

Common Stock Code : 9914

Merida Industry Co., Ltd.

Handbook
for the 2019 Annual Meeting of
Shareholders
(Translation)

June 25, 2019

Merida Industry Co., Ltd.

2019 Annual Shareholders' Meeting

Time : 9:30 a.m., June 25th, 2019 (Tuesday)

Place : No. 116, Meigang Road, Meigang Village, Dacun Township,
Changhua County 515, Taiwan, R.O.C. (R02 Conference Room, F4,
Merida Industry Co., Ltd.)

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Management Presentations

I. To report 2018 employees' compensation and directors & supervisors' compensation :

- (1) Article 32 in the Articles of Incorporation of Merida shall be followed.
- (2) In 2018, Merida's income before tax was NTD\$ 2,792,173,586 before deducting the 2018 employees' compensation and directors & supervisors' compensation. The employees' compensation was distributed by 6% of the above amount, totaling NTD\$ 167,530,415, and the directors & supervisors' compensation was distributed by 2.6% of the above amount, totaling NTD\$ 72,596,513, which has been distributed in full in cash.

2. 2018 Business Report :

Merida Industry Co., Ltd.

2018 Business Report

In accordance with the statistics of Taiwan Bicycle Association (TBA), it is reported that, in 2018, the annual export volume and quantities of the finished bicycles decreased by 14.12% and increased by 13.09% respectively from Taiwan to the EU, while increased by 10.33% and 14.65% respectively from Taiwan to the North America; the total number of the finished bicycles exported from Taiwan's bicycle industry in the year was about 2.21 million, amounting to US\$1.477 billion, which annually decreased by 6.72% and increased by 11.36% respectively compared with the same period in 2017. The export scale was still slightly reduced, but the average unit price increased by more than 19%, showing that the export of high-priced electric bicycles to Europe, the United States and other regions continues to increase and the penetration keeps increasing. The demands for high-class bicycles and electric bicycles in the two markets are relatively stable.

In 2018, due to the downturn of the sales of traditional bicycles in Chinese market and the strategic adjustment of export origin in the US-China Trade War, Merida's production and marketing scale in China was still in the downturn. Taiwan factories, mainly exporting high-class bicycles and electric bicycles to Europe and the United States, were experiencing a sharp increase in demand for traditional bicycles and electric bicycles, and the orders were in a boost. Although the production progress and the completion rate of export orders were affected due to the fact that the upstream supply of some bicycles which were new for the Year was not delivered timely, the annual sales and the sales volume and amount still both reached a record high. The annual Consolidated sales volume and annual Independent (Taiwan factories) sales volume were 1,152,500 sets and 943,700 sets (including 143,800 electric vehicles) respectively, and annually decreased by 7.25% and increased by 18.06% (by 54 % for electric bicycles) respectively. The annual Consolidated and Independent sales were NTD\$ 25.808 billion and 22.796 billion, and increased annually by 15.47% and 25.16% respectively.

The support of all the shareholders, directors and supervisors, as well as the efforts of all staff are really appreciated. Facing the rapid decline of bicycle market in China, the bicycle industry has entered a stage of bottom adjustment (or slight correction). Influenced by the strong demand of advanced electric bicycles from American and European markets, as well as the global political and economic environment, the fluctuation of international monetary exchange rate and many other variables, Merida will actively and effectively integrate brand, R&D, manufacturing and marketing channels and so on, and gather all kinds of resources, reduce costs and improve efficiency so as to meet the

demands of order in the market, and strive to achieve operational objectives and achieve better results in a shorter time than the base period.

The Consolidated and Independent operating situations of Merida in 2018 are hereby reported as follows :

(1) Achievements of operating plans :

Unit: 10,000 sets

Item	Budget	Actual	Completion rate (%)
Consolidated	134	115.25	86.01
Independent	88	94.37	107.23

(2) Operating Situations

1. Consolidated

Unit : 10,000 sets for sales quantity, NTD\$ 1,000 for others

Item	Year	2018	2017	Comparison of the same period	Comparison of the same period (%)
SALES QUANTITY		115.25	124.26	(9.01)	(7.25)
SALES		\$25,852,942	\$22,396,174	\$3,456,768	15.43
COST OF GOODS SOLD		22,463,953	19,715,439	2,748,514	13.94
GROSS PROFIT		3,388,989	2,680,735	708,254	26.42
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES		(170,760)	81,895	(252,655)	(308.51)
REALIZED GROSS PROFIT		3,218,229	2,762,630	455,599	16.49
OPERATING EXPENSES		1,866,949	1,733,804	133,145	7.68
PROFIT FROM OPERATIONS		1,351,280	1,028,826	322,454	31.34
Non-operating income (expenses)		1,270,375	7,248	1,263,127	17,427.25
Net income before tax		2,621,655	1,036,074	1,585,581	153.04
Net profit at current period		1,745,837	798,474	947,363	118.65

2.Independent

Unit: 10,000 sets for sales quantity, NTD\$ 1,000 for others

Item	Year	2018	2017	Comparison of the same period	Comparison of the same period (%)
SALES QUANTITY		94.37	79.93	14.44	18.07
SALES		\$22,795,595	\$18,213,043	\$4,582,552	25.16
COST OF GOODS SOLD		20,428,043	16,469,520	3,958,523	24.04
GROSS PROFIT		2,367,552	1,743,523	624,029	35.79
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES		(244,350)	81,727	(326,077)	(398.98)
REALIZED GROSS PROFIT		2,123,202	1,825,250	297,952	16.32
OPERATING EXPENSES		812,613	734,007	78,606	10.71
PROFIT FROM OPERATIONS		1,310,589	1,091,243	219,346	20.10
Non-operating income (expenses)		1,241,457	(102,340)	1,343,797	1,313.07
Net income before tax		2,552,046	988,903	1,563,143	158.07
Net profit at current period		1,708,835	797,361	911,474	114.31

(3) Profitability Analysis

1. Consolidated

Item	2018 (%)	2017 (%)	Comparison of the same period (%)
Rate of return on assets	8.17	3.86	111.66
Return of equity	13.77	6.35	116.85
Ratio of operating profits to paid-in capital	45.20	34.41	31.36
Ratio of profits before tax to paid-in capital	87.69	34.65	153.07
Net profit margin	6.75	3.57	89.08
Earnings per share (NTD\$)	5.72	2.67	114.23

2. Independent

Item	2018 (%)	2017 (%)	Comparison of the same period(%)
Rate of return on assets	8.73	4.21	107.36
Return of equity	14.04	6.60	112.73
Ratio of operating profits to paid-in capital	43.83	36.50	20.08
Ratio of profits before tax to paid-in capital	85.36	33.08	158.04
Net profit margin	7.50	4.38	71.23
Earnings per share (NTD\$)	5.72	2.67	114.23

(4) R&D Conditions

1. "Touring Road Bicycle Silex CF": was awarded Taiwan Excellence Silver Awards in the 26th (2018) Taiwan Excellence.
2. "Reacto Team Disc-E": was awarded Taiwan Excellence Silver Awards in the 26th (2018) Taiwan Excellence.
3. "Mountain bike ONE-Twenty": was awarded the Gold Prize in the 7th(TAIPEI CYCLE d&i awards 2018).
4. "120 Full suspension mountain bike ONE-Twenty": was awarded the 27th(2019) Taiwan Excellent Products and nominated in the selection of Taiwan Excellence Gold and Silver Awards in the 27th(2019) Taiwan Excellence.
5. " Time Warp TT" was awarded the 27th(2019) Taiwan Excellent Products and nominated in the selection of Taiwan Excellence Gold and Silver Awards in the 27th(2019)Taiwan Excellence.

Zeng Songzhu, Chairman

Zeng Songzhu, President

Cai Xueliang, Chief Accountant

3. Audit Committee's review report on the 2018 financial statements :

Audit Committee's review report

The Board of Directors of Merida prepared the Independent and Consolidated financial statements in 2018, and entrusted the accountant Shu-Chin Chiang, and the accountant Lie-Dong Wu from Deloitte & Touche with the audit of the financial statements, who have completed the audit and worked out the audit report. The abovementioned financial statements are the operating report and proposal for distribution of gains, and no noncompliance is found after it is checked by the Audit Committee. It is hereby reported as above in accordance with the relevant provisions of Security Exchange Law and the Company Law for checking.

Yours Faithfully

2019 Annual Shareholders' Meeting

Merida Industry Co., Ltd.

Chairman of the Audit Committee

Chen Shui-jin

Date : March 22, 2019

4. The status of endorsements and guarantees :

Up to December 31st, 2018, the external guarantees of Merida by endorsement are as follows:

Unit : NTD\$ or foreign currencies 1,000

Object	Limit of endorsement guarantee for a single enterprise	Balance of endorsement guarantee at the end of the period	Amount of actual expenditure	Upper limit of endorsement guarantee	Nature of guarantee
Merida U.K.	\$3,475,553	Euro 500	-	\$5,792,588	Bank's guarantee by Letter of Credit
		GBP 4,000	GBP 3,500		Short-term loan guarantee
Merida & Centurion Germany GmbH	3,475,553	Euro 2,500	Euro 2,100		Bank's guarantee by Letter of Credit
		Euro 3,500	Euro 3,500		Short-term loan guarantee
Merida Bicycle (Jiangsu) Ltd.	3,475,553	USD 10,750	USD 7,250		Medium and long term loan guarantee
		USD 15,000	-		Medium and long term loan guarantee

Proposed Resolutions

Case 1 : Adoption of the 2018 business report and financial statements.

(Proposed by the Board of Directors.)

Description : 2018 business report, Independent and Consolidated Financial Statements in 2018 were approved at the 5th meeting of the 1st Audit Committee, and were submitted and passed the resolution at the 2nd board meeting in 2019 . For the business report, please refer to page 3-6 of this Manual; for the Independent and Consolidated financial statements, please refer to page 10-29. They are hereby submitted for confirmation :

Resolution :

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Merida Industry Co., Ltd.

Opinion

We have audited the accompanying financial statements of Merida Industry Co., Ltd. (the Corporation), which comprise the balance sheets as of December 31, 2018 and 2017, 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.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 based on our audits and the report of other auditors.

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, 2018. 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.

Key audit matters for the Corporation's financial statements for the year ended December 31, 2018 are as follows:

Impairment assessment of trade receivables

As of December 31, 2018, the Corporation's total trade receivables was NT\$2,746,858 thousand. Refer to Notes 4, 5 and 8 to the accompanying financial statements for disclosures related to receivables. The Corporation sells its products to different markets through the distributors from each country. The recovery of trade receivables is dependent on the financial situation of the respective distributors. The impairment assessment of trade receivables is based on objective

evidence such as delayed payments from distributors, and also involves the estimation of future cash flows by management. The impairment assessment is subject to management's judgment, which has a significant level of uncertainty, and the result of the assessment could also affect the financial statements. Thus, the impairment assessment of trade receivables was identified as a key audit matter.

Our main audit procedures performed in respect of the above-mentioned key audit matter included the following:

1. We understood the policy and assessed the evidence of the impairment assessment of trade receivables.
2. We evaluated the major distributor's credit policy and the rationality of the credit line as well as the historical payment situation.
3. We sampled and verified the reasonableness of the aging of amounts due at the balance sheet date and confirmed the accuracy of the impairment of trade receivables.
4. We compared the aging of receivables in the current year and prior years and reviewed the level of bad debt write-offs in the current year and the prior year to assess the reasonableness of the provision.

Inventory valuation

As of December 31, 2018, the Corporation's inventory was NT\$1,621,689 thousand. Refer to Notes 4, 5 and 9 to the financial statements for disclosures related to inventory. Inventories are stated at the lower of cost or net realizable value. As the determination of the net realizable value inputs and estimation of the consumption of inventory aging is subject to estimation and judgment, inventory valuation was identified as a key audit matter.

Our main audit procedures performed in respect of the above-mentioned key audit matter were as follows:

1. We understood the process and evidence that the management used in estimating the net realizable value and the inventory obsolescence aging ratio.
2. We assessed the reasonableness of estimated selling prices, the variable sales to expense ratio and the inventory obsolescence aging ratio.
3. We checked the accuracy of inventory aging and the calculation of the net realizable value.
4. We observed the year-end inventory counts and evaluated the condition of the inventory to assess the adequacy of the provision for damaged stock.

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2018 and 2017, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT\$9,415,791 thousand and NT\$8,423,339 thousand, accounting for 46% and 45% of the Corporation's total assets as of December 31, 2018 and 2017, respectively. The share of profit (loss) of associates was NT\$1,034,660 thousand and NT\$(86,042) thousand, accounting for 59% and (44%) of the Corporation's total comprehensive income for the years ended December 31, 2018 and 2017, respectively.

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 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

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.

MERIDA INDUSTRY CO., LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,341,802	7	\$ 1,268,102	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	499,695	2	442,093	2
Notes receivable (Notes 4, 5 and 20)	16,528	-	29,306	-
Trade receivables (Notes 4, 5, 8 and 20)	117,410	1	98,989	-
Trade receivables from related parties (Notes 4, 5, 8, 20 and 26)	2,629,448	13	1,856,483	10
Other receivables (Note 26)	93,433	-	107,084	1
Inventories (Notes 4, 5 and 9)	1,621,689	8	1,442,153	8
Other current assets	3,060	-	3,690	-
Total current assets	<u>6,323,065</u>	<u>31</u>	<u>5,247,900</u>	<u>28</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	92,620	-	-	-
Available-for-sale financial assets - non-current (Notes 4 and 11)	-	-	151,081	1
Financial assets measured at cost - non-current (Notes 4 and 12)	-	-	92,620	1
Investments accounted for using the equity method (Notes 4 and 13)	12,923,527	63	12,039,211	64
Property, plant and equipment (Notes 4 and 14)	1,033,651	5	1,058,757	6
Investment properties (Notes 4 and 15)	35,971	-	36,538	-
Deferred tax assets (Notes 4 and 22)	140,661	1	77,807	-
Prepayments for equipment	39,116	-	15,090	-
Other non-current assets	3,835	-	5,482	-
Total non-current assets	<u>14,269,381</u>	<u>69</u>	<u>13,476,586</u>	<u>72</u>
TOTAL	<u>\$ 20,592,446</u>	<u>100</u>	<u>\$ 18,724,486</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 16)	\$ 739,553	4	\$ 731,242	4
Trade payables	3,477,443	17	3,583,756	19
Trade payables to related parties (Note 26)	181,800	1	116,925	1
Other payables (Note 17)	458,080	2	346,765	2
Current tax liabilities (Notes 4 and 22)	251,677	1	145,091	1
Other current liabilities - others	34,423	-	79,915	-
Total current liabilities	<u>5,142,976</u>	<u>25</u>	<u>5,003,694</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	2,455,737	12	1,921,704	10
Net defined benefit liabilities (Notes 4 and 18)	172,722	1	158,629	1
Guarantee deposits received	2	-	255	-
Investments accounted for using the equity method - credit (Notes 4 and 13)	68,833	-	55,029	-
Total non-current liabilities	<u>2,697,294</u>	<u>13</u>	<u>2,135,617</u>	<u>11</u>
Total liabilities	<u>7,840,270</u>	<u>38</u>	<u>7,139,311</u>	<u>38</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common shares	2,989,838	15	2,989,838	16
Capital surplus				
Share premiums from issuance of common shares	416,290	2	416,290	2
Capital surplus from investments accounted for using the equity method	258	-	258	-
Retained earnings				
Legal reserve	2,311,849	11	2,232,113	12
Special reserve	807,624	4	264,429	1
Unappropriated earnings	6,995,807	34	6,489,871	35
Other equity	(769,490)	(4)	(807,624)	(4)
Total equity	<u>12,752,176</u>	<u>62</u>	<u>11,585,175</u>	<u>62</u>
TOTAL	<u>\$ 20,592,446</u>	<u>100</u>	<u>\$ 18,724,486</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4, 20 and 26)	\$ 22,795,595	100	\$ 18,213,043	100
COST OF GOODS SOLD (Notes 9, 21 and 26)	<u>20,428,043</u>	<u>90</u>	<u>16,469,520</u>	<u>90</u>
GROSS PROFIT	2,367,552	10	1,743,523	10
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(244,350)</u>	<u>(1)</u>	<u>81,727</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,123,202</u>	<u>9</u>	<u>1,825,250</u>	<u>10</u>
OPERATING EXPENSES (Notes 21 and 26)				
Selling and marketing expenses	606,005	2	601,937	3
General and administrative expenses	<u>206,608</u>	<u>1</u>	<u>132,070</u>	<u>1</u>
Total operating expenses	<u>812,613</u>	<u>3</u>	<u>734,007</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>1,310,589</u>	<u>6</u>	<u>1,091,243</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	44,455	-	34,394	-
Technical service and royalty income (Note 26)	41,954	-	65,144	-
Other income	40,643	-	18,897	-
Gains on disposal of investments (Note 4)	-	-	16,589	-
Net foreign exchange gains (losses) (Note 4)	124,183	-	(38,546)	-
Share of profit (loss) of subsidiaries and associates (Note 4)	1,059,001	5	(161,861)	(1)
Interest expense	(8,626)	-	(6,227)	-
Other expenses (Note 21)	(29,437)	-	(31,895)	-
Gain (loss) on fair value changes of financial assets at fair value through profit or loss (Note 4)	<u>(30,716)</u>	<u>-</u>	<u>1,165</u>	<u>-</u>
Total non-operating income and expenses	<u>1,241,457</u>	<u>5</u>	<u>(102,340)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	2,552,046	11	988,903	5
INCOME TAX EXPENSE (Notes 4 and 22)	<u>843,211</u>	<u>3</u>	<u>191,542</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,708,835</u>	<u>8</u>	<u>797,361</u>	<u>4</u>

(Continued)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (10,732)	-	\$ (71,246)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	4,240	-	12,111	-
	<u>(6,492)</u>	<u>-</u>	<u>(59,135)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	62,626	-	(554,244)	(3)
Unrealized gain on available-for-sale financial assets	-	-	11,049	-
	<u>62,626</u>	<u>-</u>	<u>(543,195)</u>	<u>(3)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>56,134</u>	<u>-</u>	<u>(602,330)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,764,969</u>	<u>8</u>	<u>\$ 195,031</u>	<u>1</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 5.72</u>		<u>\$ 2.67</u>	
Diluted	<u>\$ 5.69</u>		<u>\$ 2.66</u>	

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

(Concluded)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Common Shares	Capital Surplus (Note 19)		Retained Earnings (Note 19)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
		Share Premium from Issuance of Common Shares	Capital surplus from Investments Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2017	\$ 2,989,838	\$ 416,290	\$ 215	\$ 2,040,218	\$ 17,462	\$ 7,386,442	\$ (277,872)	\$ 13,443	\$ 12,586,036
Appropriation of 2016 earnings									
Legal reserve	-	-	-	191,895	-	(191,895)	-	-	-
Special reserve	-	-	-	-	246,967	(246,967)	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,195,935)	-	-	(1,195,935)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	43	-	-	-	-	-	43
Net profit for the year ended December 31, 2017	-	-	-	-	-	797,361	-	-	797,361
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(59,135)	(554,244)	11,049	(602,330)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	738,226	(554,244)	11,049	195,031
BALANCE AT DECEMBER 31, 2017	2,989,838	416,290	258	2,232,113	264,429	6,489,871	(832,116)	24,492	11,585,175
Effect of retrospective application	-	-	-	-	-	24,492	-	(24,492)	-
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	2,989,838	416,290	258	2,232,113	264,429	6,514,363	(832,116)	-	11,585,175
Appropriation of 2017 earnings									
Legal reserve	-	-	-	79,736	-	(79,736)	-	-	-
Special reserve	-	-	-	-	543,195	(543,195)	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(597,968)	-	-	(597,968)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,708,835	-	-	1,708,835
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,492)	62,626	-	56,134
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	1,702,343	62,626	-	1,764,969
BALANCE AT DECEMBER 31, 2018	\$ 2,989,838	\$ 416,290	\$ 258	\$ 2,311,849	\$ 807,624	\$ 6,995,807	\$ (769,490)	\$ -	\$ 12,752,176

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

(With Deloitte & Touche audit report dated March 22, 2019)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended	
	December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,552,046	\$ 988,903
Adjustments for:		
Depreciation expenses	76,494	73,662
Amortization expenses	1,844	2,051
Expected credit loss recognized on trade receivables	6,780	-
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	30,716	(1,165)
Interest expense	8,626	6,227
Interest income	(44,455)	(34,394)
Dividend income	(5,452)	(5,909)
Share of (profit) loss of associates	(1,059,001)	161,861
Loss on disposal of property, plant and equipment	654	1,119
Gain on disposal of investments	-	(16,589)
Reversal of write-downs of inventories	(12,213)	(7,937)
Unrealized (realized) gain on transactions with associates	244,350	(81,727)
Gain on foreign currency exchange	(527)	(6,535)
Changes in operating assets and liabilities		
Financial assets held for trading	-	(439,755)
Financial assets at fair value through profit or loss	62,763	-
Notes receivable	12,778	(6,906)
Trade receivables	(798,537)	133,517
Other receivables	18,821	41,118
Inventories	(167,323)	(137,959)
Other current assets	630	1,715
Trade payables	(36,708)	402,040
Other payables	110,705	(49,484)
Other current liabilities	(45,492)	(29,810)
Net defined benefit liabilities	3,361	(15,088)
Cash generated from operations	960,860	978,955
Interest received	41,051	40,892
Dividends received	12,217	15,789
Interest paid	(8,016)	(6,279)
Income tax paid	(261,206)	(304,594)
Net cash generated from operating activities	744,906	724,763
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	-	33,823
Acquisitions of associates	-	(10,598)
Payments for property, plant and equipment	(44,247)	(33,089)
Proceeds from disposal of property, plant and equipment	15	-
Increase in refundable deposits	(197)	(20)

(Continued)

MERIDA INDUSTRY CO., LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	2017
Increase in other receivables from related parties	\$ (1,766)	\$ (14,759)
Increase in prepayments for equipment	<u>(31,269)</u>	<u>(42,342)</u>
Net cash used in investing activities	<u>(77,464)</u>	<u>(66,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	4,479	99,109
Proceeds from guarantee deposits received	-	253
Refund of guarantee deposits received	(253)	-
Dividends paid to owners of the Corporation	<u>(597,968)</u>	<u>(1,195,935)</u>
Net cash used in financing activities	<u>(593,742)</u>	<u>(1,096,573)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,700	(438,795)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,268,102</u>	<u>1,706,897</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,341,802</u>	<u>\$ 1,268,102</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Merida Industry Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Merida Industry Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section of this report) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Group 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 base on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

Impairment assessment of trade receivables

As of December 31, 2018, the Group's total trade receivables was NT\$2,416,105 thousand. Refer to Notes 4, 5 and 8 to the accompanying consolidated financial statements for disclosures related to receivables. The Group sells its products to different markets through the distributors from each country. The recovery of trade receivables is dependent on the financial situation of the respective distributors. The impairment assessment of trade receivables is based on objective evidence such as delayed payments from distributors, and also involves the estimation of future cash flows by management. The impairment assessment is subject to management's judgment, which has a significant level of uncertainty, and the result of the assessment could also affect the consolidated financial statements. Thus, the impairment assessment of trade receivables was identified as a key audit matter.

Our main audit procedures performed in respect of the above-mentioned key audit matter included the following:

1. We understood the policy and assessed the evidence of the impairment assessment of trade receivables.
2. We evaluated the major distributor's credit policy and the rationality of the credit line as well as the historical payment situation.
3. We sampled and verified the reasonableness of the aging of amounts due at the balance sheet date and confirmed the accuracy of the impairment of trade receivables.
4. We compared the aging of receivables in the current year and prior years and reviewed the level of bad debt write-offs in the current year and the prior year to assess the reasonableness of the provision.

Inventory valuation

As of December 31, 2018, the Group's inventory was NT\$3,852,081 thousand. Refer to Notes 4, 5 and 9 to the consolidated financial statements for disclosures related to inventory. Inventories are stated at the lower of cost or net realizable value. As the determination of the net realizable value inputs and estimation of the consumption of inventory aging is subject to estimation and judgment, inventory valuation was identified as a key audit matter.

Our main audit procedures performed in respect of the above mentioned key audit matter were as follows:

1. We understood the process and evidence that the management used in estimating the net realizable value and the inventory obsolescence aging ratio.
2. We assessed the reasonableness of estimated selling prices, the variable sales to expense ratio and the inventory obsolescence aging ratio.
3. We checked the accuracy of inventory aging and the calculation of the net realizable value.
4. We observed the year-end inventory counts and evaluated the condition of the inventory to assess the adequacy of the provision for damaged stock.

Other Matter

We did not audit the financial statements of some of the investees accounted for using the equity method as of and for the years ended December 31, 2018 and 2017, but such financial statements were audited by other auditors, whose reports have been furnished to us. The balance of the investments accounted for using the equity method was NT\$9,415,791 thousand and NT\$8,423,339 thousand, accounting for 41% and 40% of the Group's consolidated total assets as of December 31, 2018 and 2017, respectively. The share of profit (loss) of associates

was NT\$1,034,660 thousand and NT\$(86,042) thousand, accounting for 58% and (43%) of the Group's consolidated comprehensive income for the years ended December 31, 2018 and 2017, respectively.

We have also audited the parent company only financial statements of Merida Industry Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin Chiang and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 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.

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,220,019	14	\$ 3,146,748	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	499,695	2	442,093	2
Notes receivable (Notes 4, 5 and 22)	16,528	-	29,306	-
Trade receivables (Notes 4, 5, 8 and 22)	450,525	2	349,382	2
Trade receivables from related parties (Notes 4, 5, 8, 22 and 28)	1,965,580	9	1,351,166	6
Other receivables (Notes 4 and 28)	72,981	-	62,913	-
Inventories (Notes 4, 5, 9 and 29)	3,852,081	17	3,496,676	17
Other current assets (Notes 4 and 17)	58,442	-	159,506	1
Total current assets	<u>10,135,851</u>	<u>44</u>	<u>9,037,790</u>	<u>43</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	3,400	-	-	-
Available-for-sale financial assets - non-current (Notes 4 and 11)	-	-	151,081	1
Financial assets measured at cost - non-current (Notes 4 and 12)	-	-	3,400	-
Investments accounted for using the equity method (Notes 4 and 14)	9,708,922	43	8,720,220	42
Property, plant and equipment (Notes 4, 15 and 29)	2,342,984	10	2,515,796	12
Investment properties (Notes 4 and 16)	35,971	-	36,538	-
Intangible assets (Note 4)	40,685	-	39,411	-
Deferred tax assets (Notes 4 and 24)	140,661	1	77,807	-
Prepayments for equipment	39,116	-	18,580	-
Long-term prepayments for leases (Notes 4 and 17)	323,335	2	337,301	2
Other non-current assets	7,182	-	7,622	-
Total non-current assets	<u>12,642,256</u>	<u>56</u>	<u>11,907,756</u>	<u>57</u>
TOTAL	<u>\$ 22,778,107</u>	<u>100</u>	<u>\$ 20,945,546</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 18 and 29)	\$ 1,645,786	7	\$ 1,456,407	7
Trade payables	3,798,676	17	3,934,696	19
Trade payables to related parties (Note 28)	41,710	-	45,695	-
Other payables (Note 19)	775,282	3	738,960	3
Current tax liabilities (Notes 4 and 24)	274,560	1	149,022	1
Current portion of long-term bank loans (Notes 18 and 29)	111,955	1	108,223	-
Other current liabilities - others	92,624	1	116,323	1
Total current liabilities	<u>6,740,593</u>	<u>30</u>	<u>6,549,326</u>	<u>31</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Notes 18 and 29)	125,744	-	227,294	1
Deferred tax liabilities (Notes 4 and 24)	2,455,737	11	1,921,704	9
Net defined benefit liabilities (Notes 4 and 20)	172,722	1	158,629	1
Guarantee deposits received	6,294	-	7,219	-
Total non-current liabilities	<u>2,760,497</u>	<u>12</u>	<u>2,314,846</u>	<u>11</u>
Total liabilities	<u>9,501,090</u>	<u>42</u>	<u>8,864,172</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Common shares	2,989,838	13	2,989,838	14
Capital surplus				
Share premiums from issuance of common shares	416,290	2	416,290	2
Capital surplus from investments accounted for using the equity method	258	-	258	-
Retained earnings				
Legal reserve	2,311,849	10	2,232,113	11
Special reserve	807,624	3	264,429	1
Unappropriated earnings	6,995,807	31	6,489,871	31
Other equity	(769,490)	(3)	(807,624)	(4)
Total equity attributable to owners of the Corporation	<u>12,752,176</u>	<u>56</u>	<u>11,585,175</u>	<u>55</u>
NON-CONTROLLING INTERESTS	<u>524,841</u>	<u>2</u>	<u>496,199</u>	<u>3</u>
Total equity	<u>13,277,017</u>	<u>58</u>	<u>12,081,374</u>	<u>58</u>
TOTAL	<u>\$ 22,778,107</u>	<u>100</u>	<u>\$ 20,945,546</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 28)	\$ 25,852,942	100	\$ 22,396,174	100
COST OF GOODS SOLD (Notes 9, 23 and 28)	<u>22,463,953</u>	<u>87</u>	<u>19,715,439</u>	<u>88</u>
GROSS PROFIT	3,388,989	13	2,680,735	12
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(170,760)</u>	<u>(1)</u>	<u>81,895</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>3,218,229</u>	<u>12</u>	<u>2,762,630</u>	<u>13</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses (Note 28)	1,058,674	4	1,086,962	5
General and administrative expenses	<u>808,275</u>	<u>3</u>	<u>646,842</u>	<u>3</u>
Total operating expenses	<u>1,866,949</u>	<u>7</u>	<u>1,733,804</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>1,351,280</u>	<u>5</u>	<u>1,028,826</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 28)	61,878	-	40,758	-
Other income	102,985	-	123,248	-
Gains on disposal of investments (Note 4)	-	-	16,589	-
Net foreign exchange gains (losses) (Note 4)	175,345	1	(63,455)	-
Share of profit (loss) of associates (Note 4)	1,066,133	4	(65,398)	-
Interest expense	(50,987)	-	(27,040)	-
Other expenses	(54,263)	-	(18,619)	-
Gain (loss) on fair value changes of financial assets at fair value through profit or loss (Note 4)	<u>(30,716)</u>	<u>-</u>	<u>1,165</u>	<u>-</u>
Total non-operating income and expenses	<u>1,270,375</u>	<u>5</u>	<u>7,248</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,621,655	10	1,036,074	5
INCOME TAX EXPENSE (Notes 4 and 24)	<u>875,818</u>	<u>3</u>	<u>237,600</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,745,837</u>	<u>7</u>	<u>798,474</u>	<u>4</u>

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	\$ (10,732)	-	\$ (71,246)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	4,240	-	12,111	-
	<u>(6,492)</u>	<u>-</u>	<u>(59,135)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	54,266	-	(550,104)	(3)
Unrealized gain on available-for-sale financial assets	-	-	11,049	-
	<u>54,266</u>	<u>-</u>	<u>(539,055)</u>	<u>(3)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>47,774</u>	<u>-</u>	<u>(598,190)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,793,611</u>	<u>7</u>	<u>\$ 200,284</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,708,835	7	\$ 797,361	4
Non-controlling interests	<u>37,002</u>	<u>-</u>	<u>1,113</u>	<u>-</u>
	<u>\$ 1,745,837</u>	<u>7</u>	<u>\$ 798,474</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,764,969	7	\$ 195,031	1
Non-controlling interests	<u>28,642</u>	<u>-</u>	<u>5,253</u>	<u>-</u>
	<u>\$ 1,793,611</u>	<u>7</u>	<u>\$ 200,284</u>	<u>1</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 5.72</u>		<u>\$ 2.67</u>	
Diluted	<u>\$ 5.69</u>		<u>\$ 2.66</u>	

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

(Concluded)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation										
	Common Shares (Note 21)	Capital Surplus (Note 21)		Retained Earnings (Note 21)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available- for-sale Financial Assets	Total	Non-controlling Interests	Total
		Share Premium from Issuance of Common Shares	Capital Surplus from Investments Accounted for Using the Equity Method	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2017	\$ 2,989,838	\$ 416,290	\$ 215	\$ 2,040,218	\$ 17,462	\$ 7,386,442	\$ (277,872)	\$ 13,443	\$ 12,586,036	\$ 490,946	\$ 13,076,982
Appropriation of 2016 earnings	-	-	-	191,895	-	(191,895)	-	-	-	-	-
Legal reserve	-	-	-	191,895	-	(191,895)	-	-	-	-	-
Special reserve	-	-	-	-	246,967	(246,967)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(1,195,935)	-	-	(1,195,935)	-	(1,195,935)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	43	-	-	-	-	-	43	-	43
Net profit for the year ended December 31, 2017	-	-	-	-	-	797,361	-	-	797,361	1,113	798,474
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(59,135)	(554,244)	11,049	(602,330)	4,140	(598,190)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	738,226	(554,244)	11,049	195,031	5,253	200,284
BALANCE AT DECEMBER 31, 2017	2,989,838	416,290	258	2,232,113	264,429	6,489,871	(832,116)	24,492	11,585,175	496,199	12,081,374
Effect of retrospective application	-	-	-	-	-	24,492	-	(24,492)	-	-	-
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	2,989,838	416,290	258	2,232,113	264,429	6,514,363	(832,116)	-	11,585,175	496,199	12,081,374
Appropriation of 2017 earnings	-	-	-	79,736	-	(79,736)	-	-	-	-	-
Legal reserve	-	-	-	79,736	-	(79,736)	-	-	-	-	-
Special reserve	-	-	-	-	543,195	(543,195)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(597,968)	-	-	(597,968)	-	(597,968)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,708,835	-	-	1,708,835	37,002	1,745,837
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(6,492)	62,626	-	56,134	(8,360)	47,774
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	1,702,343	62,626	-	1,764,969	28,642	1,793,611
BALANCE AT DECEMBER 31, 2018	\$ 2,989,838	\$ 416,290	\$ 258	\$ 2,311,849	\$ 807,624	\$ 6,995,807	\$ (769,490)	\$ -	\$ 12,752,176	\$ 524,841	\$ 13,277,017

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,621,655	\$ 1,036,074
Adjustments for:		
Depreciation expenses	241,764	243,019
Amortization expenses	9,086	9,666
Expected credit loss recognized on trade receivables	7,237	-
Recognition of provisions	-	3,365
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	30,716	(1,165)
Interest expense	50,987	27,040
Interest income	(61,878)	(40,758)
Dividend income	(5,452)	(5,909)
Share of (profit) loss of associates	(1,066,133)	65,398
Loss on disposal of property, plant and equipment	3,127	2,575
Gain on disposal of investments	-	(16,589)
Reversal of write-downs of inventories	(18,577)	(8,236)
Unrealized (realized) gain on transactions with associates	170,760	(81,895)
Net (gain) loss on foreign currency exchange	12,086	(28,984)
Amortization of long-term prepayments for leases	8,217	8,119
Changes in operating assets and liabilities		
Financial assets held for trading	-	(439,755)
Financial assets at fair value through profit or loss	62,763	-
Notes receivable	12,778	(6,906)
Trade receivables	(723,672)	(58,185)
Other receivables	(6,740)	(1,210)
Inventories	(346,908)	(259,425)
Other current assets	102,388	(67,289)
Trade payables	(129,151)	345,801
Other payables	34,190	(46,448)
Other current liabilities	(23,434)	(63,994)
Net defined benefit liabilities	<u>3,361</u>	<u>(15,088)</u>
Cash generated from operations	989,170	599,221
Interest received	58,321	42,632
Dividends received	12,217	15,789
Interest paid	(49,212)	(26,496)
Income tax paid	<u>(274,569)</u>	<u>(325,203)</u>
Net cash generated from operating activities	<u>735,927</u>	<u>305,943</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	-	33,823
Proceeds from sale of debt investments with no active market	-	43,557
Acquisitions of associates	-	(10,598)

(Continued)

MERIDA INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	2017
Payments for property, plant and equipment	\$ (91,460)	\$ (95,974)
Proceeds from disposal of property, plant and equipment	7,060	3,003
Decrease in refundable deposits	42	200
Payments for intangible assets	(10,879)	(4,584)
Decrease in other non-current assets	444	2,246
Increase in prepayments for equipment	<u>(31,269)</u>	<u>(45,788)</u>
Net cash used in investing activities	<u>(126,062)</u>	<u>(74,115)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	187,900	334,789
Proceeds from long-term borrowings	15,672	16,146
Repayments of long-term bank loans	(121,621)	(107,894)
Refund of guarantee deposits received	(1,131)	(593)
Dividends paid to owners of the Corporation	<u>(597,968)</u>	<u>(1,195,935)</u>
Net cash used in financing activities	<u>(517,148)</u>	<u>(953,487)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(19,446)</u>	<u>(40,117)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,271	(761,776)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,146,748</u>	<u>3,908,524</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,220,019</u>	<u>\$ 3,146,748</u>

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

(With Deloitte & Touche auditors' report dated March 22, 2019)

(Concluded)

Case 2 : Adoption of the proposal for distribution of 2018 profits (Proposed by the Board of Directors.)

Description : According to the provisions governing company and Articles of Incorporation of MERIDA INDUSTRY CO., LTD. The 2018 earning distribution table was passed on the five reviewing meeting held by the Company's first Audit Committee. The 2018 earning distribution table was then brought up in the first reviewing meeting held by the second Board of Directors in 2019 and approved. It is listed for approval :

MERIDA INDUSTRY CO., LTD.
2018 Earning Distribution Table

	Unit : In NTD\$
Unappropriated earnings, beginning balance	\$5,268,972,782
Plus : Adjustments due to Adoption of IFRS 9	24,491,415
Adjusted unappropriated earnings	\$5,293,464,197
Less : Remeasurement of defined benefit plan recognized in retained earnings directly	6,491,690
Adjusted unappropriated earnings	\$5,286,972,507
Plus : Net Profit of 2018	1,708,835,286
Less : Appropriation of Legal reserve	170,883,529
Plus : Reversal of Special Reserve	38,134,664
Total unappropriated earnings	\$6,863,058,928
Distribution items :	
Cash dividends to shareholders- NTD\$ 3.5 per share	(1,046,443,300)
Unappropriated earnings, ending balance	\$5,816,615,628

Note 1: Cash dividends: Total number of outstanding common shares was 298,983,800. Cash dividends to shareholders- NTD\$3.5 per share, the Company plans to distribute dividends of NTD\$1,046,443,300. Each common shareholder will be entitled to receive the cash dividends in dollar amount. The fractional parts would be turned to MERIDA Employee Welfare Committee. Subject to the approval of the General Shareholders' Meeting, the Board of Directors is authorized to determine the ex-dividend date and the distribution date for the cash dividends.

Note 2: In the event the number of outstanding shares will be affected, the Board is authorized with full power and authority to adjust the distribution percentage, if necessary.

Zeng Songzhu, Chairman
Zeng Songzhu, President
Cai Xueliang, Chief Accountant

Discussed Resolutions

Case 1 : Amendment to the operational procedures for acquisition and disposal of assets (Proposed by the Board of Directors.)

Description : In response to the directive (Zheng Fa Zhi No. 1070341072) issued by the Financial Supervisory Commission, R.O.C. on November 26, 2018 and the business needs, the Company plans to amend partly its procedure governing the acquisition and disposal of assets. The amendment was passed on the fourth reviewing meeting held by the Company's first Audit Committee. The amendment was then brought up in the first reviewing meeting held by the Board of Directors in 2019 and approved. The following is the comparison chart of the current and amended articles and is listed for discussion :

Amended articles	Current articles	Reason for amendment
<p>Article 3 The scope of assets</p> <p>I. Securities: Including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>III. Memberships.</p> <p>IV. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>V. <u>Right-of-use assets.</u></p> <p><u>VI.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>VII.</u> Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a</p>	<p>Article 3 The scope of assets</p> <p>I. Securities: Including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>III. Memberships.</p> <p>IV. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>V. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>VI. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from the asset, interest rate, foreign</p>	<p>1. Amend articles and add new articles to be in line with laws.</p> <p>2. Adjust article number.</p>

<p><u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p><u>VIII</u> Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p><u>IX.</u> Other major assets.</p>	<p>exchange rate, index, or other interests, and the hybrid contracts combining the above products. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>VII. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-8 of the Company Act.</p> <p>VIII. Other major assets.</p>	
<p>Article 4 Definition of terms</p> <p>I. Related party: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>II. Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>III. Professional appraiser: Refers to a real property</p>	<p>Article 4 Definition of terms</p> <p>I. Related party: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>II. Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>III. Professional appraiser: Refers to a real property</p>	<p>Amend articles and add new articles to be in line with laws.</p>

<p>appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>IV. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>V. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>VI. The most current financial statements: The Company's financial statements publicized according to laws which are signed or approved by an accountant before the acquisition and disposal of assets.</p> <p>VII. The amount of transactions above shall be calculated as follows:</p> <p>(i) The amount of any Independent transaction.</p> <p>(ii) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same</p>	<p>appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>IV. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>V. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>VI. The most current financial statements: The Company's financial statements publicized according to laws which are signed or approved by an accountant before the acquisition and disposal of assets.</p> <p>VII. The amount of transactions above shall be calculated as follows:</p> <p>(i) The amount of any Independent transaction.</p> <p>(ii) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same</p>	
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<p>transaction counterparty within the preceding year.</p> <p>(iii) .The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets thereof within the same development project</u> within the preceding year.</p> <p>(iv) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(v) "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p><u>VIII. Securities exchange:</u> <u>"Domestic securities exchange"</u> refers to the <u>Taiwan Stock Exchange Corporation</u>; <u>"foreign securities exchange"</u> refers to any <u>organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p><u>IX. Over-the-counter venue ("OTC venue", "OTC"):</u> <u>"Domestic OTC venue"</u> refers to a venue for OTC trading <u>provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange</u>; <u>"foreign OTC venue"</u> refers to a venue at a <u>financial institution that is</u></p>	<p>transaction counterparty within the preceding year.</p> <p>(iii) .The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the preceding year.</p> <p>(iv) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(v) "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	
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<p><u>regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		
<p>Article 5</p> <p>As for the Company's acquisition and disposal of assets, each organizing department shall review the reason for the acquisition or disposal, the subject asset, the trading counterpart, the means of determining the transaction price as well as the reference to it, and the payment conditions in accordance with provisions in the Company's "Benchmark Chart of Job Authority." All relevant procedures shall be carried out in accordance with the Company's internal control system and the provisions derived from it. Case handlers violating the procedure governing the acquisition and disposal of assets shall be penalized accordingly as prescribed in the "Work Rule."</p> <p>The sum amount of the Company's non-profit-making property or <u>right-of-use assets thereof</u>, or its securities shall not exceed one percent the Company's paid-up capital; the Company's investments in Independent security shall not exceed one percent the Company's paid-up capital; however, people who participate in the establishment of the investment or people who serve as the Company's directors and supervisors and plan to hold the security for a long-term need not be</p>	<p>Article 5</p> <p>As for the Company's acquisition and disposal of assets, each organizing department shall review the reason for the acquisition or disposal, the subject asset, the trading counterpart, the means of determining the transaction price as well as the reference to it, and the payment conditions in accordance with provisions in the Company's "Benchmark Chart of Job Authority." All relevant procedures shall be carried out in accordance with the Company's internal control system and the provisions derived from it. Case handlers violating the procedure governing the acquisition and disposal of assets shall be penalized accordingly as prescribed in the "Work Rule."</p> <p>The sum amount of the Company's non-profit-making real property or its securities shall not exceed one percent the Company's paid-up capital; the Company's investments in Independent security shall not exceed one percent the Company's paid-up capital; however, people who participate in the establishment of the investment or people who serve as the Company's directors and supervisors and plan to hold the security for a long-term shall be excluded from the calculation. The</p>	<p>Amend articles to be in line with laws.</p>

<p>counted toward the transaction amount. The same principle applies to the Company's subsidiary companies.</p>	<p>same principle applies to the Company's subsidiary companies.</p>	
<p>Article 6 Related Party Transactions</p> <p>When engaging in any acquisition or disposal of assets from or to a related party, the Company shall carry out the acquisition or disposal of assets according to provisions stipulated from Article 9 to 14; <u>when the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party</u> and if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions. In addition, the Company shall comply with the following provisions to ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>I. When the Company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in</p>	<p>Article 6 Related Party Transactions</p> <p>When engaging in any acquisition or disposal of assets from or to a related party, the Company shall carry out the acquisition or disposal of assets according to provisions stipulated from Article 9 to 14; if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions. In addition, the Company shall comply with the following provisions to ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>I. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale</p>	<p>Amend articles to be in line with laws.</p>

<p>capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than one-half of the members of the Audit Committee and resolved by the Board of Directors.</p> <p>(i) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(ii) The reason for choosing the related party as a transaction counterparty.</p> <p>(iii) With respect to the acquisition of real property <u>or right-of-use assets thereof from a related party</u>, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 9 III, (i), and III, (ii).</p> <p>(iv) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(v) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of</p>	<p>agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than one-half of the members of the Audit Committee and resolved by the Board of Directors.</p> <p>(i) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(ii) The reason for choosing the related party as a transaction counterparty.</p> <p>(iii) With respect to the acquisition of real property, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 9 III, (i), and III, (ii).</p> <p>(iv) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(v) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(vi) Restrictive covenants and other important stipulations associated with the transaction.</p>	
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<p>the transaction, and reasonableness of the funds utilization.</p> <p>(vi) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>II. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 4, paragraph 7 herein, and transactions that have been approved by more than one-half of the members of the Audit Committee and resolved by the Board of Directors within the preceding year need not be counted toward the transaction amount.</p> <p>III. With respect to the acquisition or disposal of equipment for business use <u>or the right-to-use assets and the right-to-use assets of the real property</u>, when to be conducted between the Company <u>and its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, or between its subsidiaries</u>, the Company's board of directors may pursuant to Article 5 to delegate the board chairman to decide such matters when the transaction is within NT\$300 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>IV. When a matter is submitted for discussion by the Board of Directors pursuant to the Company's relevant provisions, the Board of Directors shall take into full consideration each</p>	<p>II. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 4, paragraph 7 herein, and transactions that have been approved by more than one-half of the members of the Audit Committee and resolved by the Board of Directors within the preceding year need not be counted toward the transaction amount.</p> <p>III. With respect to the acquisition or disposal of equipment for business use, when to be conducted between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 to delegate the board chairman to decide such matters when the transaction is within NT\$300 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>IV. When a matter is submitted for discussion by the Board of Directors pursuant to the Company's relevant provisions, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>V. The stipulation or amendment of the procedure governing the acquisition or disposal of assets shall be approved by more than one-half of all members of the Audit Committee and then</p>	
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<p>independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>V. The stipulation or amendment of the procedure governing the acquisition or disposal of assets shall be approved by more than one-half of all members of the Audit Committee and then submitted to the Board of Directors for a resolution. If the matter set out in the preceding paragraph has not been approved to by more than one-half of all members of the Audit Committee, it may be adopted with the approval of two-thirds or more of all members of the Board of Directors, and the resolution of the Audit Committed shall be recorded in the minutes of the Board of Directors meeting. The terms "all members of the Audit Committee" and "all members of the Board of Directors" in the preceding paragraph shall be calculated as the number of members actually in office.</p>	<p>submitted to the Board of Directors for a resolution. If the matter set out in the preceding paragraph has not been approved to by more than one-half of all members of the Audit Committee, it may be adopted with the approval of two-thirds or more of all members of the Board of Directors, and the resolution of the Audit Committed shall be recorded in the minutes of the Board of Directors meeting. The terms "all members of the Audit Committee" and "all members of the Board of Directors" in the preceding paragraph shall be calculated as the number of members actually in office.</p>	
<p>Article 7 Provisions for the acquisition of appraisal reports or experts' opinions</p> <p>I. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party <u>or de facto related party of any party to the transaction.</u></p>	<p>Article 7 Provisions for the acquisition of appraisal reports or experts' opinions</p> <p>I. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party.</p> <p>II. The professional appraisers and their officers may not be</p>	<p>Amend articles and add new articles to be in line with laws.</p>

<p>II. <u>The professional appraisers and their officers may not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p>III. The Company is required to obtain appraisal reports from two or more professional appraisers, and the different professional appraisers or appraisal officers may not be related parties <u>or de facto related parties of each other.</u></p> <p>IV. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p><u>V. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>(i) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>(ii) When examining a case,</u></p>	<p>convicted of a crime or receive a sentence from a court.</p> <p>III. The Company is required to obtain appraisal reports from two or more professional appraisers, and the different professional appraisers or appraisal officers may not be related parties.</p> <p>IV. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
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<p><u>they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>(iii) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>(iv) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
<p>Article 9 The procedure governing the acquisition or disposal of real property or equipment</p> <p>I. In acquiring or disposing of real property, equipment, or <u>right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or</p>	<p>Article 9 The procedure governing the acquisition or disposal of real property or equipment</p> <p>I. In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held</p>	<p>Amend articles and add new articles to be in line with laws.</p>

<p>disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (the content of the appraisal report shall comply with the competent authorities' provisions) and shall further comply with the following provisions:</p> <p>(i) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall <u>also be followed whenever</u> there is any subsequent change to the terms and conditions of the transaction.</p> <p>(ii) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(iii) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation</p>	<p>for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (the content of the appraisal report shall comply with the competent authorities' provisions) and shall further comply with the following provisions:</p> <p>(i) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the aforementioned procedures shall be followed when there is any subsequent change to the terms and conditions of the transaction in the future.</p> <p>(ii) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(iii) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason</p>	
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<p>(ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(iv) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>II. When a transaction amount of the Company's acquisition or disposal of real property <u>or right-of-use assets thereof</u> or other fixed assets is equivalent to 20 percent of the Company's paid-in capital or more than NT\$300 million, the transaction shall be approved by more than one-half of all members of the Audit Committee and then submitted to the Board of Directors for a resolution and be delegated to the board chairman for execution.</p> <p>III. When acquires real property <u>or right-of-use assets thereof</u> from a related party, the Company shall comply with all provisions in Article 6 and carry out the resolution procedures and evaluate the</p>	<p>for the discrepancy and the appropriateness of the transaction price:</p> <p>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(iv) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>II. When a transaction amount of the Company's acquisition or disposal of real property or other fixed assets is equivalent to 20 percent of the Company's paid-in capital or more than NT\$300 million, the transaction shall be approved by more than one-half of all members of the Audit Committee and then submitted to the Board of Directors for a resolution and be delegated to the board chairman for execution.</p> <p>III. When acquires real property from a related party, the Company shall comply with all provisions in Article 6 and carry out the resolution procedures and evaluate the reasonableness of the transaction costs by the following means:</p> <p>(i) When acquires real</p>	
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<p>reasonableness of the transaction costs by the following means:</p> <p>(i) When acquires real property <u>or right-of-use assets thereof</u> from a related party, the Company shall engage a CPA to check the appraisal and render a specific opinion by following the means below:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>3. Where land and structures thereupon are Consolidated as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with</p>	<p>property from a related party, the Company shall engage a CPA to check the appraisal and render a specific opinion by following the means below:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>3. Where land and structures thereupon are Consolidated as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(ii) When the Company is acquiring real property from a related party, and finds out</p>	
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<p>either of the means listed in the preceding paragraph.</p> <p>(ii) When the Company is acquiring real property <u>or right-of-use assets thereof</u> from a related party, and finds out that the value lower than the transaction price after conducting an appraisal, the matter shall be handled in compliance with III, (iii) here in. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in III, (i) here in, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or</p>	<p>that the value lower than the transaction price after conducting an appraisal, the matter shall be handled in compliance with III, (iii) here in. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in III, (i) here in, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area</p>	
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<p>closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale <u>or leasing</u> practices.</p> <p>2. Where the Company is acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of completed <u>transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed <u>transactions</u> involving neighboring or closely valued parcels of land just mentioned in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to <u>transactions</u> completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof</u>.</p> <p>(iii) When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the following</p>	<p>land prices in accordance with standard property market sale practices.</p> <p>(3) Completed leasing by unrelated parties within the preceding year involving other floors of the same property, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market leasing practices.</p> <p>2. Where the Company is acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed cases involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Complete cases involving neighboring or closely valued parcels of land just mentioned in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to cases completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p> <p>(iii) When the Company obtains real property from a related party, it shall also comply with the following matters if there is other evidence indicating that the</p>	
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<p>matters if there is other evidence indicating that the acquisition was not an arms length transaction. The results shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. When the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>2. The Audit Committee shall</p>	<p>acquisition was not an arms length transaction. The results shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. When the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>2. The Audit Committee shall comply with Article 218 of the Company Act.</p> <p>(iv) Where the Company acquires real property from a</p>	
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<p>comply with Article 218 of the Company Act.</p> <p>(iv) Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Article 6.</p> <ol style="list-style-type: none"> 1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. <p><u>(v) The real property right-of-use assets for business use are acquired by the Company, its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Article 6.</p> <ol style="list-style-type: none"> 1. The related party acquired the real property through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. 	
<p>Article 10 The procedure governing the acquisition or disposal of securities</p> <p>I. When the Company is acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public</p>	<p>Article 10 The procedure governing the acquisition or disposal of securities</p> <p>I. When the Company is acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public</p>	<p>Amend articles to be in line with laws.</p>

<p>accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, when any of the following circumstances exists:</p> <p>(i) Securities acquired through cash contribution in an incorporation by promotion or by public offering <u>according to laws, and the interest represented by the acquired securities is of similar proportion to the contribution.</u></p> <p>(ii) When a subscribing company engages in capital increase by cash and issues securities according to relevant laws.</p> <p>(iii) When a 100 percent subscribing investment company (direct or indirect) engages in capital increase by cash and issues securities, or when 100 percent owned subsidiaries engage in security buying, capital increase by cash, and the issuing of securities.</p> <p>(iv) Securities listed and traded on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM) and emerging stocks.</p>	<p>accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, when any of the following circumstances exists:</p> <p>(i) Securities acquired through cash contribution in an incorporation by promotion or by public offering.</p> <p>(ii) When a subscribing company engages in capital increase by cash and issues securities according to relevant laws.</p> <p>(iii) When a 100 percent subscribing investment company engages in capital increase by cash and issues securities.</p> <p>(iv) Securities listed and traded on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM) and emerging stocks.</p> <p>(v) Government bonds or bonds in repurchase or reverse purchase agreements.</p> <p>(vi) Domestic and foreign offering of fund.</p> <p>(vii) TWSE or GTSM listed securities acquired or disposed of in accordance with the TWSE or GTSM rules</p>	
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<p>(v) <u>Domestic</u> government bonds or bonds in repurchase or reverse purchase agreements.</p> <p>(vi) <u>Public offering of fund.</u></p> <p>(vii) TWSE or GTSM listed securities acquired or disposed of in accordance with the TWSE or GTSM rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.</p> <p>(viii) Securities acquired through the Company's sponsorship of a capital increase by cash and subscription by a public <u>domestic company or by subscribing domestic company bonds (including financial bonds)</u>, and the securities acquired are not privately placed.</p> <p>(ix) According to Paragraph 1 of Article 11 of the Securities Investment Trust and Consulting Act, the acquisition of <u>domestic private equity funds before the establishment of the fund, or the purchase and buy back of domestic private equity funds, the investment strategy in the trust deed, except for securities credit transactions and Except for the reversal of securities-related commodity parts, the investment scope of the remaining public funds is the same.</u></p> <p>II. When the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, the transaction shall be resolved by the Board of Director and be delegated to the board chairman for execution.</p> <p>III. Security transactions</p>	<p>governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.</p> <p>(viii) Securities acquired through the Company's sponsorship of a capital increase by cash and subscription by a public company, and the securities acquired are not privately placed.</p> <p>(ix) According to Paragraph 1 of Article 11 of the Securities Investment Trust and Consulting Act, the acquisition of funds before the establishment of the fund.</p> <p>(x) Domestic private equity funds purchased or bought back, if the investment contract already states that the investment strategy is the same as the investment scope of the public fund, except for the securities credit transaction and the relevant commodity parts of the unsold securities.</p> <p>II. When the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, the transaction shall be resolved by the Board of Director and be delegated to the board chairman for execution.</p> <p>III. Security transactions conducted in trading of securities on the Taipei Exchange (TPEX) or on the central stock exchange shall be carried out after the responsible department has evaluated the current market.</p> <p>IV. Except for investments in Mainland China area, security transactions that are not conducted in trading of securities on the Taipei</p>	
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<p>conducted in trading of securities on the Taipei Exchange (TPEX) or on the central stock exchange shall be carried out after the responsible department has evaluated the current market.</p> <p>IV. Except for investments in Mainland China area, security transactions that are not conducted in trading of securities on the Taipei Exchange (TPEX) or on the central stock exchange shall be evaluated in terms of their net value, profitability, potential, and their recent closing price among counterpart players. The evaluation shall be approved by the board chairman and proposed in the next board of directors meeting.</p> <p>V. The Company's investments in Mainland China area are in line with the "Regulations Governing Permission of Trade Between Taiwan Area and Mainland Area" promulgated by the Investment Commission, MOEA.</p>	<p>Exchange (TPEX) or on the central stock exchange shall be evaluated in terms of their net value, profitability, potential, and their recent closing price among counterpart players. The evaluation shall be approved by the board chairman and proposed in the next board of directors meeting.</p> <p>V. The Company's investments in Mainland China area are in line with the "Regulations Governing Permission of Trade Between Taiwan Area and Mainland Area" promulgated by the Investment Commission, MOEA.</p>	
<p>Article 11 The procedure governing the acquisition or disposal of intangible assets <u>or the right-of-use assets thereof or the membership</u></p> <p>I. Except for transactions done with domestic government agencies, when the transaction amount of the acquisition or disposal of intangible assets <u>or the right-of-use assets thereof or the membership</u> reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of</p>	<p>Article 11 The procedure governing the acquisition or disposal of intangible assets</p> <p>I. Except for transactions done with domestic government agencies, when the transaction amount of the acquisition or disposal of intangible assets reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.</p>	<p>Amend articles to be in line with laws.</p>

<p>occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.</p> <p>II. When the transaction amount of the acquisition or disposal of intangible assets <u>or the right-of-use assets thereof or the membership</u> reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall submit the transaction to the Board of Directors for a resolution and delegate the board chairman to execute it.</p> <p>III. In acquiring or disposing of intangible assets <u>or the right-of-use assets thereof or the membership</u>, the Company considerate the possible benefits, refer to the evaluation reports or the fair market value produced and suggested by experts, and determine the transactional conditions and transaction price. The evaluation results shall be approved by the board chairman and proposed in the next board of directors meeting.</p>	<p>II. When the transaction amount of the acquisition or disposal of intangible assets reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall submit the transaction to the Board of Directors for a resolution and delegate the board chairman to execute it.</p> <p>III. In acquiring or disposing of intangible assets, the Company considerate the possible benefits, refer to the evaluation reports or the fair market value produced and suggested by experts, and determine the transactional conditions and transaction price. The evaluation results shall be approved by the board chairman and proposed in the next board of directors meeting.</p>	
<p>Article 13 The procedure governing the acquisition or disposal of derivatives</p> <p>I. Transaction principle and guideline (i) Transaction type: The Company engages in forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, <u>or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance</u></p>	<p>Article 13 The procedure governing the acquisition or disposal of derivatives</p> <p>I. Transaction principle and guideline (i) Transaction type: The Company engages in forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts. (ii) Transaction method: 1. Risk-averse transactions: Transactions for the purpose of hedging. 2. Non-risk-averse transactions: Transactions that are not for the purpose of hedging. (iii) Operation or hedging</p>	<p>Amend articles to be in line with laws.</p>

<p><u>contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</u></p> <p>(ii) Transaction method:</p> <p>1. Risk-averse transactions: Transactions for the purpose of hedging.</p> <p>2. Non-risk-averse transactions: Transactions that are not for the purpose of hedging.</p> <p>(iii) Operation or hedging strategy: The Company engages in derivative financial commodity transactions and shall, for the purpose of hedging, trade selected commodities to evade risks arise from the Company's business operations. The currency held must be in the actual import and export transaction with the Company. Foreign currency demand is based on the square-off principle of the Company's overall internal position (referring to foreign currency income and expenditure). This is to reduce the company's overall foreign exchange risk and save foreign exchange operating costs.</p> <p>(iv) Division of accountability and responsibilities:</p> <p>1. Trader: Responsible for the strategy of the entire Company's financial commodity trading. Candidates are appointed by the chairman of the board or the general manager. Traders shall regularly calculate the position, collect market information, conduct trend judgment and risk assessment, and plan operation strategies. The transaction shall be executed after approval by the competent departments.</p>	<p>strategy: The Company engages in derivative financial commodity transactions and shall, for the purpose of hedging, trade selected commodities to evade risks arise from the Company's business operations. The currency held must be in the actual import and export transaction with the Company. Foreign currency demand is based on the square-off principle of the Company's overall internal position (referring to foreign currency income and expenditure). This is to reduce the company's overall foreign exchange risk and save foreign exchange operating costs.</p> <p>(iv) Division of accountability and responsibilities:</p> <p>1. Trader: Responsible for the strategy of the entire Company's financial commodity trading. Candidates are appointed by the chairman of the board or the general manager. Traders shall regularly calculate the position, collect market information, conduct trend judgment and risk assessment, and plan operation strategies. The transaction shall be executed after approval by the competent departments. Traders shall provide instant information to relevant departments as a reference for trading.</p> <p>2. Accounting (confirmation) personnel: Responsible for the confirmation of the transaction. Accounting personnel are designated by the Finance Department. Accounting personnel is responsible for making credit</p>	
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<p>Traders shall provide instant information to relevant departments as a reference for trading.</p> <p>2. Accounting (confirmation) personnel: Responsible for the confirmation of the transaction. Accounting personnel are designated by the Finance Department. Accounting personnel is responsible for making credit entry into the account and preserving transaction records in accordance with the relevant regulations. Accounting personnel shall conduct evaluation at the end of each month. The evaluation report is submitted to the chairman of the board.</p> <p>3. Settlement personnel: Responsible for the settlement of the transaction.</p> <p>(v) Performance evaluation: The evaluation is based on the profit and loss generated in the Company's book of interest rate or exchange rate cost and the engagement in derivative financial transactions. Evaluate evaluation is carried out once a week and shall be submitted to the chairman of the board.</p> <p>(vi) Total contract amount and the limit for loss:</p> <p>1. Total contract amount:</p> <p>(1) Risk-averse transactions:</p> <p>A. When the foreign exchange asset position and the foreign exchange liability position are in the same currency, the overall operation quota shall not exceed 70 percent of the Company's net foreign exchange position (assets minus liabilities). Exceeding amount shall be approved by the chairman of the board.</p>	<p>entry into the account and preserving transaction records in accordance with the relevant regulations.</p> <p>Accounting personnel shall conduct evaluation at the end of each month. The evaluation report is submitted to the chairman of the board.</p> <p>3. Settlement personnel: Responsible for the settlement of the transaction.</p> <p>(v) Performance evaluation: The evaluation is based on the profit and loss generated in the Company's book of interest rate or exchange rate cost and the engagement in derivative financial transactions. Evaluate evaluation is carried out once a week and shall be submitted to the chairman of the board.</p> <p>(vi) Total contract amount and the limit for loss:</p> <p>1. Total contract amount:</p> <p>(1) Risk-averse transactions:</p> <p>A. When the foreign exchange asset position and the foreign exchange liability position are in the same currency, the overall operation quota shall not exceed 70% of the Company's net foreign exchange position (assets minus liabilities). Exceeding amount shall be approved by the chairman of the board.</p> <p>B. When the foreign exchange asset position and the foreign exchange liability position are in the same currency, Independent operation quotas must not exceed Independent foreign exchange positions. Exceeding amount shall be submitted to and approved by the chairman of the board.</p> <p>(2) Non-risk-averse</p>	
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<p>B. When the foreign exchange asset position and the foreign exchange liability position are in the same currency, Independent operation quotas must not exceed Independent foreign exchange positions. Exceeding amount shall be submitted to and approved by the chairman of the board.</p> <p>(2) Non-risk-averse transactions:</p> <p>A. Authorization of the operation quota:</p> <p>(A) Head of the Finance Department: US\$10 million.</p> <p>(B) Head of Management Headquarters: US\$20 million.</p> <p>(C) Chairman of the board: US\$20 million.</p> <p>B. The company's overall operating quota must not exceed US\$50 million. Exceeding amount shall be submitted to the Board of Directors for a resolution and be delegated to the board chairman for execution.</p> <p>2. Limit of loss:</p> <p>(1) Risk-averse transactions: The Independent contract and the total limit of contract loss shall not exceed 20 percent of the contract amount.</p> <p>(2) Non risk-averse transactions: After the position is established, a stop loss points shall be set to prevent excess losses. The principle of setting up stop loss points:</p> <p>A. The stop loss price of daily transaction shall be carefully set based on the short-term support and back pressure points of each currency.</p> <p>B. The benchmark of setting a the stop loss point shall be a loss of US\$10,000 for every million dollars in operating</p>	<p>transactions:</p> <p>A. Authorization of the operation quota:</p> <p>(A) Head of the Finance Department: US\$10 million.</p> <p>(B) Head of Management Headquarters: US\$20 million.</p> <p>(C) Chairman of the board: US\$20 million.</p> <p>B. The company's overall operating quota must not exceed US\$50 million. Exceeding amount shall be submitted to the Board of Directors for a resolution and be delegated to the board chairman for execution.</p> <p>2. Limit of loss:</p> <p>(1) Risk-averse transactions: The Independent contract and the total limit of contract loss shall not exceed 20 percent of the contract amount.</p> <p>(2) Non risk-averse transactions: After the position is established, a stop loss points shall be set to prevent excess losses. The principle of setting up stop loss points:</p> <p>A. The stop loss price of daily transaction shall be carefully set based on the short-term support and back pressure points of each currency.</p> <p>B. The benchmark of setting a the stop loss point shall be a loss of US\$10,000 for every million dollars in operating amount, or one percent of the operating amount, whichever is lower shall be the limit of loss.</p> <p>C. The monthly net loss amount shall not exceed US\$ 200,000. In case of the amount being exceeded, the operation of the current month shall be stopped immediately.</p> <p>D. If the net loss of the operation in the current month</p>	
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<p>amount, or one percent of the operating amount, whichever is lower shall be the limit of loss.</p> <p>C. The monthly net loss amount shall not exceed US\$ 200,000. In case of the amount being exceeded, the operation of the current month shall be stopped immediately.</p> <p>D. If the net loss of the operation in the current month has exceeded US\$200,000, and the trader or any authorized supervisor still has a strong opinion about the trend of exchange rate and show willingness to operate, the decision must be presented to the chairman of the board as an Independent case to gain approval before continuing (but the total operation amount shall cap at US\$5,000,000). However, the total net loss caused by the operation of the case-by-case operation and the general operation shall not exceed US\$300,000. In case of the amount being exceeded, the Company shall immediately recognize the loss and stop the operation, and there may be no more case applications.</p> <p>II. Risk management measures</p> <p>(i) Risk management for credit: The subject matter of the transaction is limited to products provided by financial institutions capable of providing professional information and with good reputation.</p> <p>(ii) Risk management for market: Traders shall attend to the changes of the market and strictly establish the stop loss point.</p> <p>(iii) Risk management for liquidity: In order to ensure</p>	<p>has exceeded US\$200,000, and the trader or any authorized supervisor still has a strong opinion about the trend of exchange rate and show willingness to operate, the decision must be presented to the chairman of the board as an Independent case to gain approval before continuing (but the total operation amount shall cap at US\$5,000,000). However, the total net loss caused by the operation of the case-by-case operation and the general operation shall not exceed US\$300,000. In case of the amount being exceeded, the Company shall immediately recognize the loss and stop the operation, and there may be no more case applications.</p> <p>II. Risk management measures</p> <p>(i) Risk management for credit: The subject matter of the transaction is limited to products provided by financial institutions capable of providing professional information and with good reputation.</p> <p>(ii) Risk management for market: Traders shall attend to the changes of the market and strictly establish the stop loss point.</p> <p>(iii) Risk management for liquidity: In order to ensure market liquidity, the selection of financial products shall base on high liquidity (i.e. the product shall be able to be squared off any time in the market), and the financial institutions entrusted with transactions must have sufficient information and be ready to trade in any market.</p> <p>(iv) Risk management for cash flow: In order to ensure the</p>	
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<p>market liquidity, the selection of financial products shall base on high liquidity (i.e. the product shall be able to be squared off any time in the market), and the financial institutions entrusted with transactions must have sufficient information and be ready to trade in any market.</p> <p>(iv) Risk management for cash flow: In order to ensure the stability of the Company's operating capital turnover, the Company's source of funds for derivatives trading is limited to its own funds, and its operating amount shall take into consideration the capital demand for cash income and expenditure for the next three months.</p> <p>(v) Risk management for operation:</p> <ol style="list-style-type: none"> 1. Faithfully follow the authorization quota, operation procedures and incorporate internal audit to avoid operational risks. 2. Trading personnel engaging in derivatives trading shall not at the same time serve as the settlement and confirming personnel. 3. The amount of authorization shall be made known to each trading person in the financial institution to avoid exceeding. <p>(vi) Risk management for product: Traders shall be equipped with complete and correct professional knowledge of financial products, and shall ask banks to fully expose risks to avoid the risk of misusing financial products.</p> <p>(vii) Risk management for legal affairs: Documents signed by the Company and financial institutions shall be</p>	<p>stability of the Company's operating capital turnover, the Company's source of funds for derivatives trading is limited to its own funds, and its operating amount shall take into consideration the capital demand for cash income and expenditure for the next three months.</p> <p>(v) Risk management for operation:</p> <ol style="list-style-type: none"> 1. Faithfully follow the authorization quota, operation procedures and incorporate internal audit to avoid operational risks. 2. Trading personnel engaging in derivatives trading shall not at the same time serve as the settlement and confirming personnel. 3. The amount of authorization shall be made known to each trading person in the financial institution to avoid exceeding. <p>(vi) Risk management for product: Traders shall be equipped with complete and correct professional knowledge of financial products, and shall ask banks to fully expose risks to avoid the risk of misusing financial products.</p> <p>(vii) Risk management for legal affairs: Documents signed by the Company and financial institutions shall be reviewed by legal professionals to avoid legal risks.</p> <p>III. The supervision and management principles of the Board of Directors:</p> <p>(i) The Board of Directors shall appoint high-level supervisors to attend to the supervision and control of the risk of derivatives trading at any time. The management</p>	
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<p>reviewed by legal professionals to avoid legal risks.</p> <p>III. The supervision and management principles of the Board of Directors:</p> <p>(i) The Board of Directors shall appoint high-level supervisors to attend to the supervision and control of the risk of derivatives trading at any time. The management principles are as follows:</p> <p>1. Regularly assess whether the risk management measures currently in use are appropriate and in accordance with the <u>"Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</u> and the Company's procedures for handling derivatives trading.</p> <p>2. Supervise the transaction and income and loss status. When an abnormal situation is found, the Company shall take necessary countermeasures and report the abnormality to the Board of Directors immediately. Independent directors shall attend the meeting and express their opinions.</p> <p>(ii) Regularly evaluate whether the performance of derivatives trading is in line with the Company's established business strategy and whether the risks assumed are within the bearable scope of the Company.</p> <p>IV. The Company log book detailing the type and amount of derivatives trading, the date of adoption by the Board of Directors and other matters that shall be regularly evaluated.</p> <p>V. The Company's internal</p>	<p>principles are as follows:</p> <p>1. Regularly assess whether the risk management measures currently in use are appropriate and in accordance with the Company's procedures for handling derivatives trading.</p> <p>2. Supervise the transaction and income and loss status. When an abnormal situation is found, the Company shall take necessary countermeasures and report the abnormality to the Board of Directors immediately. Independent directors shall attend the meeting and express their opinions.</p> <p>(ii) Regularly evaluate whether the performance of derivatives trading is in line with the Company's established business strategy and whether the risks assumed are within the bearable scope of the Company.</p> <p>IV. The Company shall establish a memorandum book detailing the type and amount of derivatives trading, the date of adoption by the Board of Directors and other matters that shall be regularly evaluated.</p> <p>V. The Company's internal auditors shall regularly review the appropriateness of the internal control system for derivatives trading, and shall produce a monthly audit report on the compliance Trading Department with the procedures for dealing with derivatives. If a major violation is discovered, notify the Audit Committee in writing.</p>	
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<p>auditors shall regularly review the appropriateness of the internal control system for derivatives trading, and shall produce a monthly audit report on the compliance Trading Department with the procedures for dealing with derivatives. If a major violation is discovered, notify the Audit Committee in writing.</p>		
<p>Article 15 The procedure governing public disclosure of information</p> <p>I. Under any of the following circumstances, when acquiring or disposing of assets the Company shall publicly announce and report the relevant information within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(i) <u>Acquisition or disposal of real property or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(ii) Merger, demerger, acquisition, or transfer of shares.</p> <p>(iii) Losses from derivatives trading reaching the limits on</p>	<p>Article 15 The procedure governing public disclosure of information</p> <p>I. Under any of the following circumstances, when acquiring or disposing of assets the Company shall publicly announce and report the relevant information within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(i) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(ii) Merger, demerger, acquisition, or transfer of shares.</p> <p>(iii) Losses from derivatives trading reaching the limits on aggregate losses or losses on Independent contracts set out</p>	<p>Amend articles to be in line with laws.</p>

<p>aggregate losses or losses on Independent contracts set out in the procedures adopted by the company.</p> <p>(iv) Where equipment <u>or right-of-use assets thereof</u> for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> 1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more. 2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more. <p>(v) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(vi) Where an asset transaction other than any of those referred to in the preceding five paragraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following</p>	<p>in the procedures adopted by the company.</p> <p>(iv) Where equipment for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <ol style="list-style-type: none"> 1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more. 2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more. <p>(v) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(vi) Where an asset transaction other than any of those referred to in the preceding five paragraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of government bonds. 2. Trading of bonds under repurchase and resale 	
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<p>circumstances:</p> <p>1. Trading of <u>domestic</u> government bonds.</p> <p>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>II. The amount of transactions above shall be calculated based on <u>Paragraph 7</u>, Article 4.</p> <p>III. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the procedure need not be counted toward the transaction amount.</p> <p>IV. Procedures governing public announcement and reporting</p> <p>(i) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and announce them publicly and report them by the 10th day of each month.</p> <p>(ii) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p>	<p>agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>II. The amount of transactions above shall be calculated based on Subparagraph 7, Article 4:</p> <p>III. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the procedure need not be counted toward the transaction amount.</p> <p>IV. Procedures governing public announcement and reporting</p> <p>(i) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and announce them publicly and report them by the 10th day of each month.</p> <p>(ii) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(iii) When acquiring or disposing of assets, The Company shall keep all relevant contracts, meeting minutes, log books, appraisal</p>	
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<p>(iii) When acquiring or disposing of assets, The Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>(iv) Where any of the following circumstances occurs with respect to an acquisition or disposal of assets that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Change, termination, or rescission of a contract signed in regard to the original transaction. 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information. <p>(v) Information required to be publicly announced and reported in accordance with the provisions of the "principles governing the acquisition or disposal of assets" on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>(vi) If a competent authority revokes the Company's</p>	<p>reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>(iv) Where any of the following circumstances occurs with respect to an acquisition or disposal of assets that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Change, termination, or rescission of a contract signed in regard to the original transaction. 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information. <p>(v) Information required to be publicly announced and reported in accordance with the provisions of the "principles governing the acquisition or disposal of assets" on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>(vi) If a competent authority revokes the Company's investment application in Mainland China area after the Company has publicly announced or reported on investments in Mainland China</p>	
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<p>investment application in Mainland China area after the Company has publicly announced or reported on investments in Mainland China area, the Company shall disclose the application date of the announcement, the name of the company in which the investment was intended to pour, the estimate investment amount, the subject of transaction, the date of revocation by the competent authority on the market observatory post system.</p> <p>V. The format of the public announcement: As prescribed by the competent authority.</p> <p>VI. Provisions of the threshold requiring public announcement regarding 20 percent of the paid-in capital or 10 percent of the total assets for the Company and its subsidiaries shall be the standard of the Company's paid-in capital or total assets.</p>	<p>area, the Company shall disclose the application date of the announcement, the name of the company in which the investment was intended to pour, the estimate investment amount, the subject of transaction, the date of revocation by the competent authority on the market observatory post system.</p> <p>V. The format of the public announcement: As prescribed by the competent authority.</p> <p>VI. Provisions of the threshold requiring public announcement regarding 20 percent of the paid-in capital or 10 percent of the total assets for the Company and its subsidiaries shall be the standard of the Company's paid-in capital or total assets.</p>	
<p>Article 16 Miscellaneous</p> <p>I. Subsidiaries of the Company shall stipulate their own "procedure governing acquisition or disposal of assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgate by the Financial Supervisory Commission, The procedure shall be approved by the Board of Directors of the Company and then proposed in the Company's shareholders' meeting. The same rule applies to the amendment of the procedure. The Company's Audit Department shall conduct audits on subsidiaries'</p>	<p>Article 16 Miscellaneous</p> <p>I. Subsidiaries of the Company shall stipulate their own "procedure governing acquisition or disposal of assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgate by the Financial Supervisory Commission, The procedure shall be approved by the Board of Directors of the Company and then proposed in the Company's shareholders' meeting. The same rule applies to the amendment of the procedure. The Company's Audit Department shall conduct audits on subsidiaries'</p>	<p>Amend articles to be in line with laws.</p>

<p>operation of acquisition or disposal of assets regularly in accordance with the "procedure governing the internal control and audit."</p> <p>II. When the subsidiaries of the Company that are not domestic public companies and are required to make a public announcement or report on their acquisition or disposal of assets in accordance with the "procedure governing the acquisition or disposal of assets," the company shall make the public announcement or report on their behalf.</p> <p>III. For the calculation of 10 percent of total assets under the procedure governing the acquisition or disposal of assets, the total assets stated in the most recent parent company only financial report or Independent financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p>In the case of a company whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 percent of paid-in capital under the procedure, 10 percent of equity attributable to owners of the parent shall be substituted; <u>for calculations under the provisions of the procedure regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u></p> <p>IV. The procedure has been approved by one-half or more</p>	<p>operation of acquisition or disposal of assets regularly in accordance with the "procedure governing the internal control and audit."</p> <p>II. When the subsidiaries of the Company that are not domestic public companies and are required to make a public announcement or report on their acquisition or disposal of assets in accordance with the "procedure governing the acquisition or disposal of assets," the company shall make the public announcement or report on their behalf.</p> <p>III. For the calculation of 10 percent of total assets under the procedure governing the acquisition or disposal of assets, the total assets stated in the most recent parent company only financial report or Independent financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p>In the case of a company whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 percent of paid-in capital under the procedure, 10 percent of equity attributable to owners of the parent shall be substituted.</p> <p>IV. The procedure has been approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all audit committee members is not obtained, the procedure may</p>	
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<p>of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all audit committee members is not obtained, the procedure may be implemented if approved by two-thirds or more of all directors. The same rule applies to the amendment of the procedure. If a director objects and possesses a record or written statement, such director's objections and opinions shall be recorded in the minutes of the Board of Directors meeting.</p> <p>V. Matters not covered in this procedure shall be handled in accordance with the Company Charter and relevant laws and regulations.</p>	<p>be implemented if approved by two-thirds or more of all directors. The same rule applies to the amendment of the procedure. If a director objects and possesses a record or written statement, such director's objections and opinions shall be recorded in the minutes of the Board of Directors meeting.</p> <p>V. Matters not covered in this procedure shall be handled in accordance with the Company Charter and relevant laws and regulations.</p>	
<p>Article 17</p> <p>This procedure was stipulated with the provisional reached in the Board of Directors meeting on November 23, 1999. The first amendment was made on December 22, 1999, the second amendment was made on June 6, 2001, the third amendment was made on June 26, 2003, the fourth amendment was made on June 23, 2006, the fifth amendment was made on June 22, 2007, the sixth amendment was made on the June 28, 2012, the seventh amendment was made on June 26, 2014, the eighth amendment was made on June 26, 2017, ninth amendment was made on June 26, 2018, <u>and the tenth amendment was made on June 25, 2019.</u></p>	<p>Article 17</p> <p>This procedure was stipulated by the provisional Board of Directors meeting on November 23, 1988. The first amendment was made on December 22, 1999, the second amendment was made on June 6, 1990, the third amendment was made on June 26, 2003, the fourth amendment was made on June 23, 2006, the fifth amendment was made on June 22, 2007, the sixth amendment was made on the June 28, 2012, the seventh amendment was made on June 26, 2014, the eighth amendment was made on June 26, 2017, ninth amendment was made on June 26, 2018.</p>	<p>Add amendment date.</p>

Resolution :

Case 2 : Amendment to the operational procedures for loaning of company funds, endorsements and guarantees.(Proposed by the Board of Directors.)

Description : In response to the directive (Jing Guan Zheng Shen Zhi No. 1080304826), the directive (Jing Guan Zheng Shen Zhi No. 10803014354) issued by the Financial Supervisory Commission, R.O.C. on March 26, 2019 and April 30, 2019, respectively, and the business needs, the Company plans to amend partly its procedure governing the acquisition and disposal of assets. The amendment was passed on the sixth reviewing meeting held by the Company's first Audit Committee. The amendment was then brought up in the third reviewing meeting held by the Board of Directors in 2019 and approved. The following is the comparison chart of the current and amended articles and is listed for discussion :

Amended articles	Current articles	Reason for amendment
<p>Article 4 Borrowers of loans and endorsements/guarantees</p> <p>I. Borrowers of loans: <u>(i) Where an inter-company or inter-firm business transaction calls for a loan arrangement; or</u> <u>(ii) 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> <u>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</u> <u>The term "financing amount" as used in the preceding paragraph means the cumulative balance of the Company's short-term financing.</u> <u>The term "net worth" as used in the preceding paragraph means the latest data of the Company's recent financial statements audited or</u></p>	<p>Article 4 Borrowers of loans and endorsements/guarantees</p> <p>I. Borrowers of loans: (i) Where the Company's transfer investment company: When the Company's actual investment amount in a company exceeds 20 percent of the company's paid-in capital. (ii) Where the cooperating manufacturers or satellite factories of the Company are mainly whose sales or processing services are necessary for the short-term financing of the Company. The term "short term" refers to the period of one year or one business cycle, whichever is longer. (iii) Where the inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, the Company may make loading of funds to the investment company according to the procedure governing making</p>	<p>Amend articles to be in line with laws.</p>

<p><u>audited by a public accountant.</u></p> <p>II. Borrowers of endorsements/guarantees: The Company's Borrowers of endorsements/guarantees are limited as follows; however, where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages may be made free of the restriction.</p> <p>(i) A company with which it does business.</p> <p>(ii) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.</p> <p>(iii) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.</p> <p>(iv) Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10 percent of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100</p>	<p>loans,</p> <p>II. Borrowers of endorsements/guarantees: The Company's Borrowers of endorsements/guarantees are limited as follows; however, where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages may be made free of the restriction.</p> <p>(i) A company with which it does business.</p> <p>(ii) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.</p> <p>(iii) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.</p> <p>(iv) Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10 percent of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100 percent of the voting shares.</p>	
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<p>percent of the voting shares. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by Company, or through a company in which the Company holds 100 percent of the voting shares.</p>	<p>Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by Company, or through a company in which the Company holds 100 percent of the voting shares.</p>	
<p>Article 5 The aggregate amount of loans and endorsements/guarantees</p> <p>I. The aggregate amount of loans:</p> <p><u>(i) For a company with which it does business, the aggregate amount of loans shall not exceed 10 percent of the lender's net worth.</u></p> <p><u>(ii) 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></p> <p>II. <u>The aggregate amount of loans and Independent Borrowers</u></p> <p>1. <u>For a company with which it does business, the aggregate amount of loans shall not exceed the amount of purchase or sales in the preceding year, whichever is higher, and shall not exceed 10 percent of the lender's net worth.</u></p> <p>2. <u>Where an inter-company or inter-firm short-term financing facility is necessary:</u></p> <p><u>(i) For cooperating manufacturers or related parties, the aggregate amount of loans shall not exceed 5 percent of the lender's net worth.</u></p> <p><u>(ii) For re-investment companies and Independent Borrowers in which the</u></p>	<p>Article 5 The aggregate amount of loans and endorsements/guarantees</p> <p>I. The aggregate amount of loans:</p> <p>(i) The Company's aggregate amount of loans as a whole shall not exceed 40 percent of the Company's net worth.</p> <p>(ii) The aggregate amount of the Company's loans for a re-investment company shall not exceed 50 percent of its paid-in capital; however, for re-investment companies in which the Company holds 51 percent of shares, the aggregate amount of loans shall not exceed 40 percent of the Company's net worth.</p> <p>(iii) The Company's aggregate amount of loans for cooperating manufacturers or satellite factories shall not exceed 50 percent of its paid-in capital or shall not exceed the Company's expected purchase from such manufacturers or factories in the next year.</p> <p>II. The aggregate amount of endorsements/guarantees:</p> <p>(i) The aggregate amount of the Company's external endorsements/guarantees is limited to 50 percent of the Company's net worth in the previous year.</p> <p>(ii) The aggregate amount of endorsements/guarantees by</p>	<p>Amend articles and add new articles to be in line with laws.</p>

<p><u>Company holds more than 20 percent of the voting shares, the aggregate amount of loans shall not exceed 10 percent of the lender's net worth; however, For re-investment companies and Independent Borrowers in which the Company holds more than 40 percent of the voting shares, the aggregate amount of loans shall not exceed 40 percent of the lender's net worth.</u></p> <p><u>(iii) For inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, or to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100 percent of the voting shares, foreign companies shall make loans in accordance with their procedure governing loaning of funds. The aggregate amount of loans for Independent Borrowers the aggregate amount of the company's capital shall not exceed 40 percent of the Company's net worth.</u></p> <p><u>(iv) When the Company's person in charge violates any of the preceding regulations, the person in charge shall assume joint responsibilities; if the violations cause loss to the Company, the person in charge shall assume liabilities.</u></p> <p>II. The aggregate amount of endorsements/guarantees:</p> <p>(i) The aggregate amount of the Company's external endorsements/guarantees is limited to 50 percent of the Company's net worth in the previous year.</p>	<p>the Company for a single company is limited to 30 percent of the net worth of the previous year.</p> <p>(iii) The aggregate amount of endorsements/guarantees by the Company and its subsidiaries as a whole is limited to 50 percent of the net worth of the Company in the previous year.</p> <p>(iv) The aggregate amount of endorsements/guarantees e by the Company and its subsidiaries for a single enterprise as a whole is limited to 30 percent of the Company's net worth in the previous year.</p> <p>(v) Where the Company needs to exceed the limits set out in the procedure governing endorsements/guarantees to satisfy its business requirements, and where the conditions set out in the procedure governing endorsements/guarantees are complied with, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the procedure governing endorsements/guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p>	
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<p>(ii) The aggregate amount of endorsements/guarantees by the Company for a single enterprise is limited to 30 percent of the net worth of the previous year.</p> <p>(iii) The aggregate amount of endorsements/guarantees by the Company and its subsidiaries as a whole is limited to 50 percent of the net worth of the Company in the previous year.</p> <p>(iv) The aggregate amount of endorsements/guarantees by the Company and its subsidiaries for a single enterprise as a whole is limited to 30 percent of the Company's net worth in the previous year.</p> <p>(v) Where the Company needs to exceed the limits set out in the procedure governing endorsements/guarantees to satisfy its business requirements, and where the conditions set out in the procedure governing endorsements/guarantees are complied with, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the procedure governing endorsements/guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p>		
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<p>Article 10 The procedure governing public announcement and reporting</p> <p>I. The Company shall announce and report the previous month's loan and endorsement/guarantee balances of its head office and subsidiaries by the 10th day of each month.</p> <p>II. When the Company's whose loans of funds and endorsements/guarantees reach one of the following levels, it shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(i) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(ii) The balance of loans by the Company and its subsidiaries for a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(iii) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(iv) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p>	<p>Article 10 The procedure governing public announcement and reporting</p> <p>I. The Company shall announce and report the previous month's loan and endorsement/guarantee balances of its head office and subsidiaries by the 10th day of each month.</p> <p>II. When the Company's whose loans of funds and endorsements/guarantees reach one of the following levels, it shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(i) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(ii) The balance of loans by the Company and its subsidiaries for a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(iii) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(iv) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p>	<p>Amend articles to be in line with laws.</p>
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<p>(v) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(vi) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <u>carrying value of equity method</u> investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(vii) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>III. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Paragraph 3 and Paragraph 7 of the preceding paragraph.</p> <p>IV. "Date of occurrence" in the procedure means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm <u>the counterparty and monetary amount of the</u></p>	<p>(v) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(vi) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(vii) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>III. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Paragraph 3 and Paragraph 7 of the preceding paragraph.</p> <p>IV. "Date of occurrence" in the procedure means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount, whichever date is earlier.</p>	
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<p><u>loan of funds or endorsement/guarantee</u>, whichever date is earlier. V. "Subsidiary" and "parent company" as referred to in the procedure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in the procedure means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>V. "Subsidiary" and "parent company" as referred to in the procedure shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in the procedure means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	
<p>Article 11 Miscellaneous</p> <p>I. Subsidiaries of the Company shall stipulate their own "procedure governing loaning of funds and making of endorsements/guarantees" in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgate by the Financial Supervisory Commission, The procedure shall be approved by the Board of Directors of the Company and then proposed in the Company's shareholders' meeting. The same rule applies to the amendment of the procedure. The Company's Audit Department shall conduct audits on subsidiaries' operation of loaning of funds and making of endorsements/guarantees regularly in accordance with</p>	<p>Article 11 Miscellaneous</p> <p>I. Subsidiaries of the Company shall stipulate their own "procedure governing loaning of funds and making of endorsements/guarantees" in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgate by the Financial Supervisory Commission, The procedure shall be approved by the Board of Directors of the Company and then proposed in the Company's shareholders' meeting. The same rule applies to the amendment of the procedure. The Company's Audit Department shall conduct audits on subsidiaries' operation of loaning of funds and making of endorsements/guarantees regularly in accordance with</p>	<p>Amend articles to be in line with laws.</p>

<p>the "procedure governing the internal control and audit."</p> <p>II. The procedure has been approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all audit committee members is not obtained, the procedure may be implemented if approved by two-thirds or more of all directors. The same rule applies to the amendment of the procedure. If a director objects and possesses a record or written statement, such director's objections and opinions shall be submitted to the Audit Committee. Such director's objections and opinions shall also be submitted for discussion by the Board of Directors pursuant to the Company's relevant provisions, the Board of Directors shall take into full consideration each independent director's opinions. <u>If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</u> <u>The terms "all members of the Audit Committee" and "all members of the Board of Directors" in the preceding paragraph shall be calculated as the number of members actually in office.</u></p> <p>III. When planning to engage in loaning of funds and make endorsements/guarantees, the Company shall comply with the procedure or other statutory regulations and submit the matter to the</p>	<p>the "procedure governing the internal control and audit."</p> <p>II. The procedure has been approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all audit committee members is not obtained, the procedure may be implemented if approved by two-thirds or more of all directors. The same rule applies to the amendment of the procedure. If a director objects and possesses a record or written statement, such director's objections and opinions shall be submitted to the Audit Committee. Such director's objections and opinions shall also be submitted for discussion by the Board of Directors pursuant to the Company's relevant provisions, the Board of Directors shall take into full consideration each independent director's opinions and the meeting minute shall include director's opinions of consent or objection as well as the reason for such consent or objection.</p> <p>III. When planning to engage in loaning of funds and make endorsements/guarantees, the Company shall comply with the procedure or other statutory regulations and submit the matter to the Board of Director for a resolution. Directors shall not empower any other person to make such decision. If a director objects and possesses a record or written statement, such director's objections and opinions shall</p>	
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<p>Board of Director for a resolution. Directors shall not empower any other person to make such decision. If a director objects and possesses a record or written statement, such director's objections and opinions shall be submitted to the Audit Committee. The Company shall submit the loaning of funds and the making of endorsements/guarantees for discussion by the Board of Directors pursuant to the Company's relevant provisions, the Board of Directors shall take into full consideration each independent director's opinions. <u>If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</u></p> <p>VI. When handling loaning of funds and making endorsements/guarantees, the Company's managers and personnel in charge shall follow the procedure. If violations against relevant statutory regulations or the procedure are found the manager and personnel in charge will be penalized in accordance the Company's personnel management system.</p> <p>V. The Company's internal auditors shall review the appropriateness of the internal control system for the procedure of making of endorsements/guarantees and its performance at least once a quarter, and shall produce an audit report. If a major violation is discovered,</p>	<p>be submitted to the Audit Committee. The Company shall submit the loaning of funds and the making of endorsements/guarantees for discussion by the Board of Directors pursuant to the Company's relevant provisions, the Board of Directors shall take into full consideration each independent director's opinions and the meeting minute shall include director's opinions of consent or objection as well as the reason for such consent or objection.</p> <p>VI. When handling loaning of funds and making endorsements/guarantees, the Company's managers and personnel in charge shall follow the procedure. If violations against relevant statutory regulations or the procedure are found the manager and personnel in charge will be penalized in accordance the Company's personnel management system.</p> <p>V. The Company's internal auditors shall review the appropriateness of the internal control system for the procedure of making of endorsements/guarantees and its performance at least once a quarter, and shall produce an audit report. If a major violation is discovered, notify the Audit Committee in writing.</p> <p>VI. Matters not covered in this procedure shall be handled in accordance with the Company Charter and relevant laws and regulations.</p>	
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<p>notify the Audit Committee in writing. VI. Matters not covered in this procedure shall be handled in accordance with the Company Charter and relevant laws and regulations.</p>		
<p>Article 12</p> <p>This procedure was stipulated with the provisional reached in the Board of Directors meeting on April 8, 2003. The procedure was submitted in the Company's shareholders' meeting for approval before being implemented. The first amendment was made on June 23, 2006, the second amendment was made on June 26, 2009, the third amendment was made on June 29, 2010, the fourth amendment was made on June 28, 2013, the fifth amendment was made on June 26, 2018, and <u>the sixth amendment was made on the June 25, 2019.</u></p>	<p>Article 12</p> <p>This procedure was stipulated with the provisional reached in the Board of Directors meeting on April 8, 2003. The procedure was submitted in the Company's shareholders' meeting for approval before being implemented. The first amendment was made on June 23, 2006, the second amendment was made on June 26, 2009, the third amendment was made on June 29, 2010, the fourth amendment was made on June 28, 2013, and the fifth amendment was made on June 26, 2018.</p>	<p>Add amendment date.</p>

Resolution :

Questions and Motions.

Adjournment

Appendix

- Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting :

The earnings distribution case proposed or adopted at the most recent shareholders' meeting only allots cash dividends but is not involved in stock dividend distribution. Besides, the Company has not made public the financial forecast information in 2018, so this item is not applicable.

- Shareholding situation of the company's directors :

In accordance with Article 26 in Securities Exchange Act and "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies", the total shares held by all directors of the Company cannot be less than 12,000,000 shares. The shares held by all directors of the Company till April 27, 2019 (the date for suspension of share transfer) are 75,822,415 shares, which comply with regulations. The shares held by each director are listed below :

Names of directors	Shares held in time of election	Shares held on the date for suspension of share transfer	Remarks
Zeng Song-zhu	48,664,715	48,664,715	
Zeng Song-ling	5,692,934	5,692,934	
Zenglu Min-hua	8,047,819	8,347,819	
Qiu Li-qing	5,412,000	5,412,000	
Dinghong Investment Co., Ltd. Representative: Zheng Wen-xiang	390,022	390,022	
Dinghong Investment Co., Ltd. Representative: Cai Xue-liang			
Dinghong Investment Co., Ltd. Representative: Yuan Qi-bin			
Dinghong Investment Co., Ltd. Representative: Lai Ru-ding			
Dingcheng Investment Co., Ltd. Representative: Zeng Hui-juan	7,314,925	7,314,925	
Chen Shui-jin	0	0	Independent director
Chen Jian-nan	0	0	
Li Zong-ying	0	0	
Zhuang Wen-jing	0	0	
Total	75,522,415	75,822,415	

【 Note 】 The Company simultaneously elects more than 2 independent directors. Shareholding ratio of all directors other than independent directors calculated by rates is decrease to 80%.

- Proposal information by the shareholders with more than 1% shares of total shares issued by the Company:

(1) In accordance with Article 172-1 of the Company Act, the period for accepting shareholders' proposals by this shareholders' regular meeting starts from April 19, 2019 till April 29, 2019, and it has been announced in market observatory post system according to the laws.

(2) During the abovementioned period, we did not receive proposals from shareholders who hold more than 1% shares in total shares issued by the Company.

MERIDA INDUSTRY CO., LTD.

Rules of Procedure for Shareholders' Meeting

- Article1 Unless otherwise provided by statutes or articles of incorporation, the shareholder's meeting of the Company shall be held in line with this regulation.
- Article2 Shareholders (or their agents) of the Company are asked to wear attendance cards, where the number of equities is calculated by sign-in cards handed over in time of sign-in in addition to the shares of voting right exercised by written form or electronic way.
- Article3 Unless otherwise provided by statutes, each shareholder of the Company has a voting right for each share.
- Article4 The shareholder's meeting of the Company shall be convened in the venue where the Company is located or where is conducive for the shareholders to attend and suitable for the shareholders to convene.
- Article5 If the board of directors convenes the shareholders' meeting, the president shall be the chairperson. When the president asks for leave or cannot carry out the duty for some reason, it shall be handled in line with the provisions in Article 208 of the Company Act.
If the shareholders' meeting is convened by person who is entitled to convene other than the board of directors, the convener shall serve as the chairperson.
- Article6 The company may designate the appointed lawyer, accountant or relevant personnel to attend the shareholders' meeting as a nonvoting delegate.
- Article7 The meeting affairs personnel who handle the shareholders' meeting shall wear badge or armband.
- Article8 The Company shall make an audio or video record of the whole course of the shareholders' meeting and keep it at least for 1 year.
- Article9 When the meeting time comes, the chairperson shall declare to start the meeting. However, when the shareholders representing no more than half of the total issued shares attend, the chairperson may declare postpone the meeting. It cannot be postponed more than twice, and the total postponed time cannot exceed 1 hour. When the meeting is postponed twice, the quota is still insufficient and shareholders representing one third of total issued shares have attended, tentative resolution may be made in line with Paragraph 1, Article 175 in the Company Act.
Before the end of the meeting, if the number of shares represented by attended shareholders has reached more than half of the total issued shares, the chairperson may resubmit the tentative resolution to the general meeting for voting in line with

Article 174 of the Company Act.

Article 10 If the shareholders' meeting is convened by board of directors, the agenda shall be set by board of directors. The meeting shall be carried out in line with scheduled agenda and cannot be changed without resolution of the shareholders' meeting.

If the shareholders' meeting is convened by convener other than board of directors, the provisions of preceding paragraph apply mutatis mutandis. Before the end of procedure (including extempore motion) for the agenda scheduled in preceding 2 paragraphs, the chairperson cannot declare the meeting adjourned without resolution.

After the meeting is ended, the shareholders cannot reelect the chairperson to continue the meeting at the original venue or other venues. However, if the chairperson violates the rules of procedure and declare to end the meeting, one person may be elected as the chairperson under the consent of half of the attended shareholders with voting rights for the meeting being continued.

Article 11 When the meeting is ongoing, the chairperson may set time to declare for rest.

Article 12 Before the attended shareholder speaks, it is necessary to first fill in speech notes stating speech gist, shareholder's account number, (or attendance card number) and shareholder's name. The chairperson shall decide the speech order.

The attended shareholders who only submit speech notes but do not speak are deemed as not speaking. If the speech content and the record of speech note are inconsistent, the speech content shall prevail.

When the attended shareholder speaks, other shareholders cannot speak to interfere unless consent of the chairperson and speaking shareholder is obtained. Violators shall be prohibited by the chairperson.

Article 13 When every shareholder speaks regarding the same motion, it cannot exceed twice unless consented by the chairperson. Every time cannot exceed 5 minutes.

The motions shall be discussed in line with the motion order scheduled by the agenda.

In case of violating procedure or exceeding beyond the topic of discussion, the chairperson may prohibit their speech.

Article 14 When a judicial person is entrusted to attend shareholders' meeting, the judicial person can only designate one person as the representative. When judicial shareholder designates more than 2 persons to attend shareholders' meeting as the representatives, only one can be chosen to speak for the same motion.

Article15 After the attended shareholder speaks, chairperson may reply in person or designate relevant personnel to reply.

Article16 When discussing the motions, the chairperson may declare to end the discussion at the right time. When necessary, the chairperson may declare to stop discussion and submit for voting.

Article17 When the Company holds shareholders' meeting, the voting rights shall be exercised by electronic way and may be exercised by written form. When the voting right is exercised by written form or electronic way, the exercising way shall be specified in the convening notice of shareholders' meeting. The shareholders exercising voting right by written form or electronic way are deemed to attend shareholders' meeting in person. However, regarding the amendment of extempore motion and original motion, they are deemed as abstention, so it is proper for the Company to avoid submitting the amendment of extempore motion and original motion.

Regarding the exercising of voting right by written form or electronic way in the preceding paragraph, the expression of intent shall be delivered to the company 2 days before the convening of shareholders' meeting. When the expression of intent is repetitive, the earliest service shall prevail, except that the former expression of intent is declared to be revoked.

After the shareholders exercise voting right by written form or electronic way, those who want to attend shareholders' meeting in person shall revoke the expression of intent for exercising voting right in the preceding paragraph by the same way as exercising voting right 2 days before convening the shareholders' meeting. If the revocation is overdue, the voting right exercised by written form or electronic way shall prevail. If voting right is exercised by written form or electronic way and agent is entrusted by proxies to attend the shareholders' meeting, the voting right exercised by entrusted attended agent shall prevail.

The voting of motion, unless otherwise provided by the Company Act and articles of incorporation, shall pass under the consent of half of the attended shareholders with voting rights. In time of voting, the chairperson or the designated personnel shall announce the total number of voting rights. The shareholders shall vote and on the day after the convening of shareholders' meeting, results of shareholders' consent, objection and abstention are input into market observatory post system. However, if the chairperson queries all attended shareholders for motion with no objection as the result, it is deemed adoption. Its validity is the same as voting. In case of objection (including exercising voting right to object or abstain from voting by written form or electronic form) the way of voting shall be adopted to decide.

When the same motion has amendment or substituted motion, the chairperson set the order of voting together with the original motion.

If one motion among them has been approved, other motions are deemed veto and there is no need for voting any more.

The chairperson shall appoint the vote monitoring and counting personnel for motion voting, but the vote monitoring personnel shall be one of the shareholders.

The voting counting work of shareholders' meeting voting or election motion shall be done at the public place in the shareholders' meeting venue. Moreover, after the vote counting is completed, the voting result shall be announced on the spot, including the statistical weight, and records shall be made.

Article18 The chairperson may direct the picket (or security) to help maintain order of meeting place. The picketer (or security) who helps maintaining order on site shall wear the armband with the word "picketer".

Article19 The matters not covered in this regulation shall be handled in accordance with the Company Act or other relevant regulations.

Article20 This regulation comes into force after being approved by shareholders' regular meeting on May 21, 1990. It was amended for the 1st time on June 15, 1998. It was amended for the 2nd time on June 25, 2002. It was amended for the 3rd time on June 23, 2006. It was amended for the 4th time on June 27, 2008. It was amended for the 5th time on June 26, 2014. It was amended for the 6th time on June 22, 2016.

Articles of Incorporation for Merida Industry Co., Ltd.

Chapter 1 General

Article 1 The Company is organized in accordance with the provisions concerning Co., Ltd. in the Company Act, named "Merida Industry Co., Ltd."

Article 2 The businesses operated by the Company are as follows:

1. The manufacturing, assembly, deal and external processing of bikes and their parts.
2. The manufacturing, assembly, and deal of auto-bikes and their parts.
3. The manufacturing, assembly, and deal of electric vehicles and their parts.
4. The export, import and deal of speedometer.
5. The manufacturing, assembly, and deal of exercise bikes and their parts.
6. The import and export business of various above products and equipment.
7. Entrust construction companies to build public housing and business building and the rental and sale business.
8. C805050 Industrial plastic product manufacturing business.
9. CC01080 Electronic component manufacturing business.
10. CC01050 Data storage and processing equipment manufacturing business.
11. CA01990 Other non-iron metal basic industry (melting, forging, die-casting, extrusion, wire drawing of zinc, aluminum, magnesium, copper, titanium alloy)
12. CA02990 Other metal product manufacturing business (melting, forging, die-casting, extrusion, wire drawing of zinc, aluminum, magnesium, copper, titanium alloy).
13. ZZ99999 Besides the permitted businesses, businesses not prohibited or restricted by decrees can be operated.

Article 3 Head Office of the Company is located in Changhua County, Taiwan Province. Board of directors may resolve to set up branches at home and abroad when necessary.

Article 4 The announcement method of the Company is done in line with provisions of the Company Act and other relevant decrees.

Article 5 Reinvestment of the Company can exceed over 40% of paid-in capital.

Article 6 With consent by board of directors, the Company can engage in external guarantee business between Businesses.

Chapter 2 Shares

Article 7 The total capital of the Company is set NT\$3.5 billion, divided into

350 million shares. Every share is NT\$10 only. The board of directors is authorized to issue the unissued shares among them by many times when necessary. Preferred stocks may be issued for the above stocks.

Article 7-1 (Deleted)

Article 8 All the shares of the Company are registered stocks. Over 3 directors sign or seal and number them. The shares are issued after certified by the competent authority or its ratified issuance registration institution according to the laws.

Article 9 Stock affairs of the Company are handled in accordance with "Criteria Governing Handling of Stock Affairs by Public Stock Companies" unless otherwise provided by decrees and security rules.

Article 10 Share transfer is suspended within 60 days before shareholders' regular meeting, within 30 days before interim shareholders' meeting or within 5 days before reference day when the company decides to allot dividend, bonus and other profits.

Chapter 3 Shareholders' Meeting

Article 11 There are 2 kinds of shareholders' meetings which are regular meeting and interim meeting.

1. Regular meeting is convened once every year, held within 6 months after the end of every fiscal year.
2. Interim meeting shall be convened in line with relevant decrees when necessary.

Article 12 For convening shareholders' regular meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 30 days before the meeting. For convening shareholders' interim meeting, the date, venue and proposals of the meeting shall be informed to each shareholder 15 days before the meeting. However, for shareholders with less than one thousand shares, it may be done by way of announcement.

Article 13 When shareholders cannot attend shareholders' meeting for some reason, they may present proxies printed by the Company, specifying authorization scope and entrusting agents to attend. The measures for the shareholders to entrust for attendance shall be handled in line with provisions in "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings" promulgated by competent authority in addition to complying with the provisions of Article 177 in the Company Act.

Article 14 The chairperson shall serve as the chairperson of the shareholders' meeting convened by the board of directors. When the chairperson asks for leave or cannot exercise functions and

powers for some reason, it shall be handled in line with the provisions in Article 208 of the Company Act. If the shareholders' meeting is convened by person who is entitled to convene other than the board of directors, the convener shall serve as the chairperson. When there are more than 2 conveners, one person among them shall be elected as the chairperson.

Article15 The resolution of shareholders' meeting shall be done with attendance by more than half of the shareholders representing the total issued shares and the consent by more than half of the attended shareholders' voting right, unless otherwise provided by the Company Act.

Article16 Unless otherwise provided by statutes, each shareholder of the Company has a voting right for every share.

Article17 The approved resolution matters of shareholders' meeting shall be made into minute book that shall be signed or sealed by chairperson and recorder. The minute book shall be distributed to each shareholder within 20 days after the meeting. The distribution of minute book, financial statement and earnings apportion or loss make-up resolution can be made by way of announcement.

Chapter 4 Board of Directors

Article18 The Company's board of directors sets up 9-13 directors who are elected from persons with legal capacity in the shareholders' meeting. Their tenure of office is 3 years. If they are reelected, they can serve another term.

In the quota of above directors, independent directors cannot be less than 3 persons and cannot be less than one fifth of seats for directors.

The election of independent directors adopts candidate nomination system in Article 192-1 of the Company Act. They are elected from independent director candidate list by the board of directors.

The acceptance, announcement and other matters that should be complied with regarding nomination of independent director candidates are handled in accordance with the Company Act, Securities Exchange Act and other relevant decrees.

Independent directors and non-independent directors shall be elected together and the quota of successful candidates shall be calculated separately.

The Company's total shares held by all directors shall comply with the provisions of "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" promulgated by competent authority of securities.

Article18-1 The Company sets up Audit Committee in line with provisions of

Article 14-4 of Securities Exchange Act, formed by all independent directors. Exercising of function and power and relevant matters regarding Audit Committee and its members are handled by provisions of relevant decrees of competent authority of securities.

Article19 A chairperson shall be elected with attendance of over two thirds of directors and by consent of over half of attended directors. A vice chairperson can be elected by the same way. The chairperson represents the company externally and internally serves as chairperson of shareholders' meeting and board of directors.

Article20 Function and power of board of directors are as follows:

1. Authorize various important rules and regulations.
2. Decide business policy.
3. Decide budgets and final accounts.
4. Draft earnings apportion or loss make-up.
5. Draft increase or decrease in capital.
6. Acquire or dispose of assets.
7. Decide important choice of persons of the Company.
8. External guarantee business between the same trades.
9. Set up and dissolve the branches of the Company.
10. Ratify the reinvestment business.
11. Other function and power endowed by the Company Act or board of directors.

Execution of the company's business shall be done by the resolution of board of directors except the matters that shall be resolved by shareholders' meeting in accordance the Company Act or relevant decrees.

Article21 When vacancy of directors has reached one third, board of directors shall convene interim shareholders' meeting for by-election within 60 days. The tenure of office for the directors of by-election is within the limit of tenure of office for the original directors.

Article22 Board of directors holds meeting at least once every season. In case of emergency or request by over half of directors, it can be convened any time. The Company's board meeting can be convened by way of writing, E-mail or fax.

Article23 Chairperson serves as chairperson of board of directors. When the chairperson asks for leave or cannot exercise functions and powers for some reason, it shall be handled in accordance with Article 208 of the Company Act.

Article24 When board of directors holds meeting, directors shall attend in person. When directors cannot attend for special affairs, they may present proxies, specifying authorization scope and entrusting one other director as agent to attend. Directors who

dwelling abroad may entrust other shareholders dwelling domestically in writing to attend board of directors frequently on their behalf. However, they shall apply for registration to competent authority, which applies to change thereto. If board meeting is held by video conferencing, directors who participate in the meeting by video are deemed as attend in person.

Article25 The resolution of board meeting shall be done with attendance of over half of directors and consent by over half of attended directors unless otherwise provided by the Company Act. The procedure of board meeting shall be made into minute book that shall be signed or sealed by chairperson and recorder. The minute book shall be distributed to each director and supervisor within 20 days after the meeting. The minute book can be made and distributed by electronic way and shall be kept forever in the period of the Company's existence.

Article26 The Company may purchase liability insurance for directors' compensation liability that shall be borne in their business execution scope according to the laws during their tenure of office.

Chapter 5 Manager and Staff

Article27 The Company may set several managers who adhere to the policy resolved by board of directors and relevant decrees and comprehensively manage all businesses of the Company and whose appointment, dismissal and remuneration are handled in line with provisions of Article 29 in the Company Act.

Article28 General manager follows the orders by board of directors to comprehensively manage the Company's business. If general manager cannot carry out duties due to some affairs, general manager designates a vice general manager as agent.

Article29 Board of directors decides the Company's organization system and quota for setting up staff of various levels and their appointment way.

Chapter 6 Accounting

Article30 The Company's fiscal year starts from January 1 till December 31 every year. At the end of each fiscal year, final accounts shall be carried out.

Article31 Board of directors compiles the following various statistical forms for the Company's annual final accounts according to the laws and submits to shareholders' regular meeting for recognition in line with legal procedures:

1. Business report

2. Financial statement
3. Motion of earnings apportion or loss make-up

Chapter 7 Others

Article32 If the Company has earned annual profit, no less than 5% shall be allocated for remuneration of employees and no more than 5% for remuneration of directors. However, if the company still has cumulative loss, make-up amount shall be retained in advance. Employees' remuneration may be given by shares or cash and directors' remuneration shall be given by cash. It shall be done by the board of directors with more than two thirds of directors' attendance and the consent resolution by over half of attended directors and shall be reported to shareholders' meeting. The objects granted with employee remuneration may include employees of subsidiary companies that comply with certain conditions, setting of which is decided by board of directors.

Article33 Regarding net profit after the annual final accounts, in addition to paying profit-seeking enterprise income tax according to the laws and making up loss of previous years, 10% from the balance shall be allocated as legal reserve. However, when legal reserve has reached the Company's paid-in capital, it will not be allocated anymore and we shall allocate or reverse special reserve according to the laws. If there is still surplus, add cumulative undistributed earnings in previous years and make them distributable earnings. Board of directors drafts earning distribution motion and submits to shareholders' meeting to resolve for apportioning shareholders dividends and bonus. Shareholders' total dividends shall be 10% to 80% of distributable earnings in that year. Wherein, cash dividends shall not be less than 10% of shareholders' total dividends.

Article34 When the Company's directors do the jobs of the Company, regardless of the business profit or loss of the Company, the company may pay remuneration. Board of directors is authorized to agree to their remuneration in line with the level that they participate in the company's operation, contribution value and general standard of the same trade. If the company has earnings, besides independent directors, remuneration shall be distributed in accordance with Article 32 otherwise.

Chapter 8 Supplementary Provisions

Article35 Organizational rules and important regulations and measures of the Company shall be formulated by board of directors otherwise.

Article36 Matters not covered in the articles of incorporation shall be

handled in accordance with Company Act and other relevant decrees.

Article 37 The articles of incorporation were formulated on September 8, 1972. It was amended for the 1st time on May 14, 1974. It was amended for the 2nd time on July 16, 1979. It was amended for the 3rd time on March 10, 1980. It was amended for the 4th time on June 29, 1980. It was amended for the 5th time on August 31, 1981. It was amended for the 6th time on April 11, 1982. It was amended for the 7th time on May 29, 1983. It was amended for the 8th time on May 6, 1984. It was amended for the 9th time on July 1, 1985. It was amended for the 10th time on August 3, 1985. It was amended for the 11th time on July 2, 1987. It was amended for the 12th time on June 25, 1988. It was amended for the 13th time on September 11, 1989. It was amended for the 14th time on September 11, 1989. It was amended for the 15th time on November 29, 1990. It was amended for the 16th time on December 29, 1990. It was amended for the 17th time on May 5, 1991. It was amended for the 18th time on April 26, 1992. It was amended for the 19th time on June 15, 1993. It was amended for the 20th time on June 6, 1994. It was amended for the 21st time on June 20, 1995. It was amended for the 22nd time on June 24, 1997. It was amended for the 23rd time on June 15, 1998. It was amended for the 24th time on June 16, 1999. It was amended for the 25th time on June 16, 2000. It was amended for the 26th time on June 20, 2001. It was amended for the 27th time on June 25, 2002. It was amended for the 28th time on June 26, 2003. It was amended for the 29th time on June 25, 2004. It was amended for the 30th time on June 28, 2005. It was amended for the 31st time on June 23, 2006. It was amended for the 32nd time on March 22, 2007. It was amended for the 33rd time on June 27, 2008. It was amended for the 34th time on June 26, 2009. It was amended for the 35th time on June 29, 2010. It was amended for the 36th time on June 28, 2012. It was amended for the 37th time on June 28, 2013. It was amended for the 38th time on June 26, 2014. It was amended for the 39th time on June 22, 2015. It was amended for the 40th time on June 22, 2016. It was amended for the 41st time on June 26, 2017. It was amended for the 42nd time on June 26, 2018.

Zeng Songzhu, Chairman