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Delpha Construction Co., Ltd.
Procedures of 2019 General Shareholders' Meeting

- I. Call Meeting to Order
- II. Chairman's Speech
- III. Matters to Be Reported
- IV. Matters for Recognition
- V. Discussion Items
- VI. Temporary Motions
- VII. Meeting Adjournment

Delpha Construction Co., Ltd.

Agenda of 2019 General Shareholders' Meeting

Time: 9:00 am, June 5 (Wednesday), 2019

Venue: B1, No. 28, Lane 420, Section 5, Chenggong Road, Neihu District,
Taipei City

- I. Call meeting to order
- II. Chairman's speech
- III. Management Presentations
 1. 2018 Business Report.
 2. Audit Committee's Inspection Report on the 2018 Final Accounts.
 3. Compensation Distribution for Employees and Directors of 2018.
- IV. Matters for Recognition
 1. Business Report and Financial Statements of the 2018.
 2. Proposal for Distribution of 2018 Profits.
- V. Discussion Items
 1. Proposal for the amendment of "the Procedures of Acquiring or Disposing Assets of the company".
- VI. Temporary Motions
- VII. Meeting Adjournment

III. Matters to Be Reported

1. 2018 Standalone Business Condition Report

In 2018, the company's operating income mainly comes from the sales of the remaining units of Reading Green Life. The annual operating revenue is NT\$ 1,201,068,913, and the earnings per share is NT\$ 0.10. This year, in addition to keeping our effort in the integration of proceeding the urban renewal case in the Huaisheng section and the Taiyuan Road urban renewal case of the Company's subsidiary Huachien Property Developer, we expect to launch the self-build urban green case in Yunhe St. and the joint-construction case in Wuchang St after obtaining the construction license in the 3rd quarter. At the same time, in order to prepare for the future roll-outs, we will continue to develop the promising lands in Greater Taipei.

Thank you for your support.

The Company's 2018 business condition and 2019 business plan are as follows:

A. 2018 Business Report

A. 2018 Business Plan Implementation Results

The Company's 2018 operating income is NT\$ 1,201,069 thousand, which, compared with the 2017 operating income of NT\$ 62,761 thousand, shows an increase of NT\$ 1,138,308 thousand, and the growth rate is a positive 1,813.72%. The 2018 net profit before tax is NT\$ 41,439 thousand, which, compared with the 2017 net loss before tax of NT\$ 108,656 thousand, shows an increase of NT\$ 150,095 thousand.

B. 2018 Annual Operating Income Details

Unit: NT\$'000

Case	No. of pings	Amount
Shitan Section case A (Huyue Tianqin)	1,891.07	1,029,287
Shitan Section case B (Huyue Tianyun)	324.13	169,943
Shenghuojia (Life Artist) Part A	7.28	726
Rental income	—	1,113
Total	2,222.48	1,201,069

C. Budget implementation condition

According to Regulations Governing the Publication of Financial Forecasts of Public Companies, the company doesn't need to publish its 2018 financial forecast.

D. Financial Revenue and expenditure and Profitability Analysis

Item		2018	2017
Financial structure %	Debt to assets ratio	22.00	33.30
	Long-term funds to property, plant and equipment ratio	5,546.93	5,289.38
Solvency %	Current ratio	412.21	275.32
	Quick ratio	66.36	34.98
	Times interest earned ratio (times)	3.60	(3.50)
Profitability %	Return on Assets	0.89	(1.86)
	Return on equity	0.83	(3.39)
	Ratio of pre-tax net profit to paid-in capital	1.53	(4.01)
	Net profit (loss) rate	2.24	(181.99)
	Earnings per share (NT\$)	0.10	(0.43)

This year's operating income is higher than last year's, so both the net profit margin and earnings per share are also higher.

B. Overview of the 2019 Business Plans

A. Business Strategy

From land development to design and construction, the Company has constantly been upholding the spirit of "cultivating spaces and caring about the earth", and has always been pursuing the goals of "providing high-quality and diversified construction and living spaces, caring about the social environment, and helping to create a gorgeously neat dwelling and urban life landscape". We also take an honest and responsible attitude to meet the public's and house buyers' needs toward the living environment and space.

In order to enhance our competitive and operating advantages, we strive to achieve the following four goals:

- (1) To actively dispose the unsold houses and lands to reduce the debt ratio.
- (2) To strengthen the operating group and stabilize the financial structure.
- (3) To grasp market trends and formulate strategies and responding

measures accordingly.

(4) To effectively integrate resources and improve competitiveness.

B. Business Goals

This year, the Company will focus on:

- (1) the sale of the completed "Reading Green Life" shops and general business offices .
- (2) the planning, design and sale of the "Yunhe Street Urban Green" pre-sale case.
- (3) the planning, design and sale of the "Wuchang Street " pre-sale case.

C. Important Production and Sale Policies

Production Strategies:

Our Company is committed to the construction of high-quality and intelligent houses and business buildings.

The production strategies are:

- (1) Operating areas: The prime districts of Greater Taipei.
- (2) Development methods:
 - a. We are going to keep developing and rolling out new projects of the lands with well-developed infrastructure in Greater Taipei by means of joint construction or purchase.
 - b. During the period that the government is striving to promote urban renewals, we will actively participate in the lucrative urban renewal and reconstruction cases of perilous or old buildings in Greater Taipei.
- (3) Product type: high-tech business buildings and high-class residential buildings.

Sale strategies:

i. Commissioned sale:

We will choose excellent sales agencies to cooperate with, so as to allow the Company to focus on development, planning and construction.

ii. Sale by the Company itself:

Regardless of cooperating with distributors or agencies, or selling on our own, in the circumstances of buyer's market, we will actively take the initiative to take the lead and strive to make a satisfactory deal.

C. Company's Future Development Strategies, and the Influences of External Competitive Circumstances, Regulation Circumstances and Overall Operation Circumstances:

- A. The acquisition and integration of the lands in Greater Taipei areas have become increasingly difficult, and the costs of lands and construction have also risen, all of which have obstructed the promotion and development of the construction projects.

- B. The government has indeed been vigorously promoting urban renewal cases, but our development schedules have always been delayed for lack of supporting regulations.
- C. The government has successively implemented such policies as "actual-price registration", "raising the standard price of house", "restricting home mortgage" and "combining real-estate taxes on house and land", all of which have impeded the development of the real estate industry.
- D. The conditions of the overall construction industry are unfavorable and the amount of unsold houses is still large. At present, the trend of "surrender part of the profits" has spread in the real estate industry, affecting both the pre-sale cases and the completed house cases. Therefore, the slowdown of the sales of remaining houses in Greater Taipei is still difficult to change in the short term.

Chairman:

General Manager:

Comptroller:

2. Audit Committee's Inspection Report on the 2018 Final Accounts

Explanation:

1. The Company's 2018 final accounting report and standalone and consolidated financial statements have been audited by certified accountants Kuang-Hui Chen and Yu-Lin Yao of Shine Wing Taiwan. The annual business report and surplus earning distribution proposal have also been verified and an inspection report has been issued by the audit committee.
2. The Audit Committee convener reads the inspection report.

Audit Committee's inspection Report

The Board of Directors delivered the Company's 2018 business report, financial statements (including consolidated and individual statements) and surplus earning distribution proposal to our accounting firm. Among the documents, the financial statements have been audited by Shine Wing Taiwan and an audit report has been issued accordingly. The Committee has completed the verification of the above-mentioned 2018 business report, financial statements (including consolidated and individual statements) and surplus earning distribution proposal, and is of the opinion that there were no discrepancies contained therein. A statement is therefore announced as above in accordance with the provisions of Article 14-4 of the Securities Exchange Act and Article 219 of the Company Law for your review and verification.

To 2019 General Shareholders' Meeting of Delpha Construction Co., Ltd.

Audit Committee Convener: Ping-Joung Tseng

March 13, 2019

3. Compensation Distribution for Employees and Directors of 2018

Explanation:

1. According to the company's articles, if the company has made profits within a fiscal year (referring to the year's income before tax which deducts profits of the employees' and directors' pre-distributed compensation), in case of having balance when the accumulated losses are deducted, the company should reserve no less than 1.5% as employees' compensation, and no more than 2% as the directors' compensation.
2. The allocation ratio and the total sum have been approved by the fourth meeting of the third compensation committee, and in March 13, 2019, the board of directors have approved a resolution to allot 2% as the directors' compensation (NT\$ 863,314 in total) and 2% as the employees' compensation (NT\$ 863,314 in total), all of which are distributed in cash.

IV. Matters for Recognition:

A. Adoption of the 2018 Business Report and Financial Statements. (proposed by the Board of Directors)

Explanation:

The Company's 2018 final accounting report, and individual and consolidated financial statements have been audited by certified accountants Kuang-Hui Chen and Yu-Lin Yao of Shine Wing Taiwan. The audit committee has also verified annual business report and surplus earning distribution proposal, and is of the opinion that there were no discrepancies contained therein. For your adoption.

Resolution:

Independent Auditors' Report

Delpha Construction Co., Ltd.

Opinion

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

In our opinion, based on our audits, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations 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 generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the **Independent accountant's responsibilities for the audit of the parent company only financial statements** section of our report. We are independent of the Company in accordance with the Code of professional Ethics for Certificate Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

Independent Auditors' Report (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. We determined the key audit matters should be communicated in our audit report are as follows:

1. Evaluation of inventories

Please refer to Note 4(13) to the parent company only financial statements for the accounting policies of evaluation of inventories; refer to Note 5(2) to the parent company only financial statements for the accounting estimates and assumptions of the evaluation of inventories; and please refer to Note 6(7) to the parent company only financial statements for the details description of inventories account.

The inventory is an important asset of the Company's operation, which accounts for 73% of the total Company's assets. The accounting treatment for inventory evaluation is in accordance with the International Accounting Standard 2 "Inventories". The financial statements will not present fairly if the assessment of net unrealized value of inventories is inappropriate. Therefore, we considered the evaluation of inventories as one of the key audit matters for the year.

Our audit procedures included, but not limited to, by referencing to the total transaction price registered in the Ministry of the Interior's real estate transaction database, the average selling price converted into the net realized value of the lands and buildings for sale to assess whether there is significant difference. And to obtain the valuation report issued by the appraiser or by referencing to the present value of land announced by the Ministry of the

Independent Auditors' Report (Continued)

interior to assess whether there is a significant difference between the construction land and the construction in progress; and for the valuation report issued by the appraiser, to assess the rationality of the basic assumptions and expert qualifications such as the percentage of factor adjustment, the direct and indirect costs of the development period, the integrated capital interest rates, etc.

2. Revenue and cost recognition on sales of lands and buildings

Please refer to Note 4(23) to the parent company only financial statements for the accounting policies of revenue and cost recognition; and refer to Note 6(21) and 6(7) to the parent company only financial statements for the details description of revenue and cost accounts respectively.

The sales of lands and buildings are accounted for significant proportion in the Company's total revenue, consider there may be a gap between internal departments when manually summarizing and exchanging information on transfer of house title. Therefore, we considered the recognition of this revenue and cost for the Company as one of the key audit matters for the year.

Our audit procedures included, but not limited to, testing on the relevant internal control procedures on revenue and costs recognition of the Company by checking the certificate of title transfer and the timing of accounting entry to determine the sales of lands and buildings are in line with the revenue recognition. And the costs of sales of lands and buildings are therefore calculated and recognized by the income method or the floor space method.

Other matters

The Company's financial statements for the year ended December 31, 2017 were audited by other auditors and the Independent Auditors' Report was issued on March 23, 2018 with an unqualified opinion.

Independent Auditors' Report (Continued)

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

Independent accountant's responsibilities for the audit of the parent company only financial statements

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

Independent Auditors' Report (Continued)

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

1. Identify and assess the risks of material misstatement of the parent company only parent 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent Auditors' Report (Continued)

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the footnote disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Company's investee companies accounted for under equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of audit of the Company's investee companies. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding 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 relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless 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.

Chen, Kuang-Hui

Chen, Kuang-Hui

Yao, Yu-Lin

Yao, Yu-Lin

For and on behalf of ShineWing CPAs

March 13, 2019

Taipei, Taiwan

Republic of China

Notice to Readers

The accompanying consolidated financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, ShineWing CPAs cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Delpha Construction Co., Ltd.
Parent company only balance sheets

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31,			
		2018	%	2017	%
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 341,027	8	\$ 258,709	5
Financial assets at fair value through profit or loss	6.(2)	49,479	1	9,126	-
Notes receivable, net	6.(5)	54	-	4,215	-
Other receivables	6.(6)	615	-	28,154	1
Current income tax assets		93	-	-	-
Inventories	6.(7) and 8	3,042,034	73	3,686,284	77
Prepayments		55,138	2	99,755	2
Other financial assets	6.(8) and 8	203,048	5	250,810	5
		3,691,488	89	4,337,053	90
<i>Non-current assets</i>					
Financial assets at fair value through other comprehensive income	6.(3)	4,707	-	-	-
Financial assets carried at cost	6.(4)	-	-	6,101	-
Investments accounted for under equity method	6.(9)	389,603	9	390,750	8
Property, plant and equipment	6.(10) and 8	58,845	2	61,157	2
Refundable deposits		13,251	-	13,290	-
Other non-current assets		1,730	-	1,730	-
		468,136	11	473,028	10
Total assets		\$ 4,159,624	100	\$ 4,810,081	100

(Continued on next page)

Delpha Construction Co., Ltd.
Parent company only balance sheets

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

Liabilities and equity	Notes	December 31,			
		2018	%	2017	%
<i>Current liabilities</i>					
Short-term borrowings	6.(12) and 8	\$ -	-	\$ 511,057	11
Short-term notes and bills payable	6.(13) and 8	319,983	8	399,963	8
Contract liabilities	6.(21)	2,000	-	48,020	1
Notes payable	6.(14)	1,647	-	1,282	-
Accounts payable	6.(14)	20,357	1	59,705	1
Other payables		11,238	-	9,711	-
Current income tax liabilities		-	-	4,296	-
Provisions for liabilities	6.(17)	622	-	1,123	-
Advances from customers	7	26,438	1	26,531	1
Long-term borrowings					
- current portion	6.(15) and 8	513,000	12	513,000	11
Other current liabilities		249	-	566	-
		<u>895,534</u>	<u>22</u>	<u>1,575,254</u>	<u>33</u>
<i>Non-current liabilities</i>					
Net defined benefit liabilities - non-current	6.(16)	10,382	-	17,053	-
Guarantee deposits		9,305	-	9,305	-
		<u>19,687</u>	<u>-</u>	<u>26,358</u>	<u>-</u>
Total liabilities		<u>915,221</u>	<u>22</u>	<u>1,601,612</u>	<u>33</u>
<i>Equity</i>					
Common stock	6.(18)	2,707,525	65	2,707,525	56
Capital surplus	6.(19)	9,240	-	8,929	-
Retained earnings:	6.(20)				
Legal reserve		234,560	6	234,560	5
Special reserve		18,758	-	16,570	-
Unappropriated earnings		307,403	8	276,840	6
Other equity interest		(5,322)	-	-	-
Treasury stock	6.(18)	(27,761)	(1)	(35,955)	-
Total equity		<u>3,244,403</u>	<u>78</u>	<u>3,208,469</u>	<u>67</u>
Total liabilities and equity		<u>\$ 4,159,624</u>	<u>100</u>	<u>\$ 4,810,081</u>	<u>100</u>

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

Delpha Construction Co., Ltd.
Parent company only statement of comprehensive income

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2018	%	2017	%
Revenue	6.(21) and 7	\$ 1,201,069	100	\$ 62,761	100
Cost of revenue	6.(7)	(1,009,012)	(84)	(57,823)	(92)
Gross profit		<u>192,057</u>	<u>16</u>	<u>4,938</u>	<u>8</u>
Operating expenses					
Selling expenses	6.(24)	(41,204)	(3)	(3,392)	(5)
General & administrative expenses	6.(24)	(80,904)	(7)	(100,786)	(161)
		<u>(122,108)</u>	<u>(10)</u>	<u>(104,178)</u>	<u>(166)</u>
Income (loss) from operations		<u>69,949</u>	<u>6</u>	<u>(99,240)</u>	<u>(158)</u>
Non-operating income and expenses					
Other income	6.(22)	11,767	1	16,757	27
Other gains and losses	6.(23)	(14,369)	(1)	5,863	9
Finance costs	6.(26)	(15,935)	(1)	(24,162)	(38)
Share of loss of subsidiaries, affiliates and ventures accounted for under equity method		<u>(9,973)</u>	<u>(1)</u>	<u>(7,874)</u>	<u>(13)</u>
		<u>(28,510)</u>	<u>(2)</u>	<u>(9,416)</u>	<u>(15)</u>
Income (loss) before income tax		41,439	4	(108,656)	(173)
Income tax expense	6.(27)	(14,565)	(2)	(5,564)	(9)
Net income (loss) for the year		<u>26,874</u>	<u>2</u>	<u>(114,220)</u>	<u>(182)</u>
Other comprehensive income					
Component of other comprehensive will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		(95)	-	2	-
Unrealized loss on valuation of investments in equity instruments at fair value through other comprehensive income		(478)	-	-	-
Income tax expenses related to components that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other comprehensive income (loss) for the year		<u>(573)</u>	<u>-</u>	<u>2</u>	<u>-</u>
Total comprehensive income (loss) for the year		<u>\$ 26,301</u>	<u>2</u>	<u>(\$ 114,218)</u>	<u>(182)</u>
Earnings per share (In New Taiwan dollars)					
	6.(28)				
Basic earnings per share		<u>\$ 0.1</u>		<u>(\$ 0.43)</u>	
Diluted earnings per share		<u>\$ 0.1</u>			

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

Delpha Construction Co., Ltd.
Parent company only statement of changes in equity

For the years ended December 31, 2018 and 2017
 (Expressed in thousands of New Taiwan dollars)

	Retained earnings				Other equity interest		Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gain (loss) of financial assets at fair value through other comprehensive income		Treasury stock
Balance, January 1, 2017	\$ 2,707,525	\$ 8,828	\$ 192,437	\$ 12,899	\$ 653,454	\$ -	(\$ 35,955)	\$ 3,539,188
Appropriation of prior year's earnings:	-	-	-	3,671	(3,671)	-	-	-
Special capital reserve	-	-	42,123	-	(42,123)	-	-	-
Legal reserve	-	-	-	-	(216,602)	-	-	(216,602)
Cash dividends	-	-	-	-	-	-	-	-
Expired and unclaimed dividend transfer to legal reserve	-	101	-	-	-	-	-	101
Net loss for the year	2,707,525	8,929	234,560	16,570	391,058	-	(35,955)	3,322,687
Other comprehensive income for the year	-	-	-	-	(114,220)	-	-	(114,220)
Total other comprehensive loss for the year	-	-	-	-	2	-	-	2
Balance, December 31, 2017	2,707,525	8,929	234,560	16,570	114,218	-	-	(114,218)
Effects of retrospective application	-	-	234,560	16,570	276,840	-	(35,955)	3,208,469
Balance, January 1, 2018, as restated	2,707,525	8,929	234,560	4,844	1,128	(4,844)	-	1,128
Appropriation of prior year's earnings:	-	-	-	21,414	277,968	-	(35,955)	3,209,597
Reversal of special capital reserve	-	-	-	(2,656)	2,656	-	-	-
Expired and unclaimed dividend transfer to legal reserve	-	162	-	-	-	-	-	162
Disposal of parent company's shares deem as treasury stock transaction by a subsidiary	-	149	-	-	-	-	8,194	8,343
Net income for the year	2,707,525	9,240	234,560	18,758	280,624	(4,844)	(27,761)	3,218,102
Other comprehensive loss for the year	-	-	-	-	26,874	-	-	26,874
Total other comprehensive income (loss) for the year	-	-	-	-	(95)	(478)	-	(573)
Balance, December 31, 2018	\$ 2,707,525	\$ 9,240	\$ 234,560	\$ 18,758	\$ 307,403	(478)	(\$ 27,761)	\$ 3,244,403

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

Delpha Construction Co., Ltd.
Parent company only statement of cash flows

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2018	2017
Cash flows from operating activities		
Income (loss) before income tax for the year	\$ 41,439	(\$ 108,656)
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	2,312	2,628
Gain on reversal of financial assets	-	(3,043)
Interest income	(3,566)	(4,373)
Dividend income	(188)	(295)
Interest expense	15,935	24,162
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	9,973	7,874
Loss (gain) on foreign exchange, net	(3,442)	12,580
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(40,353)	267,174
Decrease in notes receivable	4,161	71,912
Decrease (increase) in other receivables	28,065	(18,202)
Decrease in inventories	644,250	39,361
Decrease (increase) decrease in prepayments	44,617	(41,148)
Decrease in other financial assets	47,762	129,494
(Decrease) increase in contract liabilities	(46,020)	48,020
Increase (decrease) in notes payable	365	(10,686)
Decrease in accounts payable	(39,348)	164,154
Increase (decrease) in other payables	1,921	(20,558)
(Decrease) increase in provisions for liabilities	(501)	140
(Decrease) increase in advances from customers	(93)	149
Decrease in other current liabilities	(317)	(180)
(Decrease) increase in net defined benefit liabilities	(6,766)	15,272
Cash generated from operations	<u>700,206</u>	<u>247,471</u>
Interest received	3,040	4,521
Interest paid	(16,329)	(24,453)
Dividend received	188	295
Income taxes paid (including land value increment tax)	(18,954)	(20,574)
Net cash generated from operating activities	<u>668,151</u>	<u>207,260</u>

(Continued on next page)

Delpha Construction Co., Ltd.
Parent company only statement of cash flows

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

	For the year ended December 31,	
	2018	2017
Cash flows from investing activities		
Refund of capital from financial assets carried at cost after liquidation	-	3,043
Refund of capital from financial assets carried at cost after capital reduction	-	2,615
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,561	-
Acquisition of property, plant and equipment	-	(360)
Decrease in refundable deposits	39	1,869
Net cash generated from investing activities	<u>1,600</u>	<u>7,167</u>
Cash flows from financing activities		
Decrease in short-term borrowings	(511,057)	(379,743)
(Decrease) increase in short-term notes and bills payable	(79,980)	399,963
Increase in guarantee deposits	-	105
Expired and unclaimed dividend transfer to legal reserve	162	101
Payment of cash dividend	-	(216,602)
Net cash used in finance activities	<u>(590,875)</u>	<u>(196,176)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>3,442</u>	<u>(12,580)</u>
Increase in cash and cash equivalents	82,318	5,671
Cash and cash equivalents at beginning of year	258,709	253,038
Cash and cash equivalents at end of year	<u>\$ 341,027</u>	<u>\$ 258,709</u>

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

Delpha Construction Co., Ltd. and Subsidiaries
Letter of Representation

For the year ended December 31, 2018, pursuant to “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Delpha Construction Co., Ltd.

Chairman

March 13, 2019

Independent Auditors' Report

Delpha Construction Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Delpha Construction Co., Ltd. (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the **Independent accountant's responsibilities for the audit of the consolidated financial statements** section of our report. We are independent of the Group in accordance with the Code of professional Ethics for Certificate Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

Independent Auditors' Report (Continued)

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, we do not provide a separate opinion on these matters. We determined the key audit matters should be communicated in our audit report are as follows:

1. Evaluation of inventories

Please refer to Note 4(14) to the consolidated financial statements for the accounting policies of evaluation of inventories; refer to Note 5(2) to the consolidated financial statements for the accounting estimates and assumptions of the evaluation of inventories; and please refer to Note 6(7) to the consolidated financial statements for the details description of inventories accounts.

The inventory is an important asset of the Group's operation, which accounts for 83% of the total Group's assets. The accounting treatment for inventory evaluation is in accordance with the International Accounting Standard 2 "Inventories". The financial statements will not present fairly if the assessment of net unrealized value of inventories are inappropriate. Therefore, we considered the evaluation of inventories as one of the key audit matters for the year.

Independent Auditors' Report (Continued)

Our audit procedures included, but are not limited to, by referencing to the total transaction price registered in the Ministry of the Interior's real estate transaction database, the average selling price converted into the net realized value of the lands and buildings for sale to assess whether there is significant difference. And to obtain the valuation report issued by the appraiser or by referencing to the present value of land announced by the Ministry of the Interior to assess whether there is a significant difference between the construction land and the construction in progress; and for the valuation report issued by the appraiser, to assess the rationality of the basic assumptions and expert qualifications such as the percentage of factor adjustment, the direct and indirect costs of the development period, the integrated capital interest rates etc.

2. Revenue and cost recognition on sales of lands and buildings

Please refer to Note 4(23) to the consolidated financial statements for the accounting policies of revenue and cost recognition; and refer to Note 6(21) and 6(7) to the consolidated financial statements for the details description of revenue and costs accounts respectively.

The sales of lands and buildings are accounted for significant proportion in the Group's total revenue, consider there may be a gap between internal departments when manually summarizing and exchanging information on transfer of house title. Therefore, we considered the recognition of this revenue and cost for the Group as one of the key audit matters for the year.

Our audit procedures included, but are not limited to, testing on the relevant internal control procedures on revenue and costs recognition of the Group by checking the certificate of title transfer and the timing of accounting entry to determine the sales of lands and buildings are in line with the revenue recognition. And the costs of sales of lands and buildings are therefore shall be recognized by the income method or the floor space method.

Independent Auditors' Report (Continued)

Other matters

We have audited the parent only financial statements of Delpha Construction Co., Ltd. for the year ended December 31, 2018 on which we have issued an unqualified opinion.

The Group's consolidated financial statements for the year ended December 31, 2017 were audited by other auditors and the Independent Auditors' Report was issued on March 23, 2018 with an unqualified opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 charges with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report (Continued)

Independent accountant's 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 generally accepted auditing standards, 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 risks of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls 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 controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report (Continued)

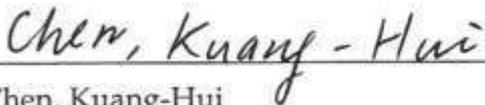
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the Group's investee companies accounted for under equity method to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of audit of the Group's investee companies. We remain solely responsible for our audit opinion.

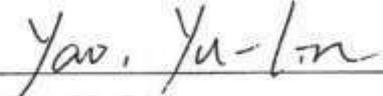
We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Independent Auditors' Report (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless 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.


Chen, Kuang-Hui


Yao, Yu-Lin

For and on behalf of ShineWing CPAs

March 13, 2019

Taipei, Taiwan

Republic of China

Notice to Readers

The accompanying consolidated financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, ShineWing CPAs cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated balance sheets
December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31,			
		2018	%	2017	%
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 372,646	7	\$ 288,225	5
Financial assets at fair value through profit or loss	6.(2)	69,504	2	9,126	-
Notes receivable, net	6.(5)	1,646	-	4,305	-
Accounts receivable, net	6.(5)	11	-	-	-
Other receivables	6.(6)	4,565	-	28,158	1
Current income tax assets		93	-	1	-
Inventories	6.(7) and 8	4,279,16	83	4,902,40	85
Prepayments		55,225	1	100,023	2
Other financial assets	6.(8) and 8	208,048	4	255,810	4
Other current assets		81	-	81	-
		<u>4,990,98</u>	<u>97</u>	<u>5,588,13</u>	<u>97</u>
<i>Non-current assets</i>					
Financial assets at fair value through other comprehensive income	6.(3)	6,784	-	-	-
Financial assets carried at cost	6.(4)	-	-	7,690	-
Property, plant and equipment	6.(9) and 8	120,413	3	123,141	3
Deferred income tax assets	6.(27)	1,445	-	1,478	-
Refundable deposits		13,257	-	13,296	-
Other non-current assets		5,505	-	5,505	-
		<u>147,404</u>	<u>3</u>	<u>151,110</u>	<u>3</u>
Total assets		<u>\$ 5,138,39</u>	<u>100</u>	<u>\$ 5,739,24</u>	<u>100</u>

(Continued on next page)

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated balance sheets
December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

Liabilities and equity	Notes	December 31,			
		2018	%	2017	%
<i>Current liabilities</i>					
Short-term borrowings	6.(11) and 8	\$ -	-	\$ 511,057	9
Short-term notes and bills payable	6.(12) and 8	319,983	6	399,963	7
Contract liabilities	6.(21)	2,000	-	48,020	1
Notes payable	6.(13)	1,647	-	1,934	-
Accounts payable	6.(13)	20,357	1	59,705	1
Other payables		13,186	-	13,868	-
Current income tax liabilities		-	-	4,296	-
Provisions for liabilities	6.(16)	622	-	1,123	-
Advances from customers	7	27,944	1	26,600	1
Long-term borrowings - current portion	6.(14) and 8	516,574	10	521,569	9
Other current liabilities		254	-	576	-
		<u>902,567</u>	<u>18</u>	<u>1,588,71</u>	<u>28</u>
<i>Non-current liabilities</i>					
Long-term borrowings	6.(14) and 8	722,207	14	660,420	12
Net defined benefit liabilities, non-current	6.(15)	10,382	-	17,053	-
Guarantee deposits		10,097	-	10,236	-
		<u>742,686</u>	<u>14</u>	<u>687,709</u>	<u>12</u>
Total liabilities		<u>1,645,25</u>	<u>32</u>	<u>2,276,42</u>	<u>40</u>
<i>Equity attributable to shareholders of the parent</i>					
Common stock	6.(17)	2,707,52	53	2,707,52	48
Capital surplus	6.(18)	9,240	-	8,929	-
Retained earnings:	6.(19)				
Legal reserve		234,560	5	234,560	4
Special reserve		18,758	-	16,570	-
Unappropriated earnings		307,403	6	276,840	5
Other equity interest		(5,322)	-	-	-
Treasury stock	6.(17)	(27,761)	(1)	(35,955)	(1)
		<u>3,244,40</u>	<u>63</u>	<u>3,208,46</u>	<u>56</u>
Non-controlling interest	6.(20)	248,736	5	254,355	4
Total equity		<u>3,493,13</u>	<u>68</u>	<u>3,462,82</u>	<u>60</u>
Total liabilities and equity		<u>\$ 5,138,39</u>	<u>100</u>	<u>\$ 5,739,24</u>	<u>100</u>

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

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated statement of comprehensive income
For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2018	%	2017	%
Revenue	6.(21) and 7	\$ 1,212,12	100	\$ 69,225	100
Cost of revenue	6.(7)	(1,014,06)	(84)	(57,823)	(84)
Gross profit		<u>198,053</u>	<u>16</u>	<u>11,402</u>	<u>16</u>
Operating expenses					
Selling expenses	6.(24)	(41,204)	(3)	(3,392)	(5)
General & administrative expenses	6.(24)	(88,671)	(7)	(115,175)	(166)
		<u>(129,875)</u>	<u>(10)</u>	<u>(118,567)</u>	<u>(171)</u>
Income (loss) from operations		<u>68,178</u>	<u>6</u>	<u>(107,165)</u>	<u>(155)</u>
Non-operating income and expenses					
Other income	6.(22)	12,406	1	19,470	28
Other gains and losses	6.(23)	(15,117)	(1)	9,404	14
Finance costs	6.(26)	(30,803)	(3)	(38,755)	(56)
		<u>(33,514)</u>	<u>(3)</u>	<u>(9,881)</u>	<u>(14)</u>
Income (loss) before income tax		<u>34,664</u>	<u>3</u>	<u>(117,046)</u>	<u>(169)</u>
Income tax expense	6.(27)	(14,598)	(1)	(5,363)	(8)
Net income (loss) for the year		<u>20,066</u>	<u>2</u>	<u>(122,409)</u>	<u>(177)</u>
Other comprehensive income					
Component of other comprehensive income that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligation		(95)	-	2	-
Unrealized loss on valuation of investments in equity instruments at fair value through other comprehensive income		(482)	-	-	-
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
Total other comprehensive income (loss) for the year		<u>(577)</u>	<u>-</u>	<u>2</u>	<u>-</u>
Total comprehensive income (loss) for the year		<u>\$ 19,489</u>	<u>2</u>	<u>(\$ 122,407)</u>	<u>(177)</u>
Net income attributable to:					
Shareholders of the parent		\$ 26,874	2	(\$ 114,220)	(165)
Non-controlling interest		(6,808)	-	(8,189)	(12)
		<u>\$ 20,066</u>	<u>2</u>	<u>(\$ 122,409)</u>	<u>(177)</u>
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 26,301	2	(\$ 114,218)	(165)
Non-controlling interest		(6,812)	-	(8,189)	(12)
		<u>\$ 19,489</u>	<u>2</u>	<u>(\$ 122,407)</u>	<u>(177)</u>
Earnings per share (In New Taiwan dollars)	6.(28)				
Basic earnings per share		<u>\$ 0.1</u>		<u>(\$ 0.43)</u>	
Diluted earnings per share		<u>\$ 0.1</u>			

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

Delphi Construction Co., Ltd. and Subsidiaries
 Consolidated statement of changes in equity
 For the years ended December 31, 2018 and 2017
 (Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent						Total	Non-controlling interest	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gain (loss) of financial assets at fair value through other comprehensive income			
Balance, January 1, 2017	\$ 2,707,525	\$ 8,828	\$ 192,437	\$ 12,899	\$ 653,454	\$ -	\$ 3,539,188	\$ 262,544	\$ 3,801,732
Appropriation of prior year's earnings:	-	-	-	-	-	-	-	-	-
Special capital reserve	-	-	-	3,671	(3,671)	-	-	-	-
Legal reserve	-	-	42,123	-	(42,123)	-	-	-	-
Cash dividends	-	-	-	-	(216,602)	-	(216,602)	-	(216,602)
Expired and unclaimed dividend transfer to legal reserve	-	101	-	-	-	-	101	-	101
Net loss for the year	2,707,525	8,929	234,560	16,570	391,058	-	3,322,687	262,544	3,585,231
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total other comprehensive loss for the year	-	-	-	-	2	-	2	-	2
Balance, December 31, 2017	2,707,525	8,929	234,560	16,570	276,840	-	3,208,469	254,355	3,462,824
Effects of retrospective application	-	-	-	4,844	1,128	-	1,128	9	1,137
Balance, January 1, 2018, as restated	2,707,525	8,929	234,560	21,414	277,968	(4,844)	3,209,597	254,364	3,463,961
Appropriation of prior year's earnings:	-	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	(2,656)	2,656	-	-	-	-
Expired and unclaimed dividend transfer to legal reserve	-	162	-	-	-	-	162	-	162
Disposal of parent company's shares deemed as treasury stock transaction by a subsidiary	-	149	-	-	-	-	-	8,194	8,343
Other	-	-	-	-	-	-	-	1,184	1,184
Net income for the year	2,707,525	9,240	234,560	18,758	280,624	(4,844)	3,218,102	255,548	3,473,650
Other comprehensive loss for the year	-	-	-	-	26,874	-	26,874	(6,808)	20,066
Total other comprehensive income (loss) for the year	-	-	-	-	(95)	(478)	(573)	(4)	(577)
Balance, December 31, 2018	\$ 2,707,525	\$ 9,240	\$ 234,560	\$ 18,758	\$ 307,403	\$ 5,322	\$ 3,244,403	\$ 248,736	\$ 3,493,139

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

Delpha Construction Co., Ltd. and Subsidiaries
Consolidated statement of cash flows
For the years ended December 31, 2018 and 2017
(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2018	2017
Cash flows from operating activities		
Income (loss) before income tax for the year	\$ 34,664	(\$ 117,046)
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	2,728	2,699
Reversal for doubtful accounts	-	(16)
Gain on reversal of financial assets	-	(3,043)
Interest income	(3,749)	(4,429)
Dividend revenue	(631)	(2,911)
Interest expense	30,803	38,755
Loss on disposal of property, plant and equipment	-	105
Loss (gain) on foreign exchange, net	(3,432)	12,580
Property, plant and equipment transfer expenses	-	295
Changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(60,378)	287,482
Decrease in notes receivable	2,659	71,912
(Increase) decrease in accounts receivable	(11)	16
Decrease (increase) in other receivables	24,235	(18,202)
Decrease in inventories	623,236	27,202
Decrease (increase) in prepayments	44,798	(41,412)
Decrease in other financial assets	47,762	134,494
(Decrease) increase in contract liabilities	(46,020)	48,020
Decrease in notes payable	(287)	(10,034)
Decrease in accounts payable	(39,348)	(164,154)
Decrease in other payables	(362)	(18,358)
(Decrease) increase in provisions for liabilities	(501)	85
Increase in advances from customers	1,344	107
Decrease in other current liabilities	(322)	(180)
(Decrease) increase in net defined benefit liabilities	(6,766)	15,272
Cash generated from operations	650,422	259,239
Interest received	3,107	4,579
Interest paid	(31,123)	(38,726)
Dividend received	631	2,911
Income taxes paid (including land value increment tax)	(18,953)	(20,563)
Net cash generated from operating activities	604,084	207,440

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Delpha Construction Co., Ltd. and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

	For the year ended December 31,	
	2018	2017
Cash flows from investing activities		
Refund of capital from financial assets carried at cost after liquidation	-	3,043
Refund of capital from financial assets carried at cost after capital reduction	-	2,615
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,561	-
Acquisition of property, plant and equipment	-	(3,241)
Decrease in refundable deposits	39	1,863
Net cash generated from investing activities	<u>1,600</u>	<u>4,280</u>
Cash flows from financing activities		
Decrease in short-term borrowings	(511,057)	(990,643)
(Decrease) increase in short-term notes and bills payable	(79,980)	399,963
Increase in long-term borrowings	63,000	648,900
Repayment of long-term borrowings	(6,208)	(10,209)
(Decrease) increase in guarantee deposits	(139)	42
Expired and unclaimed dividend transfer to legal reserve	162	101
Payment of cash dividend	-	(216,602)
Disposal of treasury stock	9,527	-
Net cash used in financing activities	<u>(524,695)</u>	<u>(168,448)</u>
Effect of exchange rate changes on cash and cash equivalents	3,432	(12,580)
Increase in cash and cash equivalents	84,421	30,692
Cash and cash equivalents at beginning of year	288,225	257,533
Cash and cash equivalents at end of year	<u>\$ 372,646</u>	<u>\$ 288,225</u>

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

B. Proposal for Distribution of 2018 Profits.

(proposed by the Board of Directors).

Explanation:

1. The Company's 2018 net profit after tax is NT\$ 26,873,677. Therefore, we plan to allot cash dividend (NT\$ 0.1 per share), and the surplus earning distribution table is attached. For your adoption.
2. Shareholders' cash dividends are distributed to NT\$ 1, and all amounts less than NT\$1 are ascribed into the company's other income.
3. Upon the approval of the Regular Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date, and other relevant issues.
4. If the number of actual shares outstanding changes because of such factors as repurchasing shares, transferring treasury stocks to the employees, or converting convertible debts to stocks before the ex-dividend date and hence results in an amendment to the payout ratio, it is proposed that the Board of Directors be fully authorized by the Regular Meeting of Shareholders to process such.

Delpha Construction Co., Ltd.

Statement of Profits Distribution

Unit: NT \$

Items	Amount	Note
beginning undistributed surplus earnings	279,496,568	
+: influenced number of retrospective application	1,128,008	
adjusted opening balance	280,624,576	
-: actuarial losses of 2018 listed into retained earnings	(95,284)	
-: appropriated retained earnings	(5,440,401)	
+: net profit after tax of the current year	26,873,677	
-: 10% of legal reserve	(2,687,368)	
distributable earnings	299,275,200	
assign shareholders dividends – cash (NT\$ 0.1 per share)	(27,075,247)	
undistributed surplus earnings in the end of the period	272,199,953	

Note: The item of 2018 surplus earnings distribution is going to be first distributed from the profit of 2018.

Chairman:

General Manager:

Comptroller:

Resolution:

V. Discussion Items

A. Propose to discuss the amendment of the company's Procedures for the Acquisition or Disposal of Assets. (Proposed by Board of Directors)

Explanation:

To conform to the regulation for revision from an official letter of Jin-guan-zheng-fa-zi 1070341072 and the regulation of IFRS 16, right-of-use assets are now included in the provisions. The articles are revised in accordance with the company's current operational status. The articles before and after the amendment are shown below:

	After Revision		Before Revision	Explanation
Article 1	<p>Purpose and Source of Law</p> <p>These Procedures are especially provided for the enhancement of asset management compliance to openness of information for the public. The formulation whence the applicable regulations are from the competent authority and shall be complied.</p>	Article 1	<p>Purpose and Source of Law</p> <p>These Procedures are especially provided for the enhancement of asset management compliance to openness of information for the public. The formulation whence the applicable regulations are from the competent authority and shall be complied; where other regulations provide otherwise, such laws shall govern.</p>	<p>"Other regulations provide otherwise" refers to the acquisition and disposals of assets of banks, insurance companies, bill finance companies, securities firms, futures commission merchants shall be governed by the competent laws, whence the revision of current proviso.</p>
Article 2	<p>The term "assets" includes the following:</p> <p>(A) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts,</p>	Article 2	<p>The term "assets" includes the following:</p> <p>(A) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts,</p>	<p>In accordance with the provisions of the IFRS 16, the fifth subsection is added to</p>

	<p>call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(B) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>(C) Memberships.</p> <p>(D) Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>(E) Right-of-use assets.</p> <p>(F) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>(G) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a 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. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales)</p>		<p>call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(B) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>(C) Memberships.</p> <p>(D) Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>(E) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>(F) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a 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. 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>expand the scope of the right-of-use assets and move the current second subsection on land use right to the fifth, changing the order accordingly.</p>
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	<p>contracts.</p> <p>(H) 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>(I) Other major assets.</p>		<p>(G) 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>(H) Other major assets.</p>	
Article 3	<p>Assessment procedure</p> <p>(A) Our Company's acquisition or disposal of securities, or transection of derivatives shall be conducted relative benefit analysis and assessed possible risks by accounting department. Whereas the acquisition or disposal of real estate property, <u>right-of-use assets</u> or other assets shall be conducted after the responsible units draft the plan of capital expenditure and assess the feasibility in accordance with the purpose of acquisition and disposal, and expected benefit. For the transaction with stakeholders, the assessment of</p>	Article 3	<p>Assessment procedure</p> <p>(A) Our Company's acquisition or disposal of securities, or transection of derivatives shall be conducted relative benefit analysis and assessed possible risks. Whereas the acquisition or disposal of real estate property, or other assets shall be conducted after the responsible units draft the plan of capital expenditure and assess the feasibility in accordance with the purpose of acquisition and disposal, and expected benefit. For the transaction with stakeholders, the assessment of reasonability shall be in compliance with the Second</p>	<p>In compliance with IFRS 16, right-of-use asset is included and is appended according to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

	<p>reasonability shall be in compliance with the Second Chapter of these Regulations.</p> <p>(B) Our Company's acquisition or disposal of securities shall use the target company's latest financial statements audited, attested, or scrutinized by a CPA or other relative materials as reference for transaction assessment. A transaction with amount exceeding 20% of our Company's paid-up capital or TWD 300 million shall require the accountant to present opinion regarding to the reasonability of the transaction price prior to the actual occurrence date. If the said accountant requires exert statement, the accountant shall exercise the Audit Principle Gazette No. 20 issued by the ARDF. However, it is not under the said regulation if the said securities may enhance the public price quotations in the market or are being regulated by other regulations from competent authority.</p> <p>(C) In acquiring or disposing of real property, equipment, or <u>right-of-use assets</u> thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to</p>		<p>Chapter of these Regulations.</p> <p>(B) Our Company's acquisition or disposal of securities shall use the target company's latest financial statements audited, attested, or scrutinized by a CPA or other relative materials as reference for transaction assessment. A transaction with amount exceeding 20% of our Company's paid-up capital or TWD 300 million shall require the accountant to present opinion regarding to the reasonability of the transaction price prior to the actual occurrence date. If the said accountant requires exert statement, the accountant shall exercise the Audit Principle Gazette No. 20 issued by the ARDF. However, it is not under the said regulation if the said securities may enhance the public price quotations in the market or are being regulated by other regulations from competent authority.</p> <p>(C) In acquiring or disposing of real property, or equipment thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or</p>	
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	<p>build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or <u>right-of-use assets</u> thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the appraisal procedure within this procedure.</p> <p>(D) Our Company acquires or disposes of <u>intangible assets</u> or <u>right-of-use assets thereof</u> or <u>memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>(E) The price of our company's acquired or disposed asset shall be determined, in addition to referring to appraisal report issued by a professional appraiser or opinion presented by accountant, by the following circumstances:</p>		<p>disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the appraisal procedure within this procedure.</p> <p>(D) If our Company acquires or disposes of intangible assets or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>The accounting of previous transaction amount shall be handled in regulation of article 5, paragraph 2. "Within one year" refers to one year before the occurrence of the event, excluding the part that had acquired appraisal report prior to the date of occurrence of the event from a professional appraiser.</p> <p>(E) The price of our company's acquired or disposed asset shall be determined, in addition to referring to</p>	
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	<ol style="list-style-type: none"> 1. Trade of securities conducted at the stock exchange market or through a business site of a securities dealer shall be determined by the equity and the securities' price. 2. Trade of securities conducted not at the stock exchange market or not through a business site of a securities dealer shall be determined in consideration of net value per share, technology, profitability, future potential, market interest rate, bond coupon rate and debtor's credit in reference with the latest strike price 3. Acquisition and disposal of membership shall be determined in reference of possible benefit and the latest strike deal. Acquisition and disposal of intangible property such as patents, copyrights, trademarks, franchise rights shall be handled in reference of international or market practice, useful life, and the influence of the company's technology and business. 4. Acquisition or disposal of real estate, equipment, or <u>right-of-use asset</u> shall 		<p>appraisal report issued by a professional appraiser or opinion presented by accountant, by the following circumstances:</p> <ol style="list-style-type: none"> 1. Trade of securities conducted at the stock exchange market or through a business site of a securities dealer shall be determined by the equity and the securities' price. 2. Acquisition and disposal of membership shall be determined in reference of possible benefit and the latest strike deal. Acquisition and disposal of intangible property such as patents, copyrights, trademarks, franchise rights shall be handled in reference of international or market practice, useful life, and the influence of the company's technology and business. 3. Acquisition and disposal of membership shall be determined in reference of possible benefit and the latest strike deal. Acquisition and disposal of intangible property such as patents, copyrights, trademarks, franchise rights shall be handled in reference of international or market 	
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	<p>first refer to announced present value, assessed value, <u>actual transaction prices</u> of the neighboring area or book value, suppliers' quote to determine transaction terms and conditions and price. If the said real estates are purchased from a stakeholder, appraisal should be conducted in compliance with Chapter 2 of this procedure to determine the reasonability of transaction price.</p> <p>5. Transaction of derivatives should be conducted in reference of futures market, exchange rate and interest rate trend.</p> <p>6. Merger, division, acquisition, or share receiving shall be handled in reference of the nature of business, net value per share, asset value, technology, profitability, productivity and future potential.</p> <p>(F) <u>Appraisal report or CPA opinion statement may be replaced with a certificate issued by the court if asset is acquired or disposed by way of court-administered foreclosure. The accounting of previous transaction amount shall be handled in regulation of article 5,</u></p>		<p>practice, useful life, and the influence of the company's technology and business.</p> <p>4. Acquisition or disposal of real estate or equipment shall first refer to announced present value, or assessed value of the neighboring area or book value, suppliers' quote to determine transaction terms and conditions and price. If the said real estates are purchased from a stakeholder, appraisal should be conducted in compliance with Chapter 2 of this procedure to determine the reasonability of transaction price.</p> <p>5. Transaction of derivatives should be conducted in reference of futures market, exchange rate and interest rate trend.</p> <p>6. Merger, division, acquisition, or share receiving shall be handled in reference of the nature of business, net value per share, asset value, technology, profitability. productivity and future potential.</p>	
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	<p><u>paragraph 2. "Within one year" refers to one year before the occurrence of the event, excluding the part that had acquired appraisal report prior to the date of occurrence of the event from a professional appraiser.</u></p>			
Article 5	<p>Public announcement and regulatory filing procedures.</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(A) Acquisition or disposal of real property <u>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</p>	Article 5	<p>Public announcement and regulatory filing procedures.</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(A) 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>(B) Merger, demerger, acquisition,</p>	<p>Include the right-of-use assets in the regulation of this Article to comply with the regulation of IFRS 16 Leases, and amend the contents in accordance with the 'Regulations Governing the Acquisition and Disposal of Assets by Public Companies'.</p>

	<p>enterprises.</p> <p>(B) Merger, demerger, acquisition, or transfer of shares.</p> <p>(C) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Article 14(4) of Chapter III of this Procedure.</p> <p>(D) 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. Paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more. 2. Paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more. <p>(E) Acquisition or disposal <u>by the Comany</u> in the construction business of real property <u>or right-of-use assets thereof</u> for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; <u>among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction</u></p>		<p>or transfer of shares.</p> <p>(C) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Article 14(4) of Chapter III of this Procedure.</p> <p>(D) 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. Paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more. 2. Paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more. <p>(E) Acquisition or disposal in the construction business of real property for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.</p> <p>(F) 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</p>	
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	<p><u>project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u></p> <p>(F) 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>(G) Where an asset transaction other than any of those referred to in the preceding six subparagraphs 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 <u>domestic</u> government bonds. 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds 		<p>construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(G) Where an asset transaction other than any of those referred to in the preceding six subparagraphs 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 agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative 	
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issued by domestic securities investment trust enterprise

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" 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 'Regulations Governing the Acquisition and Disposal of Assets by Public Companies' need not be counted toward the transaction

acquisitions and disposals, respectively) of real property within the same development project within the preceding year.

4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" 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 'Regulations Governing the Acquisition and Disposal of Assets by Public Companies' need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

In case an error or omission in an item to be publicly announced occurs at the time of public announcement and so is required to be corrected, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing

amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

In case an error or omission in an item to be publicly announced occurs at the time of public announcement and so is required to be corrected, 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.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the Clause 1, 4, 5 of this Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

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.

of such error or omission.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the Clause 1, 4, 5 of this Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

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.

	3. Change to the originally publicly announced and reported information.			
Article 6	<p>Acquisition or Disposal of Assets</p> <p>In acquiring or disposing of real property, equipment, <u>or 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 <u>domestic government agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. 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>(A) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the same</u> procedure shall also be followed <u>whenever there is</u> any subsequent change to the terms and conditions of the transaction.</p>	Article 6	<p>Acquisition or Disposal of Assets</p> <p>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 government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. 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>(A) 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 also be followed in the future whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(B) Where the transaction amount</p>	<p>Include the right-of-use assets in the regulation of this Article to comply with the regulation of IFRS 16 Leases, and amend the contents in accordance with the 'Regulations Governing the Acquisition and Disposal of Assets by Public Companies'.</p>

	<p>(B) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(C) 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 for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. 		<p>is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(C) 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 for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction 	
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	<p>(D) 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>Except where a limited price, specified price, or special price is employed as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.</p>		<p>amount.</p> <p>(D) 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>Except where a limited price, specified price, or special price is employed as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.</p>	
Article 8	<p>Control procedures for the acquisition and disposal of assets by subsidiaries</p> <p>(A) The subsidiaries of the Company should be in accordance with the regulations of the competent authority to establish a "Procedures for Acquiring or Disposal of Assets" and implement it faithfully. After the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same</p>	Article 8	<p>Control procedures for the acquisition and disposal of assets by subsidiaries</p> <p>(A) The subsidiaries of the Company should be in accordance with the regulations of the competent authority to establish a "Procedures for Acquiring or Disposal of Assets" and implement it faithfully. After the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same</p>	<p>Amendment in accordance with the Q&A issued by the "Securities and Futures Bureau" (SFB) dated on Apr. 13th, 2017</p>

	<p>applies when the procedures are amended.</p> <p>Where an audit committee has been established by the subsidiaries of the Company, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved firstly by the members of the audit committee and then by the board of directors, and submitted to the to a shareholders' meeting for approval; the same applies when the procedures are amended. <u>When</u> this procedure is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions, and have the opinions and reasons on approvals or objections of each independent director <u>recorded in</u> the minutes of the board of directors meeting.</p> <p>That should be approved by the audit committee in accordance with the provisions of the Act, if approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>(B) If the subsidiary is not a public</p>		<p>applies when the procedures are amended.</p> <p>Where an audit committee has been established by the subsidiaries of the Company, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved firstly by the members of the audit committee and then by the board of directors, and submitted to the to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent, where stated in minutes or in a written statement, the Company shall submit such dissenting opinions to each director of the audit committee. When this procedure is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions, and have the opinions and reasons on approvals or objections of each independent director recorded in the minutes of the board of directors meeting.</p> <p>That should be approved by the audit committee in accordance with the provisions of the Act, if approval of more than half of all audit committee members is not obtained, the procedures may be</p>	
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	<p>company, acquisition or disposition of assets, should be conducted in accordance with the regulations of the subsidiary's own "Internal Control System" and "Procedures for Acquiring or Disposal of Assets", and should shall summarize and submit monthly reports on the status of derivatives trading to the Company by 5th day of each month.</p> <p>(C) If the subsidiary is not a public company, when the transaction of assets acquired or disposed reaches a threshold requiring public announcement and regulatory filing, the subsidiary should inform the Company within the date of occurrence, and the Company shall make its publicly announcement pursuant to the regulations on the designated websites.</p> <p>The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary that is not itself a public company in determining whether, relative to the regulation of reaching 20 percent of paid-in capital or 10 percent of total assets, it reaches a threshold requiring public announcement and regulatory filing.</p> <p>For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most</p>		<p>implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>(B) If the subsidiary is not a public company, acquisition or disposition of assets, should be conducted in accordance with the regulations of the subsidiary's own "Internal Control System" and "Procedures for Acquiring or Disposal of Assets", and should shall summarize and submit monthly reports on the status of derivatives trading to the Company by 5th day of each month.</p> <p>(C) If the subsidiary is not a public company, when the transaction of assets acquired or disposed reaches a threshold requiring public announcement and regulatory filing, the subsidiary should inform the Company within the date of occurrence, and the Company shall make its publicly announcement pursuant to the regulations on the designated websites.</p> <p>The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary that is not itself a public company in determining whether, relative to the regulation of reaching 20 percent of paid-in capital or 10</p>	
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	<p>recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p>		<p>percent of total assets, it reaches a threshold requiring public announcement and regulatory filing.</p> <p>For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p>	
Article 11	<p>Resolution Procedures</p> <p>When the company intends to acquire or dispose of real property or <u>right-of-use assets</u> thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or <u>right-of-use assets</u> thereof from or to a related party and the transaction amount reaches 20 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 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 agreed by the Audit Committee and adopted by the board of directors:</p> <p>(A) Purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p>	Article 11	<p>Resolution Procedures</p> <p>When the company intends to acquire or dispose of real property thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property thereof from or to a related party and the transaction amount reaches 20 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 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 agreed by the Audit Committee and adopted by the board of directors:</p> <p>(A) Purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(B) Reason of the selecting related</p>	<p>The right-of-use assets to be added in this Article in accordance of leasing standard of IFRS 16. Relax to authorize chairman of the company for the process with modification in written form for acquiring or disposing equipment held for business use, the right-of-use or the real property right-of-use</p>

<p>(B) Reason of the selecting related party as the transaction counterparty.</p> <p>(C) With respect to the acquisition of real property or <u>right-of-use assets</u> thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.</p> <p>(D) 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>(E) 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>(F) Whoever's transaction amount reaches 20% of the company's actual capital, 10% of total capital, or 300 million NT dollars, should either acquire appraisal report by professional appraiser or CPA's opinion.</p> <p>(G) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5, paragraph 2 herein, and "within the preceding</p>	<p>party as the transaction counterparty.</p> <p>(C) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.</p> <p>(D) 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>(E) 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>(F) Whoever's transaction amount reaches 20% of the company's actual capital, 10% of total capital, or 300 million NT dollars, should either acquire appraisal report by professional appraiser or CPA's opinion.</p> <p>(G) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein refers to the year</p>	<p>assets held for business use between the company and its parent company, subsidiaries or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</p>
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	<p>year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which have been handled in accordance of this regulation and adopted and agreed by the Audit Committee and approved by the board of directors need not be counted toward the transaction amount.</p> <p>When the company <u>makes following transaction with its parent company, subsidiaries, or subsidiary directly or indirectly holds 100% of issued shares or authorized capital</u>, the board of directors should authorize the chairman to make decision first on the transaction amount under 50 million NT dollars and report on the most recent board meeting for subsequent ratification:</p> <ol style="list-style-type: none"> 1. <u>Acquisition or disposal of equipment for its right-of-use assets therefore held for business use.</u> 2. <u>Acquisition or disposal of real property or right-of-use assets held for business use.</u> 		<p>preceding the date of occurrence of the current transaction. Items for which have been handled in accordance of this regulation and adopted and agreed by the Audit Committee and approved by the board of directors need not be counted toward the transaction amount.</p> <p>When the company acquires or disposes equipment for business use from the subsidiaries, the board of directors should authorize the chairman to make decision first on the transaction amount under 50 million NT dollars and report on the most recent board meeting for subsequent ratification.</p>	
Article 12	<p>Rationality evaluation of transaction conditions</p> <p>The company should evaluate the rationality of the transaction conditions by the following means when acquiring real estate or the <u>right-of-use assets</u> from the related party:</p> <p>(A) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer.</p>	Article 12	<p>Rationality evaluation of transaction conditions</p> <p>When the company acquires the real property from the related party shall, except for circumstances including the related party acquired the real property through inheritance or as a gift, or 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, or the real</p>	<p>The acquisition of the real property right-of-use assets by leasing from the related party to be added in this Article in accordance of leasing</p>

	<p>"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>(B) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased or <u>leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The company acquires real property or <u>right-of-use assets</u> thereof from a related party and appraises the cost of the real property or <u>right-of-use assets</u> thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal</p>	<p>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, which shall be handled in accordance of preceding regulations, be evaluated by using following methods for suitability of transaction cost and ask for CPA's appraisal and render a specific opinion.</p> <p>(A) 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>(B) 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</p>	<p>standard of IFRS 16 and arranged in accordance of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
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	<p>and render a specific opinion.</p> <p>Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:</p> <p>(A) The related party acquired the real property or <u>right-of-use assets</u> thereof through inheritance or as a gift.</p> <p>(B) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or <u>right-of-use assets</u> thereof to the signing date for the current transaction.</p> <p>(C) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>(D) <u>The real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or subsidiary directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>		<p>counterparties.</p> <p>(C) Where land and structures thereupon are combined as a single property purchased or leased 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 1 and 2.</p>	
Article 13	Following steps need to be conducted when the transaction price is evaluation to be lower than transaction cost	Article 13	Following steps need to be conducted when the transaction price is evaluation to be lower than transaction cost	Relax the acquisition of real property the right-of-use

<p>When the results of the company's appraisal conducted in accordance with preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 3. 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 <u>shall not apply</u>:</p> <p>(A) 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> <ol style="list-style-type: none"> 1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed 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>When the results of the company's appraisal conducted in accordance with preceding Article are uniformly lower than the transaction price, however, except for 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, shall be handled in accordance of regulation in paragraph 3.</p> <p>(A) 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> <ol style="list-style-type: none"> 1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed 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. 2. Completed transactions by 	<p>assets from the related party to use unrelated party leasing transaction as imputation and rationality prediction of transaction price for reference and should be arranged in accordance of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
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	<p>2. Completed <u>transactions</u> 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 land prices in accordance with standard property market sale or <u>leasing practices</u>.</p> <p>3. <u>(Deleted.)</u></p> <p>(B) Where the company acquiring real property or obtaining <u>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 transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed <u>transactions</u> involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the</p>		<p>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 land prices in accordance with standard property market.</p> <p>3. Leasing 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 is similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market.</p> <p>(B) Where the company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a</p>	
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planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Where the company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:

(A) 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 or the right-of-use assets 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 the company's equity stake in the other company. 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 or leased at a premium, or they have been disposed of, or the leasing

distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property thereof.

Where the company acquires real property from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price without occurrence of circumstance of paragraph 1 of this Article, the following steps shall be taken:

(A) 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 the company's equity stake in the other company. a special reserve under the

	<p><u>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 competent authority has given its consent.</p> <p>(B) The independent director members of audit committee shall comply with Article 218 of the Company Act.</p> <p>(C) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>When the company obtains real property or <u>right-of-use assets</u> thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>		<p>preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased 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 competent authority has given its consent.</p> <p>(B) The independent director members of audit committee shall comply with Article 218 of the Company Act.</p> <p>(C) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>When the company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	
Article 16	<p>Internal Audit System</p> <p>(A) The company's audit unit should regularly inspect the suitability of internal control of derivatives transactions as well as perform monthly inspection of derivatives transaction procedures on department that is</p>	Article 16	<p>Internal Audit System</p> <p>(A) The company's audit unit should regularly inspect the suitability of internal control of derivatives transactions as well as perform monthly inspection of derivatives transaction procedures on department that is</p>	<p>Written form to be revised in accordance of Regulations Governing the Acquisition</p>

	<p>responsible for transaction and create audit reports and should report the chairman and senior supervisor assigned by the board of directors; meanwhile, written announcement should be sent to the audit committee.</p> <p>(B) The company's audit personnel should put the derivatives transactions into the audit plan and should report the execution of annual audit plan of last year to the competent authority by the end of February of the following year and report irregularity improvement to the competent authority for recordation no later than the end of May of the following year.</p>		<p>responsible for transaction and create audit reports and should report the chairman and senior supervisor assigned by the board of directors; meanwhile, written announcement should be sent to members of independent board of directors of the audit committee.</p> <p>(B) The company's audit personnel should put the derivatives transactions into the audit plan and should report the execution of annual audit plan of last year to the competent authority by the end of February of the following year and report irregularity improvement to the competent authority for recordation no later than the end of May of the following year.</p>	and Disposal of Assets by Public Companies.
Article 17	<p>Regular evaluation methods and the handling of irregular circumstances</p> <p>(A) Derivatives transaction should be regularly evaluated weekly or monthly and profit-loss and open interest of non-hedging transaction of the month or the week should be summarized and reported to senior supervisor authorized by the board of directors and the chairman for performance management evaluation and reference for risk management.</p> <p>(B) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. The board of directors should periodically evaluate</p>	Article 17	<p>Regular evaluation methods and the handling of irregular circumstances</p> <p>(A) Derivatives transaction should be regularly evaluated weekly or monthly and profit-loss and open interest of non-hedging transaction of the month or the week should be summarized and reported to senior supervisor authorized by the board of directors and the chairman for performance management evaluation and reference for risk management.</p> <p>(B) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. The board of directors should periodically evaluate</p>	Written form to be revised in accordance of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

	<p>whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</p> <p>(C) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and related regulations of this procedures. 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted, and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion. <p>(D) The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged</p>		<p>whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</p> <p>(C) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and related regulations of this procedures. 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted, and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion. <p>(D) The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged</p>	
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	<p>in, board of directors' approval dates, monthly or weekly regular evaluation report and regular evaluation items of the board of directors and senior supervisor authorized by the board of directors.</p>		<p>in, board of directors' approval dates, monthly or weekly regular evaluation report and regular evaluation items of the board of directors and senior supervisor authorized by the board of directors.</p>	
Article 18	<p>If the company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p>	Article 18	<p>If the company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p>	<p>Written form to be revised in accordance of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
Article 19	<p>The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it</p>	Article 19	<p>The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it</p>	<p>Written form to be revised in accordance of Regulations Governing the Acquisition</p>

	<p>along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>	<p>along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>	<p>and Disposal of Assets by Public Companies.</p>
<p>Article 20</p>	<p>The company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting with other participating companies on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>The company participating in a transfer of shares shall call a board of directors meeting with other participating companies on the day of</p>	<p>Article 20</p> <p>The company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting with other participating companies on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the authority is notified in advance and grants consent. The company participating in a transfer of shares shall call a board of directors meeting with other participating companies on the day of the transaction.</p>	<p>The amendments include revision pursuant to Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

the transaction. When participating in a merger, demerger, acquisition or share transfer, the Company shall prepare a full written record of the following information and preserve it for five years for reference and report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the authority for recordation within 2 days counting inclusively from the date of passage of a resolution by the board of directors.

(A) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

(B) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

(C) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material

When participating in a merger, demerger, acquisition or share transfer, the Company shall prepare a full written record of the following information and preserve it for five years for reference and report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the authority for recordation within 2 days counting inclusively from the date of passage of a resolution by the board of directors.

(A) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

(B) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

(C) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material

	contracts, and minutes of board of directors meetings.		contracts, and minutes of board of directors meetings.	
Article 22	<p>Matters to be recorded in the contract</p> <p>The contract shall record the rights and obligations of the Company participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the circumstances permitting the alteration of the share exchange ratio or acquisition price as enlisted in the preceding Article and the following:</p> <p>(A) Handling of breach of contract.</p> <p>(B) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.</p> <p>(C) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</p> <p>(D) The manner of handling changes in the number of participating entities or companies.</p> <p>(E) Preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>(F) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</p>	Article 22	<p>Matters to be recorded in the contract</p> <p>The contract shall record the rights and obligations of the Company participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the circumstances permitting the alteration of the share exchange ratio or acquisition price as enlisted in the preceding Article and the following:</p> <p>(A) Handling of breach of contract.</p> <p>(B) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished or that is demerged.</p> <p>(C) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.</p> <p>(D) The manner of handling changes in the number of participating entities or companies.</p> <p>(E) Preliminary progress schedule for plan execution, and anticipated completion date.</p> <p>(F) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.</p>	<p>The amendments include revision pursuant to Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>

<p>Article 23</p>	<p>Other matters that need the Company's attention while participating in the merger, demerger, acquisition, or share transfer</p> <p>(A) Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.</p> <p>(B) After public disclosure of the information of the Company's participating in the merger, demerger, acquisition, or share transfer, if the Company intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and the Company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating</p>	<p>Article 23</p>	<p>Other matters that need the Company's attention while participating in the merger, demerger, acquisition, or share transfer</p> <p>(A) Every person participating in or privy to merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of all related companies.</p> <p>(B) After public disclosure of the information of the Company's participating in the merger, demerger, acquisition, or share transfer, if the Company intends further to carry out a merger, demerger, acquisition, or share transfer with another company, the Company shall carry out anew the procedures or legal actions that had originally been completed; except that where the number of participating companies is decreased and the Company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, the Company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p>(C) Where any of the companies participating in a merger, demerger, acquisition, or transfer</p>	<p>The amendments include revision pursuant to Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
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	<p>company may be exempted from calling another shareholders meeting to resolve on the matter anew.</p> <p>(C) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 20 and paragraph 1 and paragraph 2 of this Article 23.</p>		<p>of shares is not a public company, the Company shall sign an agreement with the nonpublic company whereby the latter is required to abide by the provisions of Article 20 and Article 5.</p>	
Article 25	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall meet the following requirements:</u></p> <p>(A) 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</p>	Article 25	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party to the transaction.</p>	<p>Negative qualifications for related professionals are specified.</p>

expiration of the period of a suspended sentence, or since a pardon was received.

(B) May not be a related party or de facto related party of any party to the transaction.

(C) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

(A) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.

(B) When examining a case, 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.

(C) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the

	<p>arameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(D) 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.</p>			
<p>Article 26</p>	<p>With respect to the Company's transactions of acquisition or disposal of assets, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors in accordance with preceding Article of the procedures, the board of directors shall take into full consideration each independent director's opinions. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board meeting minutes.</p> <p>Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.</p> <p>For transaction involving major assets or derivatives shall be approved by audit committee members, if approval of more than half of all audit committee members as required is not obtained, approval of more than two-thirds of all directors becomes necessary,</p>	<p>Article 26</p>	<p>With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to independent director members of the audit committee.</p> <p>When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors for which paragraph 1 requires, the board of directors shall take into full consideration each independent director's opinions. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board meeting minutes.</p> <p>Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for</p>	<p>Revisions are made in accordance with Questions and Answers issued by Securities and Futures Bureau on April 13, 2017.</p>

	<p>provided that the resolution of the audit committee is recorded in the minutes of the board of directors meeting.</p> <p>The terms “all audit committee members” and “all directors” as used in the procedure shall be calculated as the number of members actually in office.</p>		<p>a resolution.</p> <p>For transaction involving major assets or derivatives shall be approved by audit committee members, if approval of more than half of all audit committee members as required is not obtained, approval of more than two thirds of all directors becomes necessary, provided that the resolution of the audit committee is recorded in the minutes of the board of directors meeting.</p> <p>The terms “all audit committee members” and “all directors” as used in the procedure shall be calculated as the number of members actually in office.</p>	
Article 27	<p>The procedures shall be approved by the audit committee, and then shall be submitted for approval by the board of directors, and then to a shareholders' meeting for approval; the same applies when the procedures are amended.</p> <p>When the procedures are submitted for discussion by the board of directors, 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>When the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by more than half of all audit committee members and</p>	Article 27	<p>After the procedures have been approved by the audit committee, they shall be submitted for approval by the board of directors, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to independent director members of the audit committee.</p> <p>When the procedures are submitted for discussion by the board of directors, 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</p>	Revisions are made in accordance with Questions and Answers issued by Securities and Futures Bureau on April 13, 2017.

	<p>submitted to the board of directors for a resolution.</p> <p>If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p>		<p>meeting.</p> <p>When the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p>	
Article 28	<p>The date of occurrence referred to in the procedures: 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>The Mainland China area investment referred to in the procedures: 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</p>	Article 28	<p>The date of occurrence referred to in the procedures: 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>The Mainland China area investment referred to in the procedures: 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</p>	Definitions of Related Party are specified pursuant to Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

<p>Mainland Area. Professional appraiser referred to in the procedures: a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>Related parties or subsidiary referred to in the procedures: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>Mainland Area. Professional appraiser referred to in the procedures: a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment. Parent or subsidiary referred to in the procedures: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	
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Resolution

VI. Temporary Motions

VII. Meeting Adjournment

Appendix 1

Shareholdings of individual and all Directors in the shareholders' register as of April 7, 2019

Title	Name	Date elected	Term	Shareholdings when elected		Shareholdings on the shareholders' register as of book-close date	
				Number of shares	%	Number of shares	%
Chairman	Chin-Yi Lee	May 31, 2017	3 years	257	0.00%	257	0.00%
Director	Wen-Liang Lin	May 31, 2017	3 years	7,173,941	2.65%	7,073,941	2.61%
Director	Po-Fong Lin	May 31, 2017	3 years	11,875,008	4.39%	11,245,008	4.15%
Director	Rongzhi Investment Co., Ltd. Representative: Chao-Jung Lin	May 31, 2017	3 years	8,183,499	3.02%	10,132,499	3.74%
Independent Director	Ping-Joung Tseng	May 31, 2017	3 years	0	0.00%	0	0.00%
Independent Director	Zong-Ren Jhan	May 31, 2017	3 years	0	0.00%	0	0.00%
Independent Director	Chang-Ter Chang	May 31, 2017	3 years	0	0.00%	0	0.00%
Total shareholdings of all Directors: 28,451,705 shares							

Total shares issued as of May 31, 2017: 270,752,466 shares

Total shares issued as of April 7, 2019: 270,752,466 shares

Note: A. Statutory shareholding of all Directors of the Company: 12,000,000 shares. As of April 7, 2019 the shareholding of all Directors is 28,451,705 shares.

B. The Company has set up an Audit Committee, and the statutory shareholding of supervisors therefore does not apply.

C. Shareholding of Independent Directors is not included in the shareholding of Directors.

Appendix 2

Delpha Construction Co., Ltd. Rules of Procedure of Shareholders' Meeting

Revised on June 21, 2002

- Article 1: Except as otherwise provided in the laws and regulations, the procedure of the shareholders' meetings of Delpha Construction Co., Ltd. (hereinafter referred to as the Company) shall be handled in accordance with these Rules.
- Article 2: The attending shareholders and proxies shall sign in personally or submit the attendance card for the purpose of calculating the number of shares represented by the attending shareholders and proxies.
- Article 3: When the attending shareholders represent a majority of the total number of issued shares, the Chairman shall call the meeting to order. If at the meeting time the number of attending shareholders and proxies does not reach the quorum, the Chairman may announce a postponement of the meeting, provided that length of the postponement is no more than 1 hour. If the quorum is still not met after two postponements, but the attending shareholders and proxies represent one third or more of the total number of issued shares, a tentative resolution may be made with the consent of the attending shareholders and proxies representing more than half of the voting rights pursuant to Article 175 of the Company Law. All the shareholders shall be notified of the tentative resolution, and the shareholders' meeting shall be re-convened within a month.
- Article 4: If the quorum is met after a tentative resolution is made in the shareholders' meeting, the Chairman may call the meeting to order at any time and submit the tentative resolution that has been made to the shareholders' meeting for recognition.
- Article 5: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order as set in the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. Unless there is a resolution of the shareholders' meeting, the Chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda (including extraordinary motions). After the meeting is adjourned, the shareholders shall not elect another chairman to continue the meeting at the original site or another place. However, if the Chairman's declaration of the meeting adjournment violates of the Rules of Procedure, a new chairman may be elected by the attending shareholders with more than half of the voting rights to continue the meeting.
- Article 6: Before speaking, an attending shareholder must write down on a speaker's slip the subject of the speech, the shareholder's account number (or attendance pass number) and the account name. The order in which the shareholders speak shall be set by the Chairman. An attending shareholder who has submitted a speaker's slip but does not speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. At the time a shareholder speaks, the other shareholders shall not speak and interfere except with the consent of the Chairman and the speaking shareholder, otherwise the Chairman shall stop such interfering behavior.
- Article 7: The shareholder's speech is limited to five minutes at a time; however, with the permission

of the Chairman, it may be extended by five minutes, with a limit of one extension.

- Article 8: A shareholder may not speak for more than twice on the same motion. The Chairman may terminate the speech if a shareholder's speech exceeds the time limit or the scope of the agenda.
- Article 9: During the discussion of the motion, the Chairman may, at the appropriate time, announce the conclusion of the discussion after obtaining the consent of the attending shareholders. If necessary, the Chairman may declare a termination of the discussion and submit the motion for voting. Non-motions shall not be discussed or voted on.
- Article 10: Except as otherwise provided in the Company Law or in the Articles of Association, a motion is passed with the consent of the attending shareholders with more than half of the voting rights. At the time of voting, a motion is passed if the Chairman does not receive any negative response to his/her inquiry, and this verbal voting has the same validity as physical votes.
- Article 11: During the course of a meeting, the Chairman may announce a break based on time considerations. If the discussion of all the motions can not be completed in a single meeting, a resolution may be adopted at the shareholders' meeting to defer or resume the meeting within 5 days without any further notices or announcements.
- Article 12: In the event of an air raid warning during the meeting, the Chairman may rule the meeting temporarily suspended for evacuation. The Chairman shall announce a resumption of the meeting one hour after the lifting of the warning.
- Article 13: Where a legal person is entrusted to attend a shareholders' meeting, the legal person shall appoint only one representative to attend. Where a legal-person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same motion.
- Article 14: When there are incompatible amendments or alternatives to a motion, the Chairman shall decide the order in which they shall be put to a vote. When any of them is passed, the other incompatible motions shall then be deemed rejected and no further voting shall be required.
- Article 15: The Chairman may direct the proctors (or security personnel) to help maintain the order at the meeting. Such proctors (or security personnel) shall wear an identification card or armband bearing the word "Proctor".
Shareholders shall obey the command of the Chairman and proctors (or security personnel) for the maintenance of order. The Chairman and proctors (or security personnel) may expel those who hinder the proceeding of the shareholders' meeting.
- Article 16: The attendance and voting at the shareholders' meeting shall be based on the number of shares represented by the attending shareholders.
- Article 17: The venue of the shareholders' meeting shall be the county or city where the head office of the Company is located or a place convenient for the shareholders' attendance and suitable for holding the shareholders' meeting. The meeting start time shall not be earlier than 9:00 am or later than 3:00 pm.
- Article 18: Unless as otherwise provided in the Company Law, the meeting shall be chaired by the Chairman of the Board. If the Chairman of the Board is on leave or for any reason unable to exercise the powers of a chairman, the Deputy Chairman shall act in the place of the chairman. If there is no Deputy Chairman in place or the Deputy Chairman is also on leave or for any reason unable to exercise the powers of a chairman, the Chairman shall appoint one of the Managing Directors to act as the chairman for the meeting. If there are no Managing Directors in place, the Chairman shall appoint one of the Directors to act as the chairman for the meeting. If the Chairman does not make such an appointment, then

the chairman for the meeting shall be elected among the Managing Directors or Directors. If the shareholders' meeting is convened by a party other than the Board of Directors, the convening party shall be the chairman of the meeting.

Article 19: The Company may appoint its lawyer, accountant or related persons to attend the shareholders' meeting in a non-voting capacity. The meeting affair staff of the shareholders' meeting shall wear an identity card or an armband.

Article 20: The Company shall audio-record or video-record the whole process of the shareholders' meeting and shall keep the recording for at least one year.

Article 21: After an attending shareholder has spoken, the Chairman may either respond in person or appoint a relevant person to respond.

Article 22: The motion-voting scrutineers and vote-counting personnel shall be designated by the Chairman and approved by the attending shareholders, but the scrutineers shall also be shareholders themselves. The results of the voting shall be announced on the spot and recorded accordingly.

Article 23: The Rules are established in accordance with the “Key Points for Rules of Procedure for Listed Companies’ Shareholders’ Meetings”, and implemented after the adoption of the resolution in the shareholders’ meeting. The same procedure applies to the amendments to the Rules.

Appendix 3

Delpha Construction Co., Ltd. Articles of Incorporation

Revised by shareholder's meeting on May 31 2017.

Chapter 1 General Provisions

- Article 1: The Company is incorporated in accordance with Limited Company of the Company Act and registered under the business name of Delpha Construction Co., Ltd.
- Article 2: The Company's scope of services is set out hereunder
- 1 · Represent and contracting the sales and lease of all types of business buildings
 - 2 · Represent and contracting the sales and lease of all types of public housing
 - 3 · Introduction sales and lease of House
 - 4 · Represent and agency, purchasing and selling import and export trading sales of the various building materials
 - 5 · Amusement Parks
 - 6 · Specialized Field Construction and Development
 - 7 · Building Maintenance and Upholstery
 - 8 · Industrial Factory Buildings Lease Construction and Development
 - 9 · Land Levy and Delimit
- Above operation of sales shall be made in accordance with relevant laws and rules.
- Article 3: The Company has its head office in Taipei City, and the Company may establish branches in other appropriate location. Establish, cancel and change of the branches shall be made in accordance with the decision of Board.
- Article 4: Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations.
- Article 5: The Company shall guarantee to third party in accordance with laws and regulations.
- Article 6: The total amount of the Company's reinvestment shall be subject to the exceeding 40% of its paid-in capital.

Chapter 2 Shares

- Article 7: The total capital amount of the Company shall be Five Billion, Three Hundred and Thirty-Six Million, One Hundred and Thirty-Five Thousand, Nine Hundred and Twenty Dollars New Taiwan Dollars (NT\$5,336,135,920), at a par value of ten New Taiwan Dollars (NT\$10) per share. The Board is authorized to issue unissued shares separately depend on operation of the Company. Part of the shares shall be preferred stock
- Article 8: The Company shall issue nominal shares after the signing or stamping, numbering of seal by three or more directors as well as being attested to by a competent authority in accordance with the lawn or sign and approved by authorized registration institution.

- Article 9: The shares not printed shall be kept and recorded by the centralized securities depository enterprise.
- Article 10: Shareholder of the Company transfer stocks, set pledge of stock rights, report of loss, inheritance, donation and changes or report of loss of seal changes or address changes etc. and enforcement of rights shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by competent authority exception to other laws and securities rules.
- Article 11: The entries in the shareholder's roster referred to in the preceding application of paragraph shall not be altered within 60 days prior to the convening date of a regular Shareholder's meeting, or within 30 days prior to the convening date of a special shareholder's meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

Chapter3 Shareholders Meeting

- Article 12: There are two types of shareholders meeting, namely, regular meeting and extraordinary meetings. The regular meeting shall be convened within six months after the close of each fiscal year.
- Notices which clearly state the date, the place and the purpose(s) for meeting shall be sent to each shareholder at least thirty (30) days in advance. In addition to the provisions of the Company Act, special meeting are held in accordance with the law shall be convened by the Board of Directors. Notices of extraordinary meetings which clearly state the date, the place and the purpose(s) for meeting shall be sent to each shareholder at least fifty (15) days in advance. The director of the Audit Committee shall call for shareholders meeting for company benefit as necessary except that the board of directors is not to be called or unable call for shareholder's meeting.
- Shareholder of Preferred Stock will convene a meeting as necessary in accordance with laws. The procedure shall be applied to relevant rules of shareholders meeting.
- Article 13: In addition to the provisions of the Company Act, shareholders meeting shall be presided over by the Chairman of the Board of Directors; in case the Chairman of Board of Directors is on leave or unable to perform his duties for cause, the Chairman of the board of directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves. Shareholders' meeting is to be according to rules of procedure of the Company.
- Article 14: When a shareholder is unable to attend the shareholders meeting for whatever reason, that shareholder shall appoint a proxy to attend by offering company issued solicitation document stipulating the extent of the authorization with signature or company seal thereon. When one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy not exceed 3

percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in that calculation.

In addition to the Company Law, the shareholder appoints a proxy shall be done according to the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” by the corresponding government department.

Article 15: A resolution is passed at the shareholders’ meeting by a majority of the shareholders present who represent more than half of the total number of its outstanding issued stocks except specified in the Company Act.

Article 16: Resolutions adopted at a shareholders’ meeting shall be recorded in the minutes of the meeting, signed or sealed by the Chairman of the shareholders' meeting and distributed to the shareholders within 20 days after the meeting.

The distribution of the former rule proceedings minute book shall be in accordance with Company Act.

Meeting minutes shall be recorded with year, month, date, place of the meeting, the name of chairman, method of resolution, process and results. It shall be kept with the Company as long as the Company exists.

Attendance book of attending shareholder and proxy form shall be kept at least one year,

If shareholder files a lawsuit in accordance with Article 189 of the Company Act, Attendance book of attending shareholder and proxy form shall be kept until Lawsuit Concluded.

Chapter 4 The Board of Directors

Article 17: The board of company shall be five to nine directors. It shall be selected from legal capacity of shareholder meeting and in accordance with Article 198 of the Company Act.

Independent directors shall be at least three persons as below.

Qualification for independent directors and relevant items is in accordance with relevant laws and regulations.

Total shares held by all directors in accordance with Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.

Article 18: Elections of Independent Directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

Independent directors and non-independent directors should be elected together and to calculate the elected places separately.

The term of office of a director shall not exceed three years; but he/she may be eligible for re-election. In case no election of new directors is effected after expiration of the

term of office of existing directors, the term of office of out-going directors shall be extended until the time new director have been elected by shareholder's meeting and assumed their office. Where re-election of all directors is effected, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance. As vacancies in the board of directors of a company, elect succeeding directors to fill the vacancies by a shareholders' meeting in accordance with Article 201 Company Act. When the number of vacancies in the board of directors of company does not meet to one third of the total number of directors, the shareholders do to elect succeeding directors to fill the vacancies. The term of succeeding directors is the same as expiration of the term of office of previous directors.

The Company may purchase liability insurance to cover the directors for the liabilities. Compensation of directors and independent directors determined by the Board in accordance with the compensation committee organization procedures of the company.

Article 19: The board of directors is composed of all directors. The chairman of the board of directors shall be elected from among the directors by majority of directors present at a meeting attended by more than two thirds of directors. The Chairman shall externally represent the Company and internally perform all his/her duties in accordance with laws and regulations.

Article 20: The Managing Director, being the Chairman, shall be responsible for calling for a BOD meeting. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected.

The reason for convening of the board of directors shall be stated and the directors are notified of such seven days in advance, but may be convened at any time when there is an emergency. The reason for convening of the board of directors shall be stated and respondent agree by electronic email.

In case the chairman of the board of directors is on leave or unable to perform his duties for cause, the chairman of the board of directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves. Directors shall attend meetings of the board of directors in person.

If a director is unavailable to attend a meeting in person, the director may issue a proxy specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting.

The participants are deemed present by taking part in the meeting of the board of directors using video conference facility when the meeting is conducted by way of video conference.

The procedure of board shall be conducted in accordance with rules of the board of the company.

Article 21: Authority of the board as below:

1. Approve each charter
2. Determine business strategy
3. Approve budget and closing accounts
4. Appropriation of profit and make up loss
5. Draw up increase and decrease of capital
6. All or major company business, transfer property, rental and exchange, pledge, mortgage or approve other punishment or proposal
7. Resolution of shareholder's meeting
8. Determine important personal
9. Other authority in accordance with laws and shareholder's meeting
10. Approve travel expenses of the director

Article 22: Unless otherwise provided for by the Company Act, a resolution of the board of directors shall be adopted by the consent of a majority of the directors present in a meeting attended by the majority of the total directors.

Article 23: The Company shall set the Audit Committee, which comprises of all the independent directors, the authority and related matters shall be conducted in accordance with rules of Audit Committee of the company.

Article 24: Powers conferred by the Company Act, the Securities and Exchange Act and any other law to be exercised by supervisors, shall be applied mutatis mutandis to the independent director members and the audit committee.

Chapter 5 Managerial Personnel

Article 25: The Company shall have one managerial personnel and have numbers of managerial personnel based on the needs.

The Company may purchase liability insurance to cover managerial personnel for the liabilities.

Article 26: Appointment and discharge of general manager and managerial personnel shall be decided in accordance with the board of directors.

Remuneration of the managerial personnel shall be decided by the board of directors in accordance with rules of compensation committee of the company.

Chapter 6 Accounting

Article 27: The term for fiscal year of the company shall be on the first day of January and end on the thirty-first day of December of each calendar year.

The board of Company shall, at the end of each fiscal year, submit documentation as below to its shareholders for their ratification.

1. The annual business report

2. The financial statements

3. The appropriation of profit and remedy in the event of loss proposal

Article 28: When the Company allocates the profit of the current year, if any, no less than 1.5% of the profit shall be set aside as employees' compensation and no less than 2% of the profit shall be set aside as directors' compensation. However, when there are accumulated losses, the profits shall be used to offset accumulated losses first.

A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation and directors' compensation in the preceding paragraph distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The profit of the current year as below paragraph shall be Pre-Tax Income which is before deduct from employees' compensation and directors' compensation.

Directors' compensation is in the form of cash.

The employees who are paid for compensation of stocks or cash, the issuance of the object contains a certain condition for the subsidiary and certain condition decided by the board of directors.

Article 29: If there is a surplus in the final accounts of the Company, the tax shall be paid to make up for the losses first, but except to the statutory surplus reserve has reached the total amount of capital of the Company, and second, 10 percent shall be reserved as statutory surplus reserve and in accordance with the law and the competent authorities, the special surplus reserve shall be increased or rotated. If there is a surplus still, the BOD will prepare the Surplus distribution case with the previous annual accumulation of undistributed surplus to present in the shareholders' meeting for resolution of distribution.

The dividend policy of the Company shall meet characteristic of construction. After taking into account of the Company's current and future development plan, investment environment and domestic competition, lots of fund requirements and also taking into account the profit of all shareholders, contribute the 10%-70% surplus earning for distribution of shareholders bonuses every year.

However, when distributed earnings are less than 5% paid-up capital, the company shall not contribute earnings to have sound financial structure.

The Company distribute shareholder bonus shall be in cash or in stocks and the cash dividends shall not be less than 10% of the total shareholder bonus.

The distribution of shareholder bonus in previous paragraph which is the board determined most proper dividend policy base on company's maximum profit.

Chapter 7 Supplementary Provisions

Article 30: The internal organization of the Company and the detailed procedures of business operation shall be determined by the board of directors.

- Article 31: In regard to all matters not provided for in these Articles of Incorporation, the Company Act or other laws and regulations shall govern and any amendments hereto, shall be implemented after adoption by shareholder's meeting.
- Article 32: This Articles of Incorporation was drawn up on the seventh of October 1960.
- First amendment was effect on the sixteenth of February 1967.
- Second amendment was effect on the seventh of July 1975.
- Third amendment was effect on the eighth of October 1977.
- Fourth amendment was effect on the thirtieth of June 1979.
- Fifth amendment was effect on the fifteenth of July 1981.
- Sixth amendment was effect on the thirty-first of July 1981.
- Seventh amendment was effect on the ninth of October 1981.
- Eighth amendment was effect on the first of March 1985.
- Ninth amendment was effect on the twenty-sixth of May 1985.
- Tenth amendment was effect on the seventh of October 1988.
- Eleventh amendment was effect on the sixteenth of June 1990.
- Twelfth amendment was effect on the fifth of December 1990.
- Thirteenth amendment was effect on the eighth of August 1991.
- Fourteenth amendment was effect on the twenty-third of August 1991.
- Fifteenth amendment was effect on the eighth of June 1992.
- Sixteenth amendment was effect on the seventh of April 1993.
- Seventeenth amendment was effect on the twenty-eighth of May 1993.
- Eighteenth amendment was effect on the fourth of June 1994.
- Nineteenth amendment was effect on the seventh of September 1994.
- Twentieth amendment was effect on the twentieth of December 1994.
- Twenty-first amendment was effect on the twenty-seventh of May 1995.
- Twenty-second amendment was effect on the twenty-third of September 1996.
- Twenty-third amendment was effect on the fourteenth of May 1997.
- Twenty-fourth amendment was effect on the twenty-third of April 1998.
- Twenty-fifth amendment was effect on the twentieth of April 1999.
- Twenty-sixth amendment was effect on the twentieth of April 1999.
- Twenty-seventh amendment was effect on the tenth of May 2000.
- Twenty-eighth amendment was effect on the tenth of May 2000.
- Twenty-ninth amendment was effect on the twenty-first of June 2002.
- Thirtieth amendment was effect on the twenty-fifth of June 2003.
- Thirty-first amendment was effect on the twenty-third of June 2005.
- Thirty-second amendment was effect on the fifth of June 2006.
- Thirty-third amendment was effect on the nineteenth of June 2008.
- Thirty-fourth amendment was effect on the tenth of June 2009.
- Thirty-fifth amendment was effect on the eighteenth of June 2010.
- Thirty-sixth amendment was effect on the ninth of June 2011.

Thirty-seventh amendment was effect on the twenty-second of June 2012.

Thirty-eighth amendment was effect on the twentieth of June 2013.

Thirty-ninth amendment was effect on the nineteenth of June 2014.

Fortieth amendment was effect on the thirty-first of May 2016.

Forty-first amendment was effect on the thirty-first of May 2017.

Appendix 4

Delpha Construction Co.,Ltd The Operational procedures for Acquisition and Disposal of Assets

Revised by shareholder's meeting on May 31 2017.

Chapter 1 General

Article1: Purpose and Source of Law

These Procedures are especially provided for the enhancement of asset management compliance to openness of information for the public. The formulation whence the applicable regulations are from the competent authority and shall be complied; where other regulations provide otherwise, such laws shall govern.

Article2: The term "assets" includes the following:

- (A) 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.
- (B) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- (C) Memberships.
- (D) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- (E) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (F) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a 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. 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.
- (G) 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.

(H) Other major assets.

Article3: Assessment procedure

- (A) Our Company's acquisition or disposal of securities, or transaction of derivatives shall be conducted relative benefit analysis and assessed possible risks. Whereas the acquisition or disposal of real estate property, or other assets shall be conducted after the responsible units draft the plan of capital expenditure and assess the feasibility in accordance with the purpose of acquisition and disposal, and expected benefit. For the transaction with stakeholders, the assessment of reasonability shall be in compliance with the Second Chapter of these Regulations.
- (B) Our Company's acquisition or disposal of securities shall use the target company's latest financial statements audited, attested, or scrutinized by a CPA or other relative materials as reference for transaction assessment. A transaction with amount exceeding 20% of our Company's paid-up capital or TWD 300 million shall require the accountant to present opinion regarding to the reasonability of the transaction price prior to the actual occurrence date. If the said accountant requires exert statement, the accountant shall exercise the Audit Principle Gazette No. 20 issued by the ARDF. However, it is not under the said regulation if the said securities may enhance the public price quotations in the market or are being regulated by other regulations from competent authority.
- (C) In acquiring or disposing of real property, or equipment thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the appraisal procedure within this procedure.
- (D) Our Company acquires or disposes of intangible assets or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

The accounting of previous transaction amount shall be handled in regulation of article 5, paragraph 2. "Within one year" refers to one year before the occurrence of the event, excluding the part that had acquired appraisal report prior to the date of occurrence of the event from a professional appraiser.

- (E) The price of our company's acquired or disposed asset shall be determined, in addition to referring to appraisal report issued by a professional appraiser or opinion presented by accountant, by the following circumstances:
1. Trade of securities conducted at the stock exchange market or through a business site

- of a securities dealer shall be determined by the equity and the securities' price.
2. Acquisition and disposal of membership shall be determined in reference of possible benefit and the latest strike deal. Acquisition and disposal of intangible property such as patents, copyrights, trademarks, franchise rights shall be handled in reference of international or market practice, useful life, and the influence of the company's technology and business.
 3. Acquisition and disposal of membership shall be determined in reference of possible benefit and the latest strike deal. Acquisition and disposal of intangible property such as patents, copyrights, trademarks, franchise rights shall be handled in reference of international or market practice, useful life, and the influence of the company's technology and business.
 4. Acquisition or disposal of real estate or equipment shall first refer to announced present value, or assessed value of the neighboring area or book value, suppliers' quote to determine transaction terms and conditions and price. If the said real estates are purchased from a stakeholder, appraisal should be conducted in compliance with Chapter 2 of this procedure to determine the reasonability of transaction price.
 5. Transaction of derivatives should be conducted in reference of futures market, exchange rate and interest rate trend.
 6. Merger, division, acquisition, or share receiving shall be handled in reference of the nature of business, net value per share, asset value, technology, profitability, productivity and future potential.

Article4: Operational procedure

(A) Credit limit and hierarchy

1. Securities

The president is authorized to make transaction within the limit of Article 7 of this procedure. If the transaction fits the standard stated in Article 5, thereof should be approved by the Audit Committee and resolved by the board of directors.

2. Derivatives.

(1) Risk-preventive transactions

In accordance with turnover and risk exposure, a single transaction should be limited to 1 million US dollars, where as aggregated limit of the day is 4 million US dollars. The president is authorized to approve transaction, while transaction amount over the limit shall be approved by the Audit Committee and resolved by the board of directors.

(2) Non-risk-preventive transaction

To avert risk, single or aggregated transactions that are below 1 million US dollars shall be approved by the president, whereas transactions above 1 million dollars shall be approved by the Audit Committee and resolved by the board of directors.

(3) In collaborate with the competent bank supervision, the authorized trader shall

inform the bank.

(4) The derivatives transaction under mentioned authorization shall be submit to the latest board meeting.

3. Transaction with stakeholder

Relevant information shall be prepared in regulation of Chapter 2 of this procedure, be approved by the Audit Committee, and resolved by the board of directors.

4. Merger, division, acquisition, or share receiving

Relevant procedure shall be complied and information shall be prepared in regulation of Chapter 4 of this procedure. Merger, division, acquisition shall be resolved by the shareholders meeting, where other laws provide otherwise, such regulation shall govern. Share receiving shall be resolved by the board of directors.

5. Other

Internal control system and authorization hierarchy shall be complied. If the transaction amount reach the standard of article 5, thereof shall be approved by the Audit Committee and resolved by the board of directors. If situation as stipulated in the Company Act article 185 shall occurred, resolution shall be reached by the shareholders meeting.

(B) Operational unit and trading procedure

Our company's acquisition and disposal of assets shall be operated by competent units. Once received authorization, agreements and relative transaction shall be executed by the relative operational units under the regulation of internal control system. Transaction with stakeholders, derivatives and merger, division, acquisition and share receiving shall be executed in compliance of Chaper 2 to 4 in this procedure.

Article 5: Public announcement and regulatory filing procedures.

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

(A) 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.

(B) Merger, demerger, acquisition, or transfer of shares.

(C) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Article 14(4) of Chapter III of this Procedure.

(D) 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:

1. Paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 2. Paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (E) Acquisition or disposal in the construction business of real property for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.
- (F) 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.
- (G) Where an asset transaction other than any of those referred to in the preceding six subparagraphs 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:
1. Trading of government bonds.
 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" 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 'Regulations Governing the Acquisition and Disposal of Assets by Public Companies' need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the

information reporting website designated by the FSC by the 10th day of each month.

In case an error or omission in an item to be publicly announced occurs at the time of public announcement and so is required to be corrected, 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.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the Clause 1, 4, 5 of this Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

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.

Article 6: Acquisition or Disposal of Assets

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 government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. 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.

- (A) 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 also be followed in the future whenever there is any subsequent change to the terms and conditions of the transaction.
- (B) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (C) 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 for the discrepancy and the appropriateness of the transaction price:

1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

(D) 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.

Except where a limited price, specified price, or special price is employed as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.

Article 7: The limitation of acquisition of real estate or securities

Other than the acquisition of real estate or securities for business purpose, the Company and its Subsidiary can also invest in acquisition of real estate or securities for non-business purpose. The the limitation of the investment is calculated in accordance with the carrying amount of the Company and its Subsidiary's latest financial statements. The limitation of each investment are listed below. When calculating clause 4 and 5, those who participate in the investing establishment, directors, supervisors, and proposed long-term holders, shall not be counted.

(A) The total amount of all real estate investment for non-business purpose should not exceed 20% of the Company's net worth as stated in its latest financial statement. The total amount of all real estate investment for non-operating purpose by each subsidiary of the Company should not exceed 30% of the Company's net worth as stated in its latest financial statement.

(B) The total amount of all security investments should not exceed 75% of the Company's net worth as stated in its latest financial statement. The total amount of all security investments by each Subsidiary of the Company should not exceed 50% of the Company's net worth as stated in its latest financial statement.

(C) The limitation of investment in each respective security should not exceed 50% of the Company's net worth as stated in its latest financial statement. The limitation of investment by each Subsidiary of the Company in each respective security should not exceed 30% of the Company's net worth as stated in its latest financial statement.

(D) The Company's or the Subsidiary's own net investment in each respective listed or OCT

company should not exceed 20% of the Company's or the Subsidiary's net worth as stated in its latest financial statement.

- (E) The total shareholding of the Company and the Subsidiary's investment in each respective listed or OCT company should not exceed 30% of the total amount of the issued shares of the certain respective listed or OCT company.

The net worth as stated in its latest financial statement of the parent company in this procedure is pursuant to the "equity attributable to owners of the parent as stated in the balance sheet" regulated in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Article 8: Control procedures for the acquisition and disposal of assets by subsidiaries

- (A) The subsidiaries of the Company should be in accordance with the regulations of the competent authority to establish a "Procedures for Acquiring or Disposal of Assets" and implement it faithfully. After the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended.

Where an audit committee has been established by the subsidiaries of the Company, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved firstly by the members of the audit committee and then by the board of directors, and submitted to the to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent, where stated in minutes or in a written statement, the Company shall submit such dissenting opinions to each director of the audit committee. When this procedure is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions, and have the opinions and reasons on approvals or objections of each independent director recorded in the minutes of the board of directors meeting.

That should be approved by the audit committee in accordance with the provisions of the Act, if approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

- (B) If the subsidiary is not a public company, acquisition or disposition of assets, should be conducted in accordance with the regulations of the subsidiary's own "Internal Control System" and "Procedures for Acquiring or Disposal of Assets", and should shall summarize and submit monthly reports on the status of derivatives trading to the Company by 5th day of each month.

- (C) If the subsidiary is not a public company, when the transaction of assets acquired or disposed reaches a threshold requiring public announcement and regulatory filing, the subsidiary should inform the Company within the date of occurrence, and the Company shall make its publicly announcement pursuant to the regulations on the designated websites.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary that is not itself a public company in determining whether, relative to the regulation of reaching 20 percent of paid-in capital or 10 percent of total assets, it reaches a threshold requiring public announcement and regulatory filing.

For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 9: Penal Provisions

Provisions shall apply in compliance with the Securities and Exchange Act, Criminal Law, the Company Act and related regulations.

Chapter 2 Related Party Transaction

Article 10: Definition Reference

The related party should be defined under the Regulations Governing the Preparation of Financial Reports by Securities Issuer. In addition to legal formalities, the substance of the relationship shall also be considered.

Article 11: Resolution Procedures

The company intends to acquire or dispose of real property thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property thereof from or to a related party and the transaction amount reaches 20 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 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 agreed by the Audit Committee and adopted by the board of directors:

- (A) Purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (B) Reason of the selected related party as the transaction counterparty.
- (C) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.
- (D) 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.
- (E) 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.
- (F) Whoever's transaction amount reaches 20% of the company's actual capital, 10% of total capital, or 300 million NT dollars, should either acquire appraisal report by professional appraiser or CPA's opinion.
- (G) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which have been handled in accordance of this regulation and

adopted and agreed by the Audit Committee and approved by the board of directors need not be counted toward the transaction amount.

When the company acquires or disposes equipment for business use from the subsidiaries, the board of directors should authorize the chairman to make decision first on the transaction amount under 50 million NT dollars and report on the most recent board meeting for subsequent ratification.

Article 12: Rationality evaluation of transaction conditions

When the company acquires the real property from the related party shall, except for circumstances including the related party acquired the real property through inheritance or as a gift, or 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, or the real property is acquired through signing of a joint development contract with the related party or through engaging a related party to build real property, either on the company's own land or on rented land, which shall be handled in accordance of preceding regulations, be evaluated by using following methods for suitability of transaction cost and ask for CPA's appraisal and render a specific opinion.

- (A) 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.
- (B) 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.
- (C) Where land and structures thereupon are combined as a single property purchased or leased 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 1 and 2.

Article 13: Following steps need to be conducted when the transaction price is evaluation to be lower than transaction cost

When the results of the company's appraisal conducted in accordance with preceding Article are uniformly lower than the transaction price, however, except for 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, shall be handled in accordance of regulation in paragraph 3.

- (A) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed 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.
 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 land prices in accordance with standard property market.
 3. Leasing 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 is similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market.
- (B) Where the company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Where the company acquires real property from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price without occurrence of circumstance of paragraph 1 of this Article, the following steps shall be taken:

- (A) 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 the company's equity stake in the other company. 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 or leased 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 competent authority has given its consent.
- (B) The independent director members of audit committee shall comply with Article 218 of the Company Act.
- (C) Actions taken pursuant to the preceding paragraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual

report and any investment prospectus.

Chapter 3 Trading control of derivatives

Article 14: Trading principles and strategies

(A) Trading types

Types of derivatives that the company can engage including exchange of forward contract, options, interest rate and exchange of rate, futures and hybrid contracts combining above merchandise. If the trading of the merchandise need to be engaged, it needs to be agreed by the audit committee and approved by the board of directors.

(B) Management and hedging strategies

Derivatives trading that the company engages can be divided into trading for hedging purpose and non-hedging purpose. (which the purpose is trading) The strategy is mainly to averse the risk of management and the selection of trading merchandise shall mainly averse risks from foreign exchange income, expenditure, assets or liability. If there is any change, selecting the right timing to engage non-hedging trading of derivatives, which is expected to either increase the non-operating income or decrease non-operating loss. Furthermore, in order to avoid credit risk, the trading counterparty shall be financial institution that has business dealing with the company. Before executing the trading, it should be clearly defined whether it is for non-hedging purpose or financial manipulation pursuit of investment revenue as the basis of accounting.

(C) Trading amount

1. Hedging trading: Shall not be over half of the net value of the company.
2. Non-hedging trading: Shall not be over 15 million US dollars. Trading personal should make an analysis report of foreign exchange rate trend which should clearly states the trend analysis of foreign exchange rate and suggestion of operation. Trading can be conducted after the report is approved.

(D) The maximum loss limit on total trading and for individual contracts

1. Hedging trading

The trading is made according to the company's actual requirement. Risks are evaluated to be under control which does not have the issue of maximum loss limit.

2. Non-hedging trading

After the positions are built, a stop-loss point shall be made to prevent loss that is over the amount. The setting of a stop-loss point limit shall not be over 10 percent of amount of the trading contract, with yearly accumulated loss shall not be over 300 thousand US dollars.

(E) Segregation of duties

1. Trading personnel

Personnel who execute derivatives trading for the company, should be selected by the chairman. The personnel are responsible for setting trading strategies, execution of trading orders, and disclosure of future trading risks for authorized range. The personnel shall provide up-to-date information as reference to related departments.

2. Accounting department

The department is responsible for the cutting of derivatives trading, confirmation of trading, crediting the account and keeping trading records in accordance of related

regulations, regularly evaluating positions held on fair market price and providing to trading personnel and disclosing related matters of derivatives in the financial report.

(F) Essentials of performance evaluation

1. Hedging trading

Make performance evaluation at least twice per month based on the profit and loss between the exchange rate cost of the company and engagement of derivatives trading and report the performance to the management for reference.

2. Non-hedging trading

Make performance evaluation at least once per week based on the actual profit and loss and report to the management for reference.

Article 15: Risk management measures

Where the company engaging in derivatives trading, the risk management shall be conducted in accordance with the following principles:

(A) Credit risk: The trading counterparties shall be financial institutions which can provide professional information and futures agencies which have business dealing with good reputation.

(B) Market risk: Setting of stop-loss point shall be strictly controlled after positions are built, that the fluctuation of future derivatives market price may result in uncertain loss.

(C) Liquidity risk: In order to ensure the liquidity of derivatives trading, the institution which is in charge of trading shall have enough equipment, information, and trading capability and be able to trade in any market.

(D) Operational risk: Authorized amount and operation process shall be faithfully followed to avoid operational risk.

(E) Legal risk: International standard documents should be used as much as possible while signing any contracts with financial institutions to avoid legal risk.

(F) Derivatives risk: Internal trading personnel should possess complete and correct professional knowledge of derivatives to avoid misuse which may result in loss.

(G) Cash delivery risk: Authorized trading personnel shall not only strictly follow authorized amount but regularly pay attention to the cash flow of the company to ensure enough cash for payment while making delivery.

(H) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

(I) Personnel for confirmation shall regularly check account and confirmation with the dealing banks and check any time if the total trading exceeds the maximum amount which is regulated in this process.

(J) Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph (H) and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

(K) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel

authorized by the board of directors. (Note: The designated senior management personnel shall not belong to the implementation unit)

Article 16: Internal audit system

- (A) The company's audit unit should regularly inspect the suitability of internal control of derivatives transactions as well as perform monthly inspection of derivatives transaction procedures on department that is responsible for transaction and create audit reports and should report the chairman and senior supervisor assigned by the board of directors; meanwhile, written announcement should be sent to the audit committee.
- (B) The company's audit personnel should put the derivatives transactions into the audit plan and should report the execution of annual audit plan of last year to the competent authority by the end of February of the following year and report irregularity improvement to the competent authority for recordation no later than the end of May of the following year.

Article 17: Regular evaluation methods and the handling of irregular circumstances

- (1) Derivatives transaction should be regularly evaluated weekly or monthly and profit-loss and open interest of non-hedging transaction of the month or the week should be summarized and reported to senior supervisor authorized by the board of directors and the chairman for performance management evaluation and reference for risk management.
- (2) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. The board of directors should periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- (3) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - 1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and related regulations of this procedures.
 - 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted, and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.
- (4) The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors' approval dates, monthly or weekly regular evaluation report and regular evaluation items of the board of directors and senior supervisor authorized by the board of directors.

Chapter 4 Merger, demerger, acquisition or transfer of shares

Article 18: If the company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 19: The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 20: The company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting with other participating companies on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the authority is notified in advance and grants consent. The company participating in a transfer of shares shall call a board of directors meeting with other participating companies on the day of the transaction. When participating in a merger, demerger, acquisition or share transfer, the Company shall prepare a full written record of the following information and preserve it for five years for reference and report (in the prescribed format and via the Internet based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the authority for recordation within 2 days counting inclusively from the date of passage of a resolution by the board of directors.

- (A) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger,

demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

- (B) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- (C) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

Article 21: The share exchange ratio and acquisition price

The company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below listed circumstances.

- (A) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- (B) An action, such as a disposal of major assets, that affects the company's financial operations.
- (C) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- (D) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- (E) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (F) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 22: Matters to be recorded in the contract

The contract shall record the rights and obligations of the Company participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the circumstances permitting the alteration of the share exchange ratio or acquisition price as enlisted in the preceding Article and the following:

- (A) Handling of breach of contract.
- (B) Principles for the handling of equity-type securities previously issued or treasury stock
- (C) previously bought back by any company that is extinguished or that is demerged.
- (D) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- (E) The manner of handling changes in the number of participating entities or companies.
- (F) Preliminary progress schedule for plan execution, and anticipated completion date.
- (G) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 23: Other matters that need the Company's attention while participating in the merger, demerger, acquisition, or share transfer

- (A) Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of all related companies.
- (B) After public disclosure of the information of the Company's participating in the merger, demerger, acquisition, or share transfer, if the Company intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and the Company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, the Company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (C) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 20, Article 5.

Chapter 5 Other Important Matters

Article 24: The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

Article 25: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party to the transaction.

Article 26: With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to independent director members of the audit committee.

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors for which paragraph 1 requires, the board of directors shall take into full consideration each independent director's opinions. If an independent director expresses any objection or reservation about a matter, it shall be recorded in the board meeting minutes. Any transaction involving major assets or

derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

For transaction involving major assets or derivatives shall be approved by audit committee members, if approval of more than half of all audit committee members as required is not obtained, approval of more than two-thirds of all directors becomes necessary, provided that the resolution of the audit committee is recorded in the minutes of the board of directors meeting. The terms “all audit committee members” and “all directors” as used in the procedure shall be calculated as the number of members actually in office.

Article 27: After these procedures have been approved by the audit committee, they shall be submitted for approval by the board of directors, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to independent director members of the audit committee. When the procedures are submitted for discussion by the board of directors, 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.

When the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

Article 28: The date of occurrence referred to in the procedures: 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. The Mainland China area investment referred to in the procedures: 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. Professional appraiser referred to in the procedures: a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment. Parent or subsidiary referred to in the procedures: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.