-
Accounts payable (Note 11)	33,008	1	33,448	-
Accounts payable - related parties (Note 11 and 22)	24,281	-	9,584	-
Other payables (Note 12)	258,001	2	254,542	3
Other payable - related parties (Note 22)	14	-	4	-
Current tax liabilities (Notes 4 and 18)	81,408	1	82,280	1
Refund liability - current (Note 13)	3,092	-	5,470	-
Other current liabilities	10,669	-	10,727	-
Total current liabilities	536,145	5	528,162	5
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 18)	48,431	1	48,926	1
Net defined benefit liabilities (Notes 4 and 14)	42,001	-	39,415	-
Total non-current liabilities	90,432	1	88,341	1
Total liabilities	626,577	6	616,503	6
EQUITY (Note 15)				
Ordinary shares	952,971	8	952,971	9
Capital surplus	796,691	7	796,691	7
Retained earnings				
Legal reserve	1,163,619	10	986,023	9
Special reserve	6,221	-	6,221	-
Unappropriated earnings	7,808,705	69	7,336,894	69
Total retained earnings	8,978,545	79	8,329,138	78
Other equity				
Exchange differences on translating the financial statements of foreign operations	(7,670)	-	(4,249)	-
Total equity	10,720,537	94	10,074,551	94
TOTAL	\$ 11,347,114	100	\$ 10,691,054	100

The accompanying notes are an integral part of the financial statements

Annex (Statements of Comprehensive Income)
KING SLIDE WORKS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 13, 16 and 22)	\$ 1,981,482	100	\$ 1,932,513	100
OPERATING COSTS (Notes 8, 17 and 22)	<u>1,282,886</u>	<u>65</u>	<u>1,269,770</u>	<u>66</u>
GROSS PROFIT	698,596	35	662,743	34
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(1,513)	-	(1,661)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>1,661</u>	<u>-</u>	<u>2,311</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>698,744</u>	<u>35</u>	<u>663,393</u>	<u>34</u>
OPERATING EXPENSES (Notes 17 and 22)				
Selling and marketing	94,947	5	95,401	5
General and administrative	91,279	5	90,698	5
Research and development	109,072	5	107,643	5
Expected credit loss	<u>54</u>	<u>-</u>	<u>218</u>	<u>-</u>
Total operating expenses	<u>295,352</u>	<u>15</u>	<u>293,960</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>403,392</u>	<u>20</u>	<u>369,433</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 17 and 22)				
Other gains and losses	(36,718)	(2)	102,663	5
Interest income	57,747	3	61,004	3
Share of profit of subsidiaries	<u>1,252,716</u>	<u>63</u>	<u>1,386,302</u>	<u>72</u>
Total non-operating income and expenses	<u>1,273,745</u>	<u>64</u>	<u>1,549,969</u>	<u>80</u>
PROFIT BEFORE INCOME TAX	1,677,137	84	1,919,402	99
INCOME TAX EXPENSE (Notes 4 and 18)	<u>118,887</u>	<u>6</u>	<u>143,438</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>1,558,250</u>	<u>78</u>	<u>1,775,964</u>	<u>92</u>

(Continued)

KING SLIDE WORKS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	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	\$ (4,401)	-	\$ (4,632)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>880</u>	<u>-</u>	<u>1,686</u>	<u>-</u>
	<u>(3,521)</u>	<u>-</u>	<u>(2,946)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(4,276)	-	(1,766)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>855</u>	<u>-</u>	<u>459</u>	<u>-</u>
	<u>(3,421)</u>	<u>-</u>	<u>(1,307)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(6,942)</u>	<u>-</u>	<u>(4,253)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,551,308</u>	<u>78</u>	<u>\$ 1,771,711</u>	<u>92</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 16.35</u>		<u>\$ 18.64</u>	
Diluted	<u>\$ 16.32</u>		<u>\$ 18.59</u>	

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

(Concluded)

Annex (Statements of Changes In Equity)
KING SLIDE WORKS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

			Retained Earnings		Unappropriated	Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Earnings		
BALANCE, JANUARY 1, 2018	\$ 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	-	-	-	-	(476,485)	-	(476,485)
Net profit for the year ended December 31, 2018	-	-	-	-	1,775,964	-	1,775,964
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(2,946)	(1,307)	(4,253)
Total comprehensive income (loss) for the year ended December 31, 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
Appropriation of 2018 earnings (Note 15)							
Legal Reserve	-	-	177,596	-	(177,596)	-	-
Cash dividends distributed by the Company	-	-	-	-	(905,322)	-	(905,322)
			177,596		(1,082,918)		(905,322)
Net profit for the year ended December 31, 2019	-	-	-	-	1,558,250	-	1,558,250
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,521)	(3,421)	(6,942)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,554,729	(3,421)	1,551,308
BALANCE, DECEMBER 31, 2019	\$ 952,971	\$ 796,691	\$ 1,163,619	\$ 6,221	\$ 7,808,705	\$ (7,670)	\$ 10,720,537

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

KING SLIDE WORKS CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,677,137	\$ 1,919,402
Adjustments for:		
Depreciation expense	34,726	32,138
Amortization expense	813	278
Expected credit loss	54	218
Gain on disposal of property, plant and equipment, net	(1,181)	(231)
Interest income	(57,747)	(61,004)
Share of profit of subsidiaries	(1,252,716)	(1,386,302)
Write-downs of inventories	3,406	478
Unrealized gain on transactions with subsidiaries	1,513	1,661
Realized gain on transactions with subsidiaries	(1,661)	(2,311)
Others	864	1,934
Changes in operating assets and liabilities		
Notes receivable	(1,710)	(1,656)
Notes receivable - related parties	(3,984)	(7,506)
Accounts receivable	20,058	32,321
Accounts receivable - related parties	(12,084)	(2,520)
Other receivables	1,101	(108)
Other receivables - related parties	(2,097)	889
Inventories	16,860	(3,363)
Other current assets	2,049	(829)
Notes payable	(2,514)	2,395
Notes payable - related parties	1,416	(952)
Accounts payable	(440)	(10,970)
Accounts payable - related parties	14,697	(2,134)
Other payables	4,001	20,414
Other payable - related parties	10	(5)
Other current liabilities	(58)	4,031
Net defined benefit liabilities	(1,815)	(5,492)
Cash generated from operations	440,698	530,776
Interest received	59,698	58,810
Dividends income	200,000	200,000
Income tax paid	(129,688)	(144,339)
Net cash generated from operating activities	<u>570,708</u>	<u>645,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment accounted for using the equity method	(29,431)	-
Payments for property, plant and equipment	(43,252)	(26,755)
Proceeds from disposal of property, plant and equipment	1,181	843
Increase in refundable deposits	-	(85)
Decrease in refundable deposits	3	-
Payments for intangible assets	(1,940)	-
Net cash used in investing activities	<u>(73,439)</u>	<u>(25,997)</u>

(Continued)

KING SLIDE WORKS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Refunds of guarantee deposits received	\$ -	\$ 38
Cash dividends	<u>(905,322)</u>	<u>(476,485)</u>
Net cash used in financing activities	<u>(905,322)</u>	<u>(476,447)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(408,053)	142,803
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,302,150</u>	<u>3,159,347</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,894,097</u>	<u>\$ 3,302,150</u>

The accompanying notes are an integral part of the 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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As disclosed in Note 3 to the consolidated financial statements, the Company and its subsidiaries have applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC starting from 2019. Our opinion is not modified in respect of this matter.

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, 2019. 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.

The key audit matters identified in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Recoverability of accounts receivable

As of December 31, 2019, the net amount of accounts receivable of the Company and its subsidiaries was NT\$1,079,725 thousand, representing 9% of the Company and its subsidiaries' total assets. Management estimated the recoverability of accounts receivable based on the IFRS and considered the customers' past default records and their current financial position to estimate the allowance for impairment loss. Therefore, we deemed the recoverability of accounts receivable as a key audit matter.

In addition to obtaining an understanding of internal control activities relevant to the recognition of accounts receivable, we performed the following audit procedures:

1. We examined the existence of the accounts receivable, which included samples of letter confirmation, collection records after the balance sheets date, and the verification of goods receipts by customers or shipping records.
2. We 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 and also 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, 2019 and 2018 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, 2019 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 Chen-Li Chen and Lee-Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2020

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.

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****DECEMBER 31, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,789,207	69	\$ 8,042,135	72
Notes receivable (Notes 4, 7 and 17)	47,743	-	45,006	1
Accounts receivable, net (Notes 4, 5, 7 and 17)	1,079,725	9	1,005,838	9
Other receivables	14,590	-	17,914	-
Inventories (Notes 4 and 8)	464,684	4	466,015	4
Other current assets	<u>39,154</u>	<u>-</u>	<u>38,341</u>	<u>-</u>
Total current assets	<u>10,435,103</u>	<u>82</u>	<u>9,615,249</u>	<u>86</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 10 and 24)	1,368,900	11	1,353,349	12
Right-of-use assets (Notes 3, 4 and 11)	670,105	5	-	-
Other intangible assets (Note 4)	3,090	-	269	-
Deferred tax assets (Notes 4 and 19)	69,760	1	32,797	-
Prepayments for equipment	166,463	1	204,590	2
Refundable deposits	<u>396</u>	<u>-</u>	<u>401</u>	<u>-</u>
Total non-current assets	<u>2,278,714</u>	<u>18</u>	<u>1,591,406</u>	<u>14</u>
TOTAL	<u>\$ 12,713,817</u>	<u>100</u>	<u>\$ 11,206,655</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 12)	\$ 251,012	2	\$ 239,089	2
Accounts payable (Note 12)	100,013	1	73,254	1
Other payables (Note 13)	482,870	4	439,882	4
Current tax liabilities (Notes 4 and 19)	355,704	3	252,781	2
Lease liabilities - current (Notes 3, 4 and 11)	30,913	-	-	-
Refund liability - current (Note 14)	17,901	-	18,243	-
Other current liabilities	<u>20,061</u>	<u>-</u>	<u>14,761</u>	<u>-</u>
Total current liabilities	<u>1,258,474</u>	<u>10</u>	<u>1,038,010</u>	<u>9</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	48,431	1	54,679	1
Lease liabilities - non-current (Notes 3, 4 and 11)	644,374	5	-	-
Net defined benefit liabilities (Notes 4 and 15)	<u>42,001</u>	<u>-</u>	<u>39,415</u>	<u>-</u>
Total non-current liabilities	<u>734,806</u>	<u>6</u>	<u>94,094</u>	<u>1</u>
Total liabilities	<u>1,993,280</u>	<u>16</u>	<u>1,132,104</u>	<u>10</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 16)				
Ordinary shares	<u>952,971</u>	<u>7</u>	<u>952,971</u>	<u>9</u>
Capital surplus	<u>796,691</u>	<u>6</u>	<u>796,691</u>	<u>7</u>
Retained earnings				
Legal reserve	1,163,619	9	986,023	9
Special reserve	6,221	-	6,221	-
Unappropriated earnings	<u>7,808,705</u>	<u>62</u>	<u>7,336,894</u>	<u>65</u>
Total retained earnings	<u>8,978,545</u>	<u>71</u>	<u>8,329,138</u>	<u>74</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	<u>(7,670)</u>	<u>-</u>	<u>(4,249)</u>	<u>-</u>
Total equity	<u>10,720,537</u>	<u>84</u>	<u>10,074,551</u>	<u>90</u>
TOTAL	<u>\$ 12,713,817</u>	<u>100</u>	<u>\$ 11,206,655</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 26, 2020)

Annex (Consolidated Statements of Comprehensive Income)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 14 and 17)	\$ 4,868,807	100	\$ 4,435,607	100
OPERATING COSTS (Notes 8 and 18)	<u>2,251,850</u>	<u>46</u>	<u>2,108,995</u>	<u>48</u>
GROSS PROFIT	<u>2,616,957</u>	<u>54</u>	<u>2,326,612</u>	<u>52</u>
OPERATING EXPENSES (Notes 7 and 18)				
Selling and marketing	185,139	4	182,007	4
General and administrative	188,643	4	194,708	4
Research and development	231,418	4	206,605	5
Expected credit loss (gain)	<u>(3,394)</u>	<u>-</u>	<u>5,096</u>	<u>-</u>
Total operating expenses	<u>601,806</u>	<u>12</u>	<u>588,416</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>2,015,151</u>	<u>42</u>	<u>1,738,196</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 18)				
Interest income	170,739	3	141,008	3
Other gains and losses	(149,874)	(3)	292,674	7
Finance costs	<u>(11,363)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>9,502</u>	<u>-</u>	<u>433,682</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	2,024,653	42	2,171,878	49
INCOME TAX (Notes 4 and 19)	<u>466,403</u>	<u>10</u>	<u>395,914</u>	<u>9</u>
NET PROFIT FOR THE YEAR	<u>1,558,250</u>	<u>32</u>	<u>1,775,964</u>	<u>40</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 15, 16 and 19)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,401)	-	(4,632)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>880</u>	<u>-</u>	<u>1,686</u>	<u>-</u>
	<u>(3,521)</u>	<u>-</u>	<u>(2,946)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(4,276)	-	(1,766)	-

(Continued)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Income tax relating to items that may be reclassified subsequently to profit or loss	\$ 855	-	\$ 459	-
	<u>(3,421)</u>	<u>-</u>	<u>(1,307)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(6,942)</u>	<u>-</u>	<u>(4,253)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,551,308</u>	<u>32</u>	<u>\$ 1,771,711</u>	<u>40</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 1,558,250</u>	<u>32</u>	<u>\$ 1,775,964</u>	<u>40</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 1,551,308</u>	<u>32</u>	<u>\$ 1,771,711</u>	<u>40</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 16.35</u>		<u>\$ 18.64</u>	
Diluted	<u>\$ 16.32</u>		<u>\$ 18.59</u>	

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

(Concluded)

(With Deloitte & Touche auditors' report dated February 26, 2020)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

			Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2018	\$ 952,971	\$ 796,691	\$ 986,023	\$ 6,221	\$ 6,040,361	\$ (2,942)	\$ 8,779,325
Appropriation of 2017 earnings (Note 16)							
Cash dividends distributed by the Company	-	-	-	-	(476,485)	-	(476,485)
Net profit for the year ended December 31, 2018	-	-	-	-	1,775,964	-	1,775,964
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(2,946)	(1,307)	(4,253)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,773,018	(1,307)	1,771,711
BALANCE AT DECEMBER 31, 2018	952,971	796,691	986,023	6,221	7,336,894	(4,249)	10,074,551
Appropriation of 2018 earnings (Note 16)							
Legal reserve	-	-	177,596	-	(177,596)	-	-
Cash dividends distributed by the Company	-	-	-	-	(905,322)	-	(905,322)
	-	-	177,596	-	(1,082,918)	-	(905,322)
Net profit for the year ended December 31, 2019	-	-	-	-	1,558,250	-	1,558,250
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,521)	(3,421)	(6,942)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,554,729	(3,421)	1,551,308
BALANCE AT DECEMBER 31, 2019	\$ 952,971	\$ 796,691	\$ 1,163,619	\$ 6,221	\$ 7,808,705	\$ (7,670)	\$ 10,720,537

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

(With Deloitte & Touche auditors' report dated February 26, 2020)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018****(In Thousands of New Taiwan Dollars)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,024,653	\$ 2,171,878
Adjustments for:		
Depreciation expenses	175,173	140,720
Amortization expenses	1,214	1,005
Expected credit loss (gain)	(3,394)	5,096
Finance costs	11,363	-
Gain on disposal of property, plant and equipment, net	(1,337)	(241)
Interest income	(170,739)	(141,008)
Write-downs of inventories	4,299	3,052
Other non-cash items	6,397	5,470
Changes in operating assets and liabilities		
Notes receivable	(2,737)	(12)
Accounts receivable	(77,232)	(106,001)
Other receivables	240	(579)
Inventories	(2,968)	(37,452)
Other current assets	(2,340)	(2,534)
Notes payable	18,221	22,227
Accounts payable	26,759	(10,311)
Other payables	42,716	32,173
Other current liabilities	5,300	(6,427)
Net defined benefit liabilities	(1,815)	(5,492)
Cash generated from operations	2,053,773	2,071,564
Interest received	173,823	134,860
Interest paid	(11,363)	-
Income tax paid	(404,956)	(369,444)
Net cash generated from operating activities	<u>1,811,277</u>	<u>1,836,980</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(127,064)	(143,024)
Proceeds from disposal of property, plant and equipment	1,503	853
Increase in refundable deposits	-	(85)
Decrease in refundable deposits	5	-
Payments for intangible assets	(2,508)	-
Net cash used in investing activities	<u>(128,064)</u>	<u>(142,256)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	-	38
Repayment of the principal portion of lease liabilities	(30,420)	-
Cash dividends	(905,322)	(476,485)
Net cash used in financing activities	<u>(935,742)</u>	<u>(476,447)</u>

(Continued)

KING SLIDE WORKS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ (399)	\$ (443)
NET INCREASE IN CASH AND CASH EQUIVALENTS	747,072	1,217,834
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,042,135</u>	<u>6,824,301</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,789,207</u>	<u>\$ 8,042,135</u>

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

(With Deloitte & Touche auditors' report dated February 26, 2020)

Annex (Earnings Distribution Statement)

King Slide Works Co., Ltd.

Profit Distribution Table

January 1 – December 31, 2019

Unit: NTD

Item	Amount
Beginning retained earnings	6,253,975,499
Defined benefit plan re-measurement amount recognized in the retained earnings	(3,521,135)
Adjusted beginning retained earnings	6,250,454,364
Add: Net income after tax	1,558,250,072
Less: legal reserve	155,825,007
Less: special reserve	1,448,753
Distributable earnings	7,651,430,676
Earnings distribution	
Less: Dividend to shareholders (cash dividend NT\$8.0 per share)	762,376,576
Unappropriated retained earnings	6,889,054,100

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 (Comparison of Existing and Revised "External Party Lending, Endorsement and Guarantee Procedures")

King Slide Works Co., Ltd.

Comparison of Existing and Revised "External Party Lending, Endorsement and Guarantee Procedures"

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
One. External Party Lending Procedures			
Article 2	<p><u>Lending of capital to an external party shall comply with one of the following conditions, except in the case of external investment where capital is contributed in the form of a loan, as stipulated in Paragraph 2, Article 3 of "Ministry of Economic Affairs Regulations Governing Review of External Investment and Technological Collaboration Projects."</u></p> <p>(1) <u>Companies or businesses that the Company has business dealings with.</u></p> <p>(2) <u>Companies or businesses in need of short-term financing facility.</u></p> <p>"Short-term" refers to a period of one year or one business cycle (whichever the longer).</p>	<p><u>According to Article 15 of The Company Act, the Company may not lend capital to shareholders or other parties except for the circumstances listed in the following Subparagraphs:</u></p> <p>(1) <u>Where an inter-company or inter-firm business transaction calls for a lending arrangement; or</u></p> <p>(2) <u>Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.</u> "Short-term" refers to a period of one year or one business cycle (whichever the longer).</p>	<p>Amended to conform with the revised version of Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies</p>

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
Article 4	<p>Total and individual lending limits</p> <p>The sum of loans granted to external parties shall not exceed 40% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements. Individual borrower limits shall be determined as follows:</p> <p>1. The Company may lend to business partners that it has business dealings with up to the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of lending.</p> <p>2. When lending to parties in need of short-term liquidity, the sum of loans granted by the Company and subsidiaries to a single borrower shall not exceed 10% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements.</p> <p>Short-term financing between foreign companies in which the Company holds 100% direct or indirect voting shares is not capped at 40% of net worth and is not subject to one-year or one-business-cycle restriction. However, these loans may not exceed 3 years in tenor, and are capped at 60% of the Company's net worth on an aggregate and individual basis.</p>	<p>Total and individual lending limits</p> <p>The sum of loans granted to external parties shall not exceed 40% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements. Individual borrower limits shall be determined as follows:</p> <p>1. The Company may lend to business partners that it has business dealings with up to the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of lending.</p> <p>2. When lending to parties in need of short-term liquidity, the sum of loans granted by the Company and subsidiaries to a single borrower shall not exceed 10% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements.</p> <p>Short-term financing between foreign companies in which the Company holds 100% direct or indirect voting shares, <u>or short-term financing by 100% direct/indirect owned foreign companies to the Company</u>, are not capped at 40% of net worth and are not subject to one-year or one-business-cycle restriction. However, these loans may not exceed 3 years in tenor, and are capped at 60% of the Company's net worth on an aggregate and individual basis.</p> <p><u>The Company's responsible person will be held jointly liable with the borrower to repay the Company in the event that Article 2 is violated. If the violation causes any damage to the Company, the responsible person shall also be held liable for compensations.</u></p>	Amended to conform with the revised version of Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
Article 5	<p>The lending process</p> <p>(1) Procedures</p> <p>1. All external party lending, whether transaction-related or for short-term liquidity, shall be reviewed by the responsible department and are subject to the Chairman's approval and the board's resolution.</p> <p>Lending between the Company and its parent company or subsidiaries, or lending among subsidiaries, is subject to the board of directors' resolution. The Chairman can be authorized to disburse loans in multiple drawdowns or on a revolving basis to the same borrower up to a certain limit resolved by the board of directors for a period no longer than one year. The amount of single-party lending limit authorized to Chairman shall not exceed 10% of the Company's net worth, as shown in the latest financial statements.</p> <p><u>(Note: If the Company has independent directors on board,</u> opinions of independent directors shall be fully taken into consideration when a proposal is submitted for discussion among the board of directors. Any opinions <u>in favor or against the proposal and the underlying reasons</u> be shown in board meeting minutes.)</p> <p>2. The finance department shall maintain a registry of details relating to external party lending. Once external party lending has been resolved by the board, details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under the procedures</p>	<p>The lending process</p> <p>(1) Procedures</p> <p>1. All external party lending, whether transaction-related or for short-term liquidity, shall be reviewed by the responsible department and are subject to the Chairman's approval and the board's resolution.</p> <p>Lending between the Company and its parent company or subsidiaries, or lending among subsidiaries, is subject to the board of directors' resolution. The Chairman can be authorized to disburse loans in multiple drawdowns or on a revolving basis to the same borrower up to a certain limit resolved by the board of directors for a period no longer than one year. The amount of single-party lending limit authorized to Chairman shall not exceed 10% of the Company's net worth, as shown in the latest financial statements. Opinions raised by independent directors shall be fully taken into consideration during a board of directors' discussion. <u>Any objections or reservations raised by independent directors shall be recorded in the board of directors meeting minutes.</u></p> <p>2. The finance department shall maintain a registry of details relating to external party lending. Once external party lending has been resolved by the board, details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under the procedures shall be recorded in the registry.</p> <p>3. Internal audit staff shall perform audits relating to the execution of</p>	Revised wording

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	<p>shall be recorded in the registry.</p> <p>3. Internal audit staff shall perform audits relating to the execution of external party lending procedures on a quarterly basis, and produce written reports on audit findings. Any major violation discovered shall be notified immediately to all supervisors in writing.</p> <p>4. The finance department shall prepare monthly statements of external party lending transactions occurred and canceled during the month to facilitate the control, tracking, announcement, and regulatory reporting. Adequate levels of loan loss provision shall be assessed and provided on a quarterly basis. Information regarding external party lending shall be disclosed in financial statements along with details of financial statement auditors.</p> <p>5. In the event that the Company is found to have loaned to an ineligible party or in excess of authorized limits due to change of circumstances, the finance department shall propose a correction plan to the supervisors and complete the corrections according to plan.</p>	<p>external party lending procedures on a quarterly basis, and produce written reports on audit findings. Any major violation discovered shall be notified immediately to all supervisors in writing.</p> <p>4. The finance department shall prepare monthly statements of external party lending transactions occurred and canceled during the month to facilitate the control, tracking, announcement, and regulatory reporting. Adequate levels of loan loss provision shall be assessed and provided on a quarterly basis. Information regarding external party lending shall be disclosed in financial statements along with details of financial statement auditors.</p> <p>5. In the event that the Company is found to have loaned to an ineligible party or in excess of authorized limits due to change of circumstances, the finance department shall propose a correction plan to the supervisors and complete the corrections according to plan.</p>	
Article 9	<p>Controls on external-party lending by subsidiaries</p> <p>(1) Subsidiaries that have the intention to lend to third parties shall establish their own "External Party Lending Procedures" based on "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and implement with the approval of the board of directors. It should also be submitted to the supervisors of the domestic</p>	<p>Controls on external-party lending by subsidiaries</p> <p>(1) Subsidiaries that have the intention to lend to third parties shall establish their own "External Party Lending Procedures" based on "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and implement with the approval of the board of directors. It should also be submitted to the supervisors of the domestic subsidiaries</p>	Revised wording

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	<p>subsidiaries and then reported in the shareholders meeting for approval. The same applies to the amendments.</p> <p>(2) Subsidiaries shall comply with internal policies when lending to external parties.</p> <p>(3) Subsidiaries that are not public companies are required to notify the Company on the day the external party loan balance meets the announcement/reporting criteria listed in Paragraph 2, Article 8. Upon receiving notification, the Company shall make the announcement and report according to rules over the designated website.</p> <p>(4) For any <u>endorsement/guarantee</u> extended to a subsidiary that has net worth falling below 50% of paid-up capital, the Company shall assign internal auditors to audit the <u>endorsement/guarantee</u> procedures and their execution at least on a quarterly basis. The internal auditors are required to produce written reports of its findings, and any major violations discovered shall be reported immediately in writing to supervisors.</p>	<p>and then reported in the shareholders meeting for approval. The same applies to the amendments.</p> <p>(2) Subsidiaries shall comply with internal policies when lending to external parties.</p> <p>(3) Subsidiaries that are not public companies are required to notify the Company on the day the external party loan balance meets the announcement/reporting criteria listed in Paragraph 2, Article 8. Upon receiving notification, the Company shall make the announcement and report according to rules over the designated website.</p> <p>(4) For any <u>lending</u> extended to a subsidiary that has net worth falling below 50% of paid-up capital, the Company shall assign internal auditors to audit <u>the external party lending</u> procedures and their execution at least on a quarterly basis. The internal auditors are required to produce written reports of its findings, and any major violations discovered shall be reported immediately in writing to supervisors.</p>	
Article 11	<p>Other Matters</p> <p>This procedure, once approved by the board of directors, shall be referred to supervisors and implemented with approval sought during shareholder meeting. Where directors have expressed objections on record or in writing, such objections shall also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.</p> <p><u>(Note: If the Company has independent directors on board, opinions of independent directors shall be fully taken into consideration when a proposal is submitted for discussion among the board of</u></p>	<p><u>Other Matters</u></p> <p><u>This procedure, once approved by the board of directors, shall be referred to supervisors and implemented with approval sought during shareholder meeting. Where directors have expressed objections on record or in writing, such objections shall also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.</u></p> <p><u>Opinions of independent directors shall be fully taken into consideration when external party lending procedures are submitted for discussion among the board of directors according to the preceding</u></p>	<p>Amended to conform with the revised version of Regulations Governing Loaning of Funds and Making of Endorsement s by Public Companies</p>

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	directors. Any opinions <u>in favor or against</u> the proposal <u>and the underlying reasons</u> shall be shown in board meeting minutes.)	<p><u>Paragraph. Any objections or reservations expressed by independent directors shall be shown in board meeting minutes.</u></p> <p><u>If the Company has assembled an Audit Committee, any establishment or amendment of the external party lending procedures shall be agreed by more than half of Audit Committee members and is subject to resolution by the board of directors. In which case, Paragraph 2 shall not apply.</u></p> <p><u>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> <p><u>From the date of assembly of Audit Committee, any rules and duties pertaining to supervisors mentioned in External Party Lending Procedures shall apply to and be assumed by the Audit Committee instead.</u></p>	
Two. Endorsement and Guarantee Procedures			

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
Article 5	<p>Endorsement and Guarantee Procedures</p> <p>(1) When providing endorsement or guarantee, the finance department shall review each request on several aspects including applicants' eligibility, limit, compliance with the procedures and whether the transaction meets the announcement/reporting criteria. The outcome of its review, along with assessments conducted in accordance with Article <u>Six</u> of the procedures, shall be submitted to the Chairman for approval and to the board of directors for resolution before execution. If the transaction is still within authorized limit, the Chairman may approve the transaction first based on credibility and financial position of the endorsed/the guaranteed party, and seek acknowledgment afterwards during the upcoming board of directors meeting.</p> <p>Before making any Endorsement and guarantee, subsidiaries in which the Company holds more than 90% direct or indirect voting shares shall submit the proposed endorsement and guarantee to the Company's board of directors' for a resolution. This restriction does not apply to endorsements and guarantees among investees in which the Company holds 100% direct or indirect voting shares.</p> <p>(2) The finance department shall maintain a registry of details relating to external party endorsements/guarantees. Once an endorsement/guarantee has been resolved by the board of directors or approved by the Chairman, the transaction may proceed to sign-off according to the prescribed procedures, and shall have details such</p>	<p>Endorsement and Guarantee Procedures</p> <p>(1) When providing an endorsement or guarantee, the finance department shall review each request on several aspects including applicants' eligibility, limit, compliance with the procedures and whether the transaction meets the announcement/reporting criteria. The outcome of its review, along with assessments conducted in accordance with <u>Article 6</u> of the procedures, shall be submitted to the Chairman for approval and to the board of directors for resolution before execution. If the transaction is still within authorized limit, the Chairman may approve the transaction first based on credibility and financial position of the endorsed/the guaranteed party, and seek acknowledgment afterwards during the upcoming board of directors meeting. <u>Opinions raised by independent directors shall be fully taken into consideration during a board of directors' discussion. Any objections or reservations raised by independent directors shall be recorded in board of directors meeting minutes.</u></p> <p>Before making any Endorsement and guarantee, subsidiaries in which the Company holds more than 90% direct or indirect voting shares shall submit the proposed endorsement and guarantee to the Company's board of directors' for a resolution. This restriction does not apply to endorsements and guarantees among investees in which the Company holds 100% direct or indirect voting shares.</p> <p>(2) The finance department shall maintain a registry of details relating to external</p>	Revised wording

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	<p>as the name of the endorsed/the guaranteed, the amount, the board's/Chairman's approval date, the issuance date of endorsement/guarantee and matters subject to due diligence assessment described in Article Six of the procedures recorded in the registry. Meanwhile, relevant documents such as negotiable instruments and contracts shall be photocopied and held in proper custody.</p> <p>(3) Internal audit staff shall perform audits relating to the execution of external party endorsement/guarantee procedures on a quarterly basis, and produce written reports on audit findings. Any major violation discovered shall be notified immediately to all supervisors in writing.</p> <p>(4) The finance department shall prepare monthly statements of external party guarantees occurred and canceled during the month to facilitate the control, tracking, announcement, and regulatory reporting. Contingent losses shall be assessed and recognized on a quarterly basis. Information regarding external party endorsement/guarantee shall be disclosed in financial statements along with details of financial statement auditors.</p> <p>(5) If the endorsed/guaranteed party initially conformed with eligibility requirements but fails to comply with policy on a later date, or if the amount endorsed/guaranteed exceeds the prescribed limits due to change in the calculation basis, the finance department shall propose a correction plan with respect to the amount endorsed/guaranteed or the excess. All</p>	<p>party endorsements/guarantees. Once an endorsement/guarantee has been resolved by the board of directors or approved by the Chairman, the transaction may proceed to sign-off according to the prescribed procedures, and shall have details such as the name of the endorsed/the guaranteed, the amount, the board's/Chairman's approval date, the issuance date of endorsement/guarantee and matters subject to due diligence assessment described in Article Six of the procedures recorded in the registry. Meanwhile, relevant documents such as negotiable instruments and contracts shall be photocopied and held in proper custody.</p> <p>(3) Internal audit staff shall perform audits relating to the execution of external party endorsement/guarantee procedures on a quarterly basis, and produce written reports on audit findings. Any major violation discovered shall be notified immediately to all supervisors in writing.</p> <p>(4) The finance department shall prepare monthly statements of external party guarantees occurred and canceled during the month to facilitate the control, tracking, announcement, and regulatory reporting. Contingent losses shall be assessed and recognized on a quarterly basis. Information regarding external party endorsement/guarantee shall be disclosed in financial statements along with details of financial statement auditors.</p> <p>(5) If the endorsed/guaranteed party initially conformed with eligibility requirements but fails to comply with</p>	

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	<p>excess shall be resolved within a specified period upon approval by the Chairman. These correction plans shall be presented to supervisors for review and executed by accountable parties according to the schedule.</p> <p>(6) Prior to the expiry of an endorsement/guarantee, the finance department shall take initiative in notifying the guaranteed party that the guaranteed party shall recover guarantee notes from the bank or creditor, and will be revoking any documents related to the endorsement/guarantee.</p>	<p>policy on a later date, or if the amount endorsed/guaranteed exceeds the prescribed limits due to change in the calculation basis, the finance department shall propose a correction plan with respect to the amount endorsed/guaranteed or the excess. All excess shall be resolved within a specified period upon approval by the Chairman. These correction plans shall be presented to supervisors for review and executed by accountable parties according to the schedule.</p> <p>(6) Prior to the expiry of an endorsement/guarantee, the finance department shall take initiative in notifying the guaranteed party that the guaranteed party shall recover guarantee notes from the bank or creditor, and will be revoking any documents related to the endorsement/guarantee.</p>	

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
Article 7	<p>Endorsement and guarantee procedures for subsidiaries</p> <p>(1) Subsidiaries that have the intention to provide endorsements/guarantees to third parties shall establish their own "External Party Endorsement and Guarantee Procedures" based on "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and implement with the approval of the board of directors. 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>(2) Subsidiaries shall comply with internal policies when offering endorsements/guarantees to external parties.</p> <p>(3) Subsidiaries that are not public companies are required to notify the Company on the day the external party endorsement/guarantee balance meets the announcement/reporting criteria listed in Paragraph 2, Article 10 of the procedures. Upon receiving notification, the Company shall make the announcement and report according to rules over the designated website.</p>	<p>Endorsement and guarantee procedures for subsidiaries</p> <p>(1) Subsidiaries that have the intention to provide endorsements/guarantees to third parties shall establish their own "External Party Endorsement and Guarantee Procedures" based on "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and implement with the approval of the board of directors. 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>(2) Subsidiaries shall comply with internal policies when offering endorsements/guarantees to external parties.</p> <p>(3) Subsidiaries that are not public companies are required to notify the Company on the day the external party endorsement/guarantee balance meets the announcement/reporting criteria listed in Paragraph 2, Article 10 of the procedures. Upon receiving notification, the Company shall make the announcement and report according to rules over the designated website.</p> <p><u>(4) For any endorsement/guarantee extended to a subsidiary that has net worth falling below 50% of paid-up capital, the Company shall assign internal auditors to audit the endorsement/guarantee procedures and their execution at least on a quarterly basis. The internal auditors are required to produce written reports of its findings, and any major violations discovered shall be reported immediately in writing to supervisors.</u></p>	Add Paragraph (4)

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
Article 8	<p>Levels of decision-making and approval authority</p> <p>(1) Endorsements and guarantees are subject to the approval procedures outlined in Article 5, and are executed once approved by the board of directors. However, in situations where timing is of concern, the board of directors may authorize the Chairman to approve endorsements/guarantees up to an aggregate limit of NT\$100 million and a single-party limit of NT\$50 million upfront and seek acknowledgment afterwards in the upcoming board of directors meeting.</p> <p><u>(Note: If the Company has independent directors on board, opinions of independent directors shall be fully taken into consideration when a proposal is submitted for discussion among the board of directors. Any opinions in favor or against the proposal and the underlying reasons shall be shown in board meeting minutes.)</u></p> <p>(2) Any business-related endorsement/guarantee above the limits mentioned herein that is deemed necessary and in conformity with the criteria outlined in the Endorsement and Guarantee Procedures shall be subject to the approval of the board of directors and have more than half of board members jointly guaranteeing the likely losses before proceeding. In which case, the Company shall revise the procedures and seek acknowledgment later in a shareholder meeting; if shareholders do not agree to the proposal, plans shall be devised to eliminate the excess within a specified period of</p>	<p>Levels of decision-making and approval authority</p> <p>(1) Endorsements and guarantees are subject to the approval procedures outlined in Article 5, and are executed once approved by the board of directors. However, in situations where timing is of concern, the board of directors may authorize the Chairman to approve endorsements/guarantees up to an aggregate limit of NT\$100 million and a single-party limit of NT\$50 million upfront and seek acknowledgment afterwards in the upcoming board of directors meeting.</p> <p>(2) Any business-related endorsement/guarantee above the limits mentioned herein that is deemed necessary and in conformity with the criteria outlined in the Endorsement and Guarantee Procedures shall be subject to the approval of the board of directors and have more than half of board members jointly guaranteeing the likely losses before proceeding. In which case, the Company shall revise the procedures and seek acknowledgment later in a shareholder meeting; if shareholders do not agree to the proposal, plans shall be devised to eliminate the excess within a specified period of time.</p>	<p>Rules concerning independent s were moved to Article 5(1)</p>

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	time.		
Article 10	<p>Public announcement and filing procedures</p> <p>(1) Before the 10th calendar of each month, the finance department shall notify the accounting department the balance of external party endorsements/guarantees granted by the Company and subsidiaries in the previous month, along with revenue figures, for monthly announcement and regulatory reporting.</p> <p>(2) In addition to making monthly reports on the endorsement/guarantee balance, the finance department shall also prepare relevant data and notify the accounting department to proceed with public announcement and regulatory reporting within two days from the time the balance of external party endorsements/guarantees granted by the Company and subsidiaries is found to have met any of the following criteria:</p> <ol style="list-style-type: none"> 1. When the outstanding balance of endorsements and guarantees offered by the Company and subsidiaries amount to more than 50% of the Company's net worth, as shown in the latest financial statements. 2. When the balance of endorsements and guarantees offered to a single enterprise by the Company and subsidiaries amount to more than 20% of the Company's net worth, as shown in the latest financial statements. 3. When the balance of endorsements and guarantees offered to a single enterprise by the Company and subsidiaries aggregate to NTD 10 million or above, while the balance 	<p>Public announcement and filing procedures</p> <p>(1) Before the 10th calendar of each month, the finance department shall notify the accounting department the balance of external party endorsements/guarantees granted by the Company and subsidiaries in the previous month, along with revenue figures, for monthly announcement and regulatory reporting.</p> <p>(2) In addition to making monthly reports on the endorsement/guarantee balance, the finance department shall also prepare relevant data and notify the accounting department to proceed with public announcement and regulatory reporting within two days from the time the balance of external party endorsements/guarantees granted by the Company and subsidiaries is found to have met any of the following criteria:</p> <ol style="list-style-type: none"> 1. When the outstanding balance of endorsements and guarantees offered by the Company and subsidiaries amount to more than 50% of the Company's net worth, as shown in the latest financial statements. 2. When the balance of endorsements and guarantees offered to a single enterprise by the Company and subsidiaries amount to more than 20% of the Company's net worth, as shown in the latest financial statements. 3. When the balance of endorsements and guarantees offered to a single enterprise by the Company and subsidiaries aggregate to NTD 10 million or above, while the balance <u>or book value</u> of endorsements, 	<p>Amended to conform with the revised version of Regulations Governing Loaning of Funds and Making of Endorsement s/Guarantee s by Public Companies</p>

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	<p>of endorsements, guarantees, <u>long-term</u> investments and loans to the business amounts to more than 30% of the Company's net worth, as shown in the latest financial statements.</p> <p>4. When additional endorsement or guarantee undertaken by the Company or subsidiary amounts to NTD 30 million or above and represents 5% or more of the Company's net worth, as shown in the latest financial statements.</p>	<p>guarantees, <u>equity-accounted</u> investments and loans to the business amounts to more than 30% of the Company's net worth, as shown in the latest financial statements.</p> <p>4. When additional endorsement or guarantee undertaken by the Company or subsidiary amounts to NTD 30 million or above and represents 5% or more of the Company's net worth, as shown in the latest financial statements.</p>	
Article 12	<p>Other Matters</p> <p>This procedure, once approved by the board of directors, shall be referred to supervisors and implemented with approval sought during shareholder meeting. Where directors have expressed objections on record or in writing, such objections shall also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.</p>	<p>Other Matters</p> <p>This procedure, once approved by the board of directors, shall be referred to supervisors and implemented with approval sought during shareholder meeting. Where directors have expressed objections on record or in writing, such objections shall also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments. Opinions of independent directors shall be fully taken into consideration when <u>external party endorsement/guarantee procedures</u> are submitted for discussion among the board of directors <u>according to</u></p>	<p>Amended to conform with the revised version of Regulations Governing Loaning of Funds and Making of Endorsement s/Guarantee s by Public Companies</p>

Clause No.	Current Clause	Clause No. after amendment	Reason for amendment
	<p>(Note: If the Company has independent directors on board, opinions of independent directors shall be fully taken into consideration when a proposal is submitted for discussion among the board of directors. Any opinions in favor or against the proposal and the underlying reasons shall be shown in board meeting minutes.)</p>	<p><u>the preceding Paragraph. Any objections or reservations expressed by independent directors shall be shown in board meeting minutes.</u></p> <p><u>If the Company has assembled an Audit Committee, any establishment or amendment of the external party endorsement/guarantee procedures shall be agreed by more than half of Audit Committee members and is subject to resolution by the board of directors. In which case, Paragraph 2 shall not apply.</u></p> <p><u>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> <p><u>From the date of assembly of Audit Committee, any rules and duties pertaining to supervisors mentioned in External Party Endorsement and Guarantee Procedures shall apply to and be assumed by the Audit Committee instead.</u></p>	