

**Stock code : 2530**

# **Delpha Construction Co., Ltd**

## **Handbook for the 2020 Annual Meeting of Shareholders**

2020.06.23

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Delpha Construction Co., Ltd.  
Procedures of 2020 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. Election Matters
- VII. Questions and Motions
- VIII. Adjournment

# **Delpha Construction Co., Ltd.**

## **Agenda of 2020 General Shareholders' Meeting**

Time: 9:00 am, June 23 (Tuesday), 2020

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. 2019 Business Report.
  2. Audit Committee's Inspection Report on the 2019 Final Accounts.
- IV. Matters for Recognition
  1. Business Report and Financial Statements of the 2019.
  2. Proposal for Distribution of 2019 Profits.
- V. Discussion Items
  1. Amendment to the Operational procedures for Acquisition and Disposal of Assets
  2. Amendment to the Operational Procedures for Loaning of Company Funds
  3. Amendment to the Operational Procedures for Endorsements and Guarantees
- VI. Election Matters
- VII. Questions and Motions
- VIII. Adjournment

### III. Matters to Be Reported

#### 1. 2019 Standalone Business Condition Report

In 2019, no cases were completed and accounted for the Company. The main income source of the Company was the rental income of assets with the annual consolidated operating income of NT \$ 10,169,591, and the loss per share of NT \$ 0.25.

100% of the BTO project of Taidahua located on the urban green was sold in 2019, and the construction has been started in February of this year. It is expected to be completed and accounted in the fourth quarter of 2022. The joint construction located on Wuchang Street has started the construction and the selling, which is expected to be completed and accounted in the second quarter of 2022. In addition, the urban renewal case located on Huaisheng Section was submitted in March, and the urban renewal case of the subsidiary, Huachien Development Co. Ltd., located on Taiyuan Road will be submitted by the end of May. Both of two cases adopted business plans and right exchange were submitted for review. 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 2019 business condition and 2020 business plan are as follows:

#### A. 2019 Business Report

##### 2019 Business Plan Implementation Results

##### Parent company

Unit: NTD \$ 1,000

Case	2019	2018	Difference compared by the previous year	Remarks
Operating revenue	3,069	1,201,069	(1,198,000)	Negative growth rate: 99.74%
Profit(Loss) before tax	(68,696)	41,439	(110,135)	

##### Consolidated

Unit: NTD \$ 1,000

Case	2019	2018	Difference compared by the previous year	Remarks
Operating revenue	10,170	1,212,121	(1,201,951)	Negative growth rate: 99.16%
Profit(Loss) before tax	(73,849)	34,664	(108,513)	

B. 2019 Annual Operating Income Details

**Parent company**

Unit: NTD \$ 1,000

Individual Case	Amount	Remarks
Shitan Section case A (Huyue Tianqin)	2,000	Housing Income
Terminal Case	91	Rental income
Rongxing Section Case	252	Rental income
Reading the European Case	91	Rental income
Shulin Case	34	Rental income
Huaisheng Section Case	601	Rental income
Total	3,069	

**Consolidated**

Unit: NTD \$ 1,000

Individual Case	Amount	Remarks
Shitan Section case A (Huyue Tianqin)	2,000	Housing Income
Terminal Case	91	Rental income
Rongxing Section Case	252	Rental income
Reading the European Case	34	Rental income
Shulin Case	34	Rental income
Huaisheng Section Case	601	Rental income
Taiyuan Road Case	7,158	Rental income
Total	10,170	

C. Budget implementation condition

According to Regulations Governing the Publication of Financial Forecasts of Public Companies, the company doesn't need to publish its 2019 financial forecast.

D. Financial Revenue and expenditure and Profitability Analysis

**Parent company**

Item		2019	2018
Financial structure %	Debt to assets ratio	25.34	22.00
	Long-term funds to property, plant and equipment ratio	5,440.05	5,546.93
Solvency	Current ratio	355.44	412.21

%	Quick ratio	44.62	66.36
	Times interest earned ratio (times)	(4.26)	3.60
Profitability %	Return on Assets	(1.49)	0.88
	Return on equity	(2.16)	0.83
	Ratio of pre-tax net profit to paid-in capital	(2.54)	1.53
	Net profit (loss) rate	(2,238.38)	2.24
	Earnings per share (NT\$)	(0.25)	0.10

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

### Consolidated

Item		2019	2018
Financial structure %	Debt to assets ratio	34.53	32.02
	Long-term funds to property, plant and equipment ratio	2,853.47	3,517.75
Solvency %	Current ratio	282.31	552.98
	Quick ratio	28.30	72.75
	Times interest earned ratio (times)	(1.77)	2.13
Profitability %	Return on Assets	(1.11)	0.82
	Return on equity	(2.19)	0.58
	Ratio of pre-tax net profit to paid-in capital	(2.73)	1.28
	Net profit (loss) rate	(740.35)	1.66
	Earnings per share (NT\$)	(0.25)	0.10

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

### E. Overview of the 2020 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 "Wuchang Street- CENTRAL ONE"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.

F. 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". Although it narrows down the development of construction investors, it brings a positive impact on industrial development and trading order.
- D. T To make a comprehensive survey on the housing market in 2019, the "surrender part of the profits" of sales in the previous year is continued, which has improved the market situation slightly. Although it has reduced the pressure of the amount of the unsold houses in the industry, it has also encouraged the trend that a large number of industry peers to push forward more cases and increase prices. 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 2019 Final Accounts**

Explanation:

1. The Company's 2019 final accounting report and parent Company only 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 2019 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 2019 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 2020 General Shareholders' Meeting of Delpha Construction Co.,  
Ltd.**

**Audit Committee Convener: Ping-Joung Tseng**

**March 27, 2020**

## **IV. Matters for Recognition:**

### **A. Adoption of the 2019 Business Report and Financial Statements. (proposed by the Board of Directors)**

Explanation:

The Company's 2019 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 consolidated balance sheets of Delpha Construction Co., Ltd. (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the 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 auditors' 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 parent company only financial statements for the year ended December 31, 2019. 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:

### **Evaluation of inventories**

Please refer to Note 4(12) 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(6) 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 74% 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 a 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

## **Independent Auditors' Report (Continued)**

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.

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

## **Independent Auditors' Report (Continued)**

### **Independent auditor'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.

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.

## **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 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.
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.



## 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 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 27, 2020

Taipei, Taiwan

Republic of China

### Notice to Readers

The accompanying 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 parent only 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, 2019 and 2018  
(Expressed in thousands of New Taiwan dollars)

<b>Assets</b>	<u>Notes</u>	<u>December 31,</u>			
		<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 101,078	3	\$ 341,027	8
Financial assets at fair value through profit or loss	6.(2)	58,249	1	49,479	1
Notes receivable, net	6.(4)	18	-	54	-
Other receivables	6.(5)	39,438	1	615	-
Current income tax assets		360	-	93	-
Inventories	6.(6) and 8	3,100,417	74	3,042,034	73
Prepayments		148,070	4	55,138	2
Other financial assets	6.(7) and 8	267,194	6	203,048	5
		<u>3,714,824</u>	<u>89</u>	<u>3,691,488</u>	<u>89</u>
<i>Non-current assets</i>					
Financial assets at fair value through other comprehensive income	6.(3)	3,759	-	4,707	-
Investments accounted for under equity method	6.(8)	356,278	9	389,603	9
Property, plant and equipment	6.(9) and 8	57,435	1	58,845	2
Right-of-use asset	6.(10)	606	-	-	-
Refundable deposits	7	31,167	1	13,251	-
Other non-current assets	7	5,552	-	1,730	-
		<u>454,797</u>	<u>11</u>	<u>468,136</u>	<u>11</u>
<b>Total assets</b>		<u>\$ 4,169,621</u>	<u>100</u>	<u>\$ 4,159,624</u>	<u>100</u>

(Continued on next page)

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

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

<b>Liabilities and equity</b>	Notes	December 31,			
		2019	%	2018	%
<i>Current liabilities</i>					
Short-term borrowings	6.(13) and 8	\$ 282,000	7	\$ -	-
Short-term notes and bills payable	6.(14) and 8	-	-	319,983	8
Contract liabilities	6.(22)	187,130	5	2,000	-
Notes payable	6.(15)	-	-	1,647	-
Accounts payable	6.(15)	20,486	-	20,357	1
Other payables		14,627	-	11,238	-
Provisions for liabilities	6.(18)	644	-	622	-
Current lease liabilities		600	-	-	-
Receipts in advances	7	26,387	1	26,438	1
Long-term borrowings - current portion	6.(16) and 8	513,000	12	513,000	12
Other current liabilities		257	-	249	-
		<u>1,045,131</u>	<u>25</u>	<u>895,534</u>	<u>22</u>
<i>Non-current liabilities</i>					
Net defined benefit liabilities - non-current	6.(17)	2,147	-	10,382	-
Guarantee deposits		9,305	-	9,305	-
		<u>11,452</u>	<u>-</u>	<u>19,687</u>	<u>-</u>
<b>Total liabilities</b>		<u>1,056,583</u>	<u>25</u>	<u>915,221</u>	<u>22</u>
<i>Equity</i>					
Common stock	6.(19)	2,707,525	65	2,707,525	65
Capital surplus	6.(20)	9,141	-	9,240	-
Retained earnings:	6.(21)				
Legal reserve		237,247	6	234,560	6
Special reserve		24,199	1	18,758	-
Unappropriated earnings		138,715	3	307,403	8
Other equity interest		( 3,789 )	-	( 5,322 )	-
Treasury stock	6.(19)	-	-	( 27,761 )	( 1 )
<b>Total equity</b>		<u>3,113,038</u>	<u>75</u>	<u>3,244,403</u>	<u>78</u>
<b>Total liabilities and equity</b>		<u>\$ 4,169,621</u>	<u>100</u>	<u>\$ 4,159,624</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, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2019	%	2018	%
<b>Revenue</b>	6.(22) and 7	\$ 3,069	100	\$ 1,201,069	100
<b>Cost of revenue</b>	6.(6)	( 1,905 )	( 62 )	( 1,009,012 )	( 84 )
<b>Gross profit</b>		<u>1,164</u>	<u>38</u>	<u>192,057</u>	<u>16</u>
<b>Operating expenses</b>					
Selling expenses	6.(25)	( 1,883 )	( 61 )	( 41,204 )	( 3 )
General & administrative expenses	6.(25)	( 65,587 )	( 2,137 )	( 80,904 )	( 7 )
		( 67,470 )	( 2,198 )	( 122,108 )	( 10 )
<b>Income (loss) from operations</b>		<u>( 66,306 )</u>	<u>( 2,160 )</u>	<u>69,949</u>	<u>6</u>
<b>Non-operating income and expenses</b>					
Other income	6.(23)	8,589	280	11,767	1
Other gains and losses	6.(24)	6,767	220	( 14,369 )	( 1 )
Finance costs	6.(27)	( 8,052 )	( 262 )	( 15,935 )	( 1 )
Share of loss of subsidiaries, affiliates and joint ventures accounted for under equity method		( 9,694 )	( 316 )	( 9,973 )	( 1 )
		( 2,390 )	( 78 )	( 28,510 )	( 2 )
<b>Income (loss) before income tax</b>		( 68,696 )	( 2,238 )	41,439	4
<b>Income tax expense</b>	6.(28)	-	-	( 14,565 )	( 2 )
<b>Net income (loss) for the year</b>		<u>( 68,696 )</u>	<u>( 2,238 )</u>	<u>26,874</u>	<u>2</u>
<b>Other comprehensive income</b>					
Component of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		1,666	54	( 95 )	-
Unrealized loss on valuation of investments in equity instruments at fair value through other comprehensive income		1,334	43	( 478 )	-
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
<b>Total other comprehensive income (loss) for the year</b>		<u>3,000</u>	<u>97</u>	<u>( 573 )</u>	<u>-</u>
<b>Total comprehensive income (loss) for the year</b>		<u>( \$ 65,696 )</u>	<u>( 2,141 )</u>	<u>\$ 26,301</u>	<u>2</u>
<b>Earnings per share (In New Taiwan dollars)</b>					
Basic earnings per share	6.(29)	( \$ 0.25 )		\$ 0.1	
Diluted earnings per share				\$ 0.1	

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, 2019 and 2018

(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, 2018	\$ 2,707,525	\$ 8,929	\$ 234,560	\$ 16,570	\$ 276,840	\$ -	(\$ 35,955)	\$ 3,208,469
Effects of retrospective application restatement	-	-	-	4,844	1,128	( 4,844 )	-	1,128
Balance, January 1, 2018, as restated	2,707,525	8,929	234,560	21,414	277,968	( 4,844 )	( 35,955 )	3,209,597
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
Disposal of parent company's shares deemed as treasury stock transaction by a subsidiary	-	149	-	-	-	-	8,194	8,343
	<u>2,707,525</u>	<u>9,240</u>	<u>234,560</u>	<u>18,758</u>	<u>280,624</u>	<u>( 4,844 )</u>	<u>( 27,761 )</u>	<u>3,218,102</u>
Net income for the year	-	-	-	-	26,874	-	-	26,874
Other comprehensive loss for the year	-	-	-	-	( 95 )	( 478 )	-	( 573 )
Total other comprehensive income (loss) for the year	-	-	-	-	26,779	( 478 )	-	26,301
Balance, December 31, 2018	2,707,525	9,240	234,560	18,758	307,403	( 5,322 )	( 27,761 )	3,244,403
Appropriation of prior year's earnings:								
Special capital reserve	-	-	-	5,441	( 5,441 )	-	-	-
Legal reserve	-	-	2,687	-	( 2,687 )	-	-	-
Cash dividends	-	-	-	-	( 81,225 )	-	-	( 81,225 )
Expired and unclaimed dividend transfer to legal reserve	-	50	-	-	-	-	-	50
Disposal of parent company's shares deemed as treasury stock transaction by a subsidiary	-	( 149 )	-	-	( 12,106 )	-	27,761	15,506
Changes in ownership interests of subsidiaries	-	-	-	-	( 199 )	199	-	-
	<u>2,707,525</u>	<u>9,141</u>	<u>237,247</u>	<u>24,199</u>	<u>205,745</u>	<u>( 5,123 )</u>	<u>-</u>	<u>3,178,734</u>
Net loss for the year	-	-	-	-	( 68,696 )	-	-	( 68,696 )
Other comprehensive income for the year	-	-	-	-	1,666	1,334	-	3,000
Total other comprehensive income (loss) for the year	-	-	-	-	( 67,030 )	1,334	-	( 65,696 )
Balance, December 31, 2019	<u>\$ 2,707,525</u>	<u>\$ 9,141</u>	<u>\$ 237,247</u>	<u>\$ 24,199</u>	<u>\$ 138,715</u>	<u>( \$ 3,789 )</u>	<u>\$ -</u>	<u>\$ 3,113,038</u>

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, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2019	2018
<b>Cash flows from operating activities</b>		
Income (loss) before income tax for the year	(\$ 68,696 )	\$ 41,439
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	2,721	2,312
Gain from lease modification	( 1 )	-
Interest income	( 4,652 )	( 3,566 )
Dividend income	-	( 188 )
Interest expense	8,052	15,935
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	9,694	9,973
Gain on foreign exchange, net	( 1,018 )	( 3,442 )
Loss on disposal of investments	133	-
Changes in operating assets and liabilities		
Increase in financial assets at fair value through profit	( 8,770 )	( 40,353 )
Decrease in notes receivable	36	4,161
Decrease in other receivables	2	28,065
(Increase) decrease in inventories	( 52,185 )	644,250
(Increase) decrease in prepayments	( 94,412 )	44,617
(Increase) decrease in other financial assets	( 64,146 )	47,762
Increase (decrease) in contract liabilities	185,130	( 46,020 )
(Decrease) increase in notes payable	( 209 )	365
Increase (decrease) in accounts payable	129	( 39,348 )
Increase in other payables	3,307	1,921
Increase (decrease) in provisions for liabilities	22	( 501 )
Decrease in receipts in advances	( 51 )	( 93 )
Increase (decrease) in other current liabilities	8	( 317 )
Decrease in receipt in net defined benefit liabilities	( 6,569 )	( 6,766 )
<b>Cash generated from (used in) operations</b>	( 91,475 )	700,206
Interest received	5,138	3,040
Interest paid	( 14,152 )	( 16,329 )
Dividend received	-	188
Income taxes paid (including land value increment tax)	( 267 )	( 18,954 )
<b>Net cash generated from (used in) operating activities</b>	( 100,756 )	668,151

(Continued on next page)

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

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

	For the year ended December 31,	
	2019	2018
<b>Cash flows from investing activities</b>		
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,975	1,561
Acquisition of property, plant and equipment	( 208 )	-
(Increase) decrease in refundable deposits	( 17,916 )	39
Increase in other non-current assets	( 3,822 )	-
<b>Net cash generated from (used in) investing activities</b>	( 19,971 )	1,600
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	282,000 (	511,057 )
Decrease in short-term notes and bills payable	( 319,983 ) (	79,980 )
Payments of lease liability	( 1,082 )	-
Expired and unclaimed dividend transfer to legal reserve	50	162
Payment of cash dividend	( 81,225 )	-
<b>Net cash used in financing activities</b>	( 120,240 )	( 590,875 )
<b>Effect of exchange rate changes on cash and cash equivalents</b>	1,018	3,442
<b>(Decrease) increase in cash and cash equivalents</b>	( 239,949 )	82,318
<b>Cash and cash equivalents at beginning of year</b>	341,027	258,709
<b>Cash and cash equivalents at end of year</b>	\$ 101,078	\$ 341,027

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, 2019, 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 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 27, 2020



## 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, 2019 and 2018, 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, 2019 and 2018, 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 auditor'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 consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, 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:

### **Evaluation of inventories**

Please refer to Note 4(13) 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(6) 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 84% 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.

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 a 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

## **Independent Auditors' Report (Continued)**

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.

### **Other matters**

We have audited the parent only financial statements of Delpha Construction Co., Ltd. for the year ended December 31, 2019 and December 31, 2018 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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.

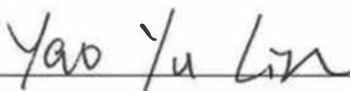
We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 27, 2020

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, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

<b>Assets</b>	<u>Notes</u>	December 31,			
		2019	%	2018	%
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 132,046	3	\$ 372,646	7
Financial assets at fair value through profit or loss	6.(2)	58,249	1	69,504	2
Notes receivable, net	6.(4)	2,465	-	1,646	-
Accounts receivable, net	6.(4)	6	-	11	-
Other receivables	6.(5)	39,438	1	4,565	-
Current income tax assets		360	-	93	-
Inventories	6.(6) and 8	4,337,552	84	4,279,169	83
Prepayments		148,080	3	55,225	1
Other financial assets	6.(7) and 8	267,194	5	208,048	4
Other current assets		-	-	81	-
		4,985,390	97	4,990,988	97
<i>Non-current assets</i>					
Financial assets at fair value through other comprehensive income	6.(3)	3,769	-	6,784	-
Property, plant and equipment	6.(8) and 8	118,586	2	120,413	3
Right-of-use asset	6.(9)	4,969	-	-	-
Deferred income tax assets	6.(28)	-	-	1,445	-
Refundable deposits	7	31,463	1	13,257	-
Other non-current assets		5,552	-	5,505	-
		164,339	3	147,404	3
<b>Total assets</b>		<b>\$ 5,149,729</b>	<b>100</b>	<b>\$ 5,138,392</b>	<b>100</b>

(Continued on next page)

**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated balance sheets**

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

<b>Liabilities and equity</b>	Notes	December 31,			
		2019	%	2018	%
<i>Current liabilities</i>					
Short-term borrowings	6.(12) and 8	\$ 282,000	6	\$ -	-
Short-term notes and bills payable	6.(13) and 8	-	-	319,983	6
Contract liabilities	6.(22)	187,130	4	2,000	-
Notes payable	6.(14)	-	-	1,647	-
Accounts payable	6.(14)	20,486	-	20,357	1
Other payables		16,549	-	13,186	-
Provisions for liabilities	6.(17)	644	-	622	-
Current lease liabilities		4,974	-	-	-
Receipts in advances	7	28,958	1	27,944	1
Long-term borrowings - current portion	6.(15) and 8	1,224,900	24	516,574	10
Other current liabilities		277	-	254	-
		<u>1,765,918</u>	<u>35</u>	<u>902,567</u>	<u>18</u>
<i>Non-current liabilities</i>					
Long-term borrowings	6.(15) and 8	-	-	722,207	14
Net defined benefit liabilities, non-current	6.(16)	2,147	-	10,382	-
Guarantee deposits		10,181	-	10,097	-
		<u>12,328</u>	<u>-</u>	<u>742,686</u>	<u>14</u>
<b>Total liabilities</b>		<u>1,778,246</u>	<u>35</u>	<u>1,645,253</u>	<u>32</u>
<i>Equity attributable to shareholders of the parent</i>					
Common stock	6.(18)	2,707,525	52	2,707,525	53
Capital surplus	6.(19)	9,141	-	9,240	-
Retained earnings:	6.(20)				
Legal reserve		237,247	5	234,560	5
Special reserve		24,199	-	18,758	-
Unappropriated earnings		138,715	3	307,403	6
Other equity interest		( 3,789 )	-	( 5,322 )	-
Treasury stock	6.(18)	-	-	( 27,761 )	( 1 )
		<u>3,113,038</u>	<u>60</u>	<u>3,244,403</u>	<u>63</u>
Non-controlling interest	6.(21)	258,445	5	248,736	5
<b>Total equity</b>		<u>3,371,483</u>	<u>65</u>	<u>3,493,139</u>	<u>68</u>
<b>Total liabilities and equity</b>		<u>\$ 5,149,729</u>	<u>100</u>	<u>\$ 5,138,392</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, 2019 and 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2019	%	2018	%
<b>Revenue</b>	6.(22) and 7	\$ 10,170	100	\$ 1,212,121	100
<b>Cost of revenue</b>	6.(7)	( 1,905 )	( 19 )	( 1,014,068 )	( 84 )
<b>Gross profit</b>		<u>8,265</u>	<u>81</u>	<u>198,053</u>	<u>16</u>
<b>Operating expenses</b>					
Selling expenses	6.(25)	( 1,883 )	( 18 )	( 41,204 )	( 3 )
General & administrative expenses	6.(25)	( 74,333 )	( 731 )	( 88,671 )	( 7 )
		<u>( 76,216 )</u>	<u>( 749 )</u>	<u>( 129,875 )</u>	<u>( 10 )</u>
<b>Income (loss) from operations</b>		<u>( 67,951 )</u>	<u>( 668 )</u>	<u>68,178</u>	<u>6</u>
<b>Non-operating income and expenses</b>					
Other income	6.(23)	9,224	91	12,406	1
Other gains and losses	6.(24)	7,568	74	( 15,117 )	( 1 )
Finance costs	6.(27)	( 22,690 )	( 223 )	( 30,803 )	( 3 )
		<u>( 5,898 )</u>	<u>( 58 )</u>	<u>( 33,514 )</u>	<u>( 3 )</u>
<b>Income (loss) before income tax</b>		<u>( 73,849 )</u>	<u>( 726 )</u>	<u>34,664</u>	<u>3</u>
<b>Income tax expense</b>	6.(28)	( 1,445 )	( 14 )	( 14,598 )	( 1 )
<b>Net income (loss) for the year</b>		<u>( 75,294 )</u>	<u>( 740 )</u>	<u>20,066</u>	<u>2</u>
<b>Other comprehensive income</b>					
Component of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		1,666	16	( 95 )	-
Unrealized loss on valuation of investments in equity instruments at fair value through other comprehensive income		1,337	13	( 482 )	-
Income tax expenses related to components that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other comprehensive income (loss) for the year</b>		<u>3,003</u>	<u>29</u>	<u>( 577 )</u>	<u>-</u>
<b>Total comprehensive income (loss) for the year</b>		<u><u>(\$ 72,291)</u></u>	<u><u>( 711)</u></u>	<u><u>\$ 19,489</u></u>	<u><u>2</u></u>
<b>Net income (loss) attributable to:</b>					
Shareholders of the parent		( \$ 68,696 )	( 675 )	\$ 26,874	2
Non-controlling interest		<u>( 6,598 )</u>	<u>( 65 )</u>	<u>( 6,808 )</u>	<u>-</u>
		<u><u>(\$ 75,294)</u></u>	<u><u>( 740)</u></u>	<u><u>\$ 20,066</u></u>	<u><u>2</u></u>
<b>Total comprehensive income (loss) attributable to</b>					
Shareholders of the parent		( \$ 65,696 )	( 646 )	\$ 26,301	2
Non-controlling interest		<u>( 6,595 )</u>	<u>( 65 )</u>	<u>( 6,812 )</u>	<u>-</u>
		<u><u>(\$ 72,291)</u></u>	<u><u>( 711)</u></u>	<u><u>\$ 19,489</u></u>	<u><u>2</u></u>
<b>Earnings per share (In New Taiwan dollars)</b>	6.(29)				
Basic earnings per share		<u>(\$ 0.25)</u>		<u>\$ 0.1</u>	
Diluted earnings per share				<u>\$ 0.1</u>	

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

**Delpha Construction Co., Ltd. and Subsidiaries**  
**Consolidated statement of changes in equity**  
For the years ended December 31, 2019 and 2018  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent										
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings	Other equity interest Unrealized gain (loss) of financial assets at fair value through other comprehensive income	Treasury stock	Total	Non-controlling interest	Total equity
Balance, January 1, 2018	\$ 2,707,525	\$ 8,929	\$ 234,560	\$ 16,570	\$ 276,840		\$ -	(\$ 35,955)	\$ 3,208,469	\$ 254,355	\$ 3,462,824
Effects of retrospective application	-	-	-	4,844	1,128		(4,844)	-	1,128	9	1,137
Balance, January 1, 2018, as restated	2,707,525	8,929	234,560	21,414	277,968		(4,844)	(35,955)	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 the Company's shares deemed as treasury stock transaction by a subsidiary	-	149	-	-	-		-	8,194	8,343	-	8,343
Other	-	-	-	-	-		-	-	-	1,184	1,184
	<u>2,707,525</u>	<u>9,240</u>	<u>234,560</u>	<u>18,758</u>	<u>280,624</u>		<u>(4,844)</u>	<u>(27,761)</u>	<u>3,218,102</u>	<u>255,548</u>	<u>3,473,650</u>
Net income for the year	-	-	-	-	26,874		-	-	26,874	(6,808)	20,066
Other comprehensive loss for the year	-	-	-	-	(95)		(478)	-	(573)	(4)	(577)
Total other comprehensive income (loss) for the year	-	-	-	-	26,779		(478)	-	26,301	(6,812)	19,489
Balance, December 31, 2018	2,707,525	9,240	234,560	18,758	307,403		(5,322)	(27,761)	3,244,403	248,736	3,493,139
Appropriation of prior year's earnings:											
Special capital reserve	-	-	-	5,441	(5,441)		-	-	-	-	-
Legal reserve	-	-	2,687	-	(2,687)		-	-	-	-	-
Cash dividends	-	-	-	-	(81,225)		-	-	(81,225)	-	(81,225)
Expired and unclaimed dividend transfer to legal reserve	-	50	-	-	-		-	-	50	-	50
Disposal of the Company's shares deemed as treasury stock transaction by a subsidiary	-	(149)	-	-	(12,106)		-	27,761	15,506	-	15,506
Changes in ownership interests of subsidiaries	-	-	-	-	(199)		199	-	-	(398)	(398)
Other	-	-	-	-	-		-	-	-	16,702	16,702
	<u>2,707,525</u>	<u>9,141</u>	<u>237,247</u>	<u>24,199</u>	<u>205,745</u>		<u>(5,123)</u>	<u>-</u>	<u>3,178,734</u>	<u>265,040</u>	<u>3,443,774</u>
Net loss for the year	-	-	-	-	(68,696)		-	-	(68,696)	(6,598)	(75,294)
Other comprehensive income for the year	-	-	-	-	1,666		1,334	-	3,000	3	3,003
Total other comprehensive income (loss) for the year	-	-	-	-	(67,030)		1,334	-	(65,696)	(6,595)	(72,291)
Balance, December 31, 2019	<u>\$ 2,707,525</u>	<u>\$ 9,141</u>	<u>\$ 237,247</u>	<u>\$ 24,199</u>	<u>\$ 138,715</u>		<u>(\$ 3,789)</u>	<u>\$ -</u>	<u>\$ 3,113,038</u>	<u>\$ 258,445</u>	<u>\$ 3,371,483</u>

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, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2019	2018
<b>Cash flows from operating activities</b>		
Income (loss) before income tax for the year	(\$ 73,849 )	\$ 34,664
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	3,842	2,728
Interest income	( 5,176 )	( 3,749 )
Dividend revenue	( 79 )	( 631 )
Interest expense	22,690	30,803
Gain arising from lease modification	( 1 )	-
Gain on foreign exchange, net	( 948 )	( 3,432 )
Loss on disposal of investments	133	-
Changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss	( 8,770 )	( 60,378 )
(Increase) decrease in notes receivable	( 819 )	2,659
Decrease (increase) in accounts receivable	5	( 11 )
Decrease in other receivables	3,832	24,235
(Increase) decrease in inventories	( 52,185 )	623,236
(Increase) decrease in prepayments	( 94,335 )	44,798
(Increase) decrease in other financial assets	( 64,146 )	47,762
Increase (decrease) in contract liabilities	185,130	( 46,020 )
Decrease in notes payable	( 209 )	( 287 )
Increase (decrease) in accounts payable	129	( 39,348 )
Increase (decrease) in other payables	3,357	( 362 )
Increase (decrease) in provisions for liabilities	22	( 501 )
Increase in receipts in advances	1,007	1,344
Increase (decrease) in other current liabilities	23	( 322 )
Decrease in net defined benefit liabilities	( 6,569 )	( 6,766 )
<b>Cash generated from (used in) operations</b>	( 86,916 )	650,422
Interest received	5,782	3,107
Interest paid	( 28,767 )	( 31,123 )
Dividend received	79	631
Income taxes paid (including land value increment tax)	( 267 )	( 18,953 )
<b>Net cash generated from (used in) operating activities</b>	( 110,089 )	604,084

(Continued on next page)

**Delpha Construction Co., Ltd. and Subsidiaries**

**Consolidated statement of cash flows**

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

	For the year ended December 31,	
	2019	2018
<b>Cash flows from investing activities</b>		
Refund of capital from financial assets at fair value through other comprehensive income after capital reduction	1,975	1,561
Loss on disposal of subsidiary	( 8,724 )	-
Acquisition of property, plant and equipment	( 208 )	-
(Increase) decrease in refundable deposits	( 18,206 )	39
Increase in other non-current assets	( 3,822 )	-
<b>Net cash generated from (used in) investing activities</b>	( 28,985 )	1,600
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	282,000 (	511,057 )
Decrease in short-term notes and bills payable	( 319,983 ) (	79,980 )
Increase in long-term borrowings	-	63,000
Repayment of long-term borrowings	( 13,881 ) (	6,208 )
Payment of lease liability	( 1,808 )	-
Increase (decrease) in guarantee deposits	84 (	139 )
Expired and unclaimed dividend transfer to legal reserve	50	162
Payment of cash dividend	( 81,225 )	-
Disposal of treasury stock	32,289	9,527
<b>Net cash used in financing activities</b>	( 102,474 ) (	524,695 )
<b>Effect of exchange rate changes on cash and cash equivalents</b>	948	3,432
<b>(Decrease) increase in cash and cash equivalents</b>	( 240,600 )	84,421
<b>Cash and cash equivalents at beginning of year</b>	372,646	288,225
<b>Cash and cash equivalents at end of year</b>	\$ 132,046	\$ 372,646

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

## **B. Proposal for Distribution of 2019 Profits.**

**(proposed by the Board of Directors).**

Explanation:

1. The Company's 2019 net loss after tax is NT\$ 68,696,332. 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.

2019

## Statement of Profits Distribution

Unit: NT \$

Items	Amount	Note
beginning undistributed surplus earnings	218,049,460	
Deduction: the subsidiary disposed the stocks of the parent company as treasury stocks	(12,105,581)	
Increase: the actuarial gains in 2019 was included in retained earnings	1,666,277	
Deduction: Changes made in the ownership interest of subsidiaries	(199,093)	
Increase: reverse and provide special surplus reserves according to law	20,410,250	
Deduction: net loss after tax this year	(68,696,332)	
Distributable surplus	159,124,981	
Distribution of shareholder dividends-cash dividends (NT \$ 0.1 per share)	(27,075,247)	
undistributed surplus earnings in the end of the period	132,049,734	

Chairman:

General Manager:

Comptroller:

Resolution:

## V. Discussion Items

- Propose to discuss the amendment of the Operational Procedures for Acquisition or Disposal of Assets.

(Proposed by Board of Directors)

Explanation:

According to the current situation of the Company, amend the total amount of securities, the limit of individual securities and the authorized amount of investment securities. The articles before and after the amendment are shown below:

	After Revision		Before Revision	Explanation
Article 4	<p>Operational procedure (1) Credit limit and hierarchy 1. Securities <u>The chairman is authorized to conduct transactions within a single transaction of a single security with the account balance of NT \$ 15 million.</u> If the authorized amount is exceeded, it shall be approved by the audit committee and submitted to the board of directors for approval. 2. Derivatives (The rest is omitted.)</p>	Article 4	<p>Operational procedure (1) Credit limit and hierarchy 1. Securities The chairman 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 (The rest is omitted.)</p>	Amendment of Chairman's authorize securities amount
Article 7	<p>The limitation of acquisition of real estate or securities for non-business purposes 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 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.</p>	Article 7	<p>The limitation of acquisition of real estate or securities for non-business purposes 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 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.</p>	Amendment of total amount and limit of securities

<p>(1) The total amount of all real estate investment for non-business purpose should not exceed 50% 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.</p> <p>(2) The total amount of all security investments should not exceed 30% 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 30% of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The limitation of investment in each respective security should not exceed <u>20%</u> 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 <u>20%</u> of the Company's net worth as stated in its latest financial statement.</p> <p>(4) 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.</p> <p>(5) The total shareholding of the Company and the Subsidiary's investment in each respective listed or OCT company should</p>		<p>(1) The total amount of all real estate investment for non-business purpose should not exceed 50% 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.</p> <p>(2) 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.</p> <p>(3) 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.</p> <p>(4) 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.</p> <p>(5) The total shareholding of the Company and the Subsidiary's investment in each respective listed or OCT company should</p>	
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	<p>not exceed 30% of the total amount of the issued shares of the certain respective listed or OCT company.</p> <p>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".</p>		<p>not exceed 30% of the total amount of the issued shares of the certain respective listed or OCT company.</p> <p>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".</p>	
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Resolution :

- Propose to discuss the amendment of the Company's "Operational Procedures for Loaning Funds".  
(Proposed by Board of Directors)

Explanation:

Coping with the Order of Chin Kuan Cheng Shen Tzu No. 1080304826 issued by the Financial Supervisory Commission R.O.C. on March 7, 2019, the Company has revised the related articles of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and intends to amend the related articles of the Company's "Operational Procedures for Loaning Funds to Others". The main amendment content is as follows:

- Specifically provide the matters concerning loaning funds to others which should be submitted to the Audit Committee in accordance with the authority scope of the statutory audit committee
- New addition for the situation when the Company's loaning funds to others exceeds the limit provided in this article, the responsible person of the Company shall be jointly and severally responsible for return and damages.

The articles before and after the amendment are shown below:

	After Revision		Before Revision	Explanation
Article 4	The aggregate amount of loans and the maximum amount permitted to a	Article 4	The aggregate amount of loans and the maximum amount permitted to a	Amended according

<p>single borrower</p> <p>The total amount of loans of funds to others of the Company shall not exceed 40 percent or more of the Company's net worth as stated in its latest auditing and certification of financial statements by certified public accountants. In accordance with the loan and its reason, the limit for each loan and a single borrower is provided separately as follows</p> <p>(1) For companies dealing business with the Company, the individual loan and amount shall not exceed 50% of the amount of the purchase or sales made by the Company in the most recent year, whichever is highest.</p> <p>(2) When any person is in need of short-term financing funds, the individual loans and amount shall not exceed 30% of the Company's latest auditing and certification of financial statements by certified public accountants. (The total amount of short-term financing funds shall not exceed 40% of the net value of the latest auditing and certification of financial statements by certified public accountants.)</p> <p>The subsidiaries and parent companies herein referred in this procedure are identified based on the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".</p> <p>The parent company's latest net worth as stated in its latest financial</p>		<p>single borrower</p> <p>The total amount of loans of funds to others of the Company shall not exceed 40 percent or more of the Company's net worth as stated in its latest auditing and certification of financial statements by certified public accountants. In accordance with the loan and its reason, the limit for each loan and a single borrower is provided separately as follows</p> <p>(1) For companies dealing business with the Company, the individual loan and amount shall not exceed 50% of the amount of the purchase or sales made by the Company in the most recent year, whichever is highest.</p> <p>(2) When any person is in need of short-term financing funds, the individual loans and amount shall not exceed 30% of the Company's latest auditing and certification of financial statements by certified public accountants. (The total amount of short-term financing funds shall not exceed 40% of the net value of the latest auditing and certification of financial statements by certified public accountants.)</p> <p>The subsidiaries and parent companies herein referred in this procedure are identified based on the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".</p> <p>The parent company's latest net worth as stated in its latest financial</p>	<p>to the Order of Chin Kuan Cheng Shen Tzu No. 1080304826</p>
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	<p>statement referred in this operating procedure means the balance sheet provided in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", which is attributable to owners of the parent.</p> <p>That the Company directly or indirectly holds 100% of the voting shares of the foreign companies engaging loans of funds, or that the foreign companies which the Company directly or indirectly holds 100% of the voting shares engage loans of funds to the Company shall not be bound to the provisions of Subparagraph 2 of Paragraph 1. The loans of funds and its amount shall not exceed 40% of the net value of the latest auditing and certification of financial statements by certified public accountants. Loans of funds and its terms shall be limited to one year or one operating cycle (whichever is longer).</p>		<p>statement referred in this operating procedure means the balance sheet provided in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", which is attributable to owners of the parent.</p> <p>Engaging loans of funds, foreign companies that the Company directly or indirectly holds 100% of the voting shares shall not be bound to the provisions of Subparagraph 2 of Paragraph 1. The loans of funds and its amount shall not exceed 40% of the net value of the latest auditing and certification of financial statements by certified public accountants. Loans of funds and its terms shall be limited to one year or one operating cycle (whichever is longer).</p>	
Article 5	<p>loans of funds and operation</p> <p>(1) Procedure</p> <p>1. Reviewed by the authority unit, submitted to the chairman for approval, the loans of funds shall be handled after the resolution approved by the board of directors with the consent of the audit committee.</p> <p>Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the</p>	Article 5	<p>Loans of funds and operation</p> <p>( 1 ) P r o c e d u r e</p> <p>1. Reviewed by the authority unit, submitted to the chairman for approval, the loans of funds shall be handled after the resolution approved by the board of directors with the consent of the audit c o m m i t t e e .</p> <p>Loans of funds between the Company and its subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the</p>	<p>The authority of the audit committee shall be clearly defined based on the provision of Article 14-5 of the</p>

	<p>chairperson may be authorized, for a specific borrowing counter party, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counter party to draw down. The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 4, paragraph 4.</p> <p>Authorization for loans extended by any of the subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company.</p> <p>Where the board of directors are discussing, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>2. The accounting department shall establish accounting books on loans of funds and related matters. For a resolution made by the loans of funds and board of directors, the Company shall record in detail</p>		<p>chairperson may be authorized, for a specific borrowing counter party, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counter party to draw down. The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 4, paragraph 2.</p> <p>Authorization for loans extended by any of the subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the l e n d i n g c o m p a n y .</p> <p>Where the board of directors are discussing, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.</p> <p>2. The accounting department shall establish accounting books on loans of funds and related matters. For a resolution made by the loans of funds and board of directors, the Company shall record in detail</p>	<p>Securities and Exchange Act, and the item numbers are amended as well.</p>
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	<p>the following information for the record: the entity for which the loans of funds is made, the amount, the date of passage by the audit committee or by the board, the date the loans of funds is issued, and the matters to be carefully evaluated under the review procedure.</p> <p>3. The audit unit shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.</p> <p>4. The finance and accounting department shall prepare a detailed list of the loans of funds and matters that are made and cancelled each month for control tracking and handling the announcement and report ", and shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts on a quarterly basis, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information.</p> <p>5. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan</p>		<p>the following information for the record: the entity for which the loans of funds is made, the amount, the date of passage by the audit committee or by the board, the date the loans of funds is issued, and the matters to be carefully evaluated under the review procedure .</p> <p>3. The audit unit shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify each independent directors of the audit committee in writing of any material violation found.</p> <p>4. The finance and accounting department shall prepare a detailed list of the loans of funds and matters that are made and cancelled each month for control tracking and handling the announcement and report ", and shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts on a quarterly basis, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information .</p> <p>5. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan</p>	
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	<p>balance exceeds the limit, the financial and accounting department shall adopt rectification plans and submit the rectification plans to the audit committee, and shall complete the rectification according to the time frame set out in the plan.</p> <p>(2) Review procedure</p> <ol style="list-style-type: none"> <li>1. Handling loans of funds, the corporations or companies which apply loans of funds shall submit relevant financial information and state the purpose of the loan in advance, and apply in writing.</li> <li>2. After the Company accepts the application, the competent authority shall investigate and evaluate the necessity and rationality of the loans of funds to others, whether a direct/indirect inter-company or inter-firm business transaction calls for a loan arrangement, the financial condition of the borrower's business, debt service ability and credit and the profitability and the purpose of loans, and consider the operational risk that the loans of funds and amount would be made to the Company, the financial status and the impact of the shareholders' equity, and then propose relevant written reports and submit to the Audit Committee and the Board of Directors.</li> <li>3. Making loans, the Company shall obtain the same amount of negotiable instrument for security.</li> </ol>		<p>balance exceeds the limit, the financial and accounting department shall adopt rectification plans and submit the rectification plans to all the independent directors of the audit committee, and shall complete the rectification according to the time frame set out in the plan.</p> <p>( 2 ) R e v i e w p r o c e d u r e</p> <ol style="list-style-type: none"> <li>1. Handling loans of funds, the corporations or companies which apply loans of funds shall submit relevant financial information and state the purpose of the loan in advance, and apply in writing.</li> <li>2. After the Company accepts the application, the competent authority shall investigate and evaluate the necessity and rationality of the loans of funds to others, whether a direct/indirect inter-company or inter-firm business transaction calls for a loan arrangement, the financial condition of the borrower's business, debt service ability and credit and the profitability and the purpose of loans, and consider the operational risk that the loans of funds and amount would be made to the Company, the financial status and the impact of the shareholders' equity, and then propose relevant written reports and submit to the Board of D i r e c t o r s .</li> <li>3. Making loans, the Company shall obtain the same amount of negotiable instrument for security.</li> </ol>	
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<p>If necessary, it shall apply for the registration of creation of mortgage on personal property or real assets, and assess whether the value of the collateral is equivalent to the loans of funds and the balance on a quarterly basis. If necessary, additional collateral shall be provided. For the securities of the claim described in the preceding paragraph, if the debtor provides a personal or corporate securities with of considerable financial means and credit, instead of providing collateral, the board of directors may refer to the review report resolution of the competent authority; for debtors who provides a company as the security, it shall be noted whether any provisions in the articles of association of such company specify that such company may be provided as the security.</p> <p>If the approval of one-half or more of all audit committee members as required in this Operational Procedure is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in this operating procedure shall be counted as the actual number of persons currently holding those positions.</p>	<p>If necessary, it shall apply for the registration of creation of mortgage on personal property or real assets, and assess whether the value of the collateral is equivalent to the loans of funds and the balance on a quarterly basis. If necessary, additional collateral shall be provided. For the the securities of the claim described in the preceding paragraph, if the debtor provides a personal or corporate securities with of considerable financial means and credit, instead of providing collateral, the board of directors may refer to the review report resolution of the competent authority; for debtors who provides a company as the security, it shall be noted whether any provisions in the articles of association of such company specify that such company may be provided as the security.</p> <p>If the approval of one-half or more of all audit committee members as required in this Operational Procedure is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in this operating procedure shall be counted as the actual number of persons currently holding those positions.</p>	
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<p>Article 8</p>	<p>Announcement and Report Procedure</p> <p>(1) The financial and accounting department shall announce and report the previous month's loan balances of the Company and its subsidiaries with the turnover on a monthly basis by the 10th day of each month.</p> <p>(2) Besides the announcement and report of the loan balances on a monthly basis, when the Company and its subsidiaries whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence attached with the related information:</p> <ol style="list-style-type: none"> <li>1. The balance of loans by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</li> <li>2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</li> <li>3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</li> </ol> <p>“Date of occurrence” in these Operational Procedure means the date of contract signing, date of payment,</p>	<p>Article 8</p>	<p>Announcement and Report Procedure</p> <p>(1) The financial and accounting department shall announce and report the previous month's loan balances of the Company and its subsidiaries with the turnover on a monthly basis by the 10th day of each month.</p> <p>(2) Besides the announcement and report of the loan balances on a monthly basis, when the Company and its subsidiaries whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence attached with the related information:</p> <ol style="list-style-type: none"> <li>1. The balance of loans by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</li> <li>2. The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.</li> <li>3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</li> </ol> <p>“Date of occurrence” in these Operational Procedure means the date of contract signing, date of payment,</p>	<p>According to an official letter of Chin Kuan Cheng Shen Tzu No. 1080304826, amend the consideration that loans of funds is non-transactions, so the text is amended as appropriate.</p>
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	dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the loan of funds, whichever date is earlier.		dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transactions, whichever date is earlier.	
Article 10	<p>When the contractor personnel related to the Company's capital loan violates this procedure, depending on the seriousness of the violation, it shall be handled based on the following provisions. The violation records will be taken as a reference for the annual personal performance assessment.</p> <p>(1) Violation of decision-making authority: verbal warnings shall be given for the first violation; a written warning shall be given for the second violation and the person who violates the provision shall be compulsory to participate in the internal control training; a recidivist or serious violator shall be transferred.</p> <p>(2) Violation of review procedure: verbal warnings shall be given for the first violation; a written warning shall be given for the second violation and the person who violates the provision shall be compulsory to participate in the internal control training; a recidivist or serious violator shall be transferred.</p> <p>(3) Violation of announcement and report: verbal warnings shall be given for the first violation; a written warning shall be given for the second violation; a recidivist or serious violator shall be transferred.</p>	Article 10	<p>When the contractor personnel related to the Company's capital loan violates this procedure, depending on the seriousness of the violation, it shall be handled based on the following provisions. The violation records will be taken as a reference for the annual personal performance assessment.</p> <p>(1) Violation of decision-making authority: verbal warnings shall be given for the first violation; a written warning shall be given for the second violation and the person who violates the provision shall be compulsory to participate in the internal control training; a recidivist or serious violator shall be transferred.</p> <p>(2) Violation of review procedure: verbal warnings shall be given for the first violation; a written warning shall be given for the second violation and the person who violates the provision shall be compulsory to participate in the internal control training; a recidivist or serious violator shall be transferred.</p> <p>(3) Violation of announcement and report: verbal warnings shall be given for the first violation; a written warning shall be given for the second violation; a recidivist or serious violator shall be transferred.</p>	<p>In response to the fact that the Company has set up independent directors to revise the text at its discretion and to amend it based on an official letter of Chin Kuan Cheng Shen Tzu No. 10803048-26. Add the provision that the responsible person of the Company who has violated</p>

	<p>(4) The supervisor of the persons in violation of regulations shall be subject to punishment, provided that this restriction shall not apply to the situation that may be reasonably explained why there is no preventive measures.</p> <p>In case the board of directors or any director commits any act, in carrying out the business operations of the Company, in a manner in violation of the related regulations and the resolutions of the shareholders' meeting, the independent directors shall forthwith advise, by a notice, to the board of directors or the director, as the case may be, to cease such act.</p> <p><u>Where the amount of the Company's loans of funds exceeds forty percent of the amount of the net value, the responsible person of the Company shall be liable, jointly and severally with the borrower, for the damages, if any, to company resulted there-from.</u></p>		<p>(4) The supervisor of the persons in violation of regulations shall be subject to punishment, provided that this restriction shall not apply to the situation that may be reasonably explained why there is no preventive measures.</p> <p>(5) In case the board of directors or any director commits any act, in carrying out the business operations of the Company, in a manner in violation of the related regulations and the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the board of directors or the director, as the case may be, to cease such act.</p>	<p>the provision of the Paragraph 2, Article 15 of the Company Act shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.</p>
Article 11	<p>The Operational Procedure shall be approved by one-half or more of all audit committee members as required, after passage by the board of directors, submit the Operational Procedure to the board of directors and submit them for approval by the shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion for discussion by the shareholders' meeting. The</p>	Article 11	<p>The Operational Procedure shall be approved by all audit committee members as required, after passage by the board of directors, submit the Operational Procedure to the board of directors and submit them for approval by the shareholders' meeting. The same shall apply to any amendments to the Operational Procedure.</p> <p>Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall</p>	<p>Amended based on an official letter of Chin-Kuan-Cheng-Shen No. 10803048-26, referring to the provision</p>

<p>same shall apply to any amendments to the Operational Procedure.</p> <p><u>If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>The terms "all audit committee members" in preceding paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p> <p><u>In the discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</u></p>		<p>submit the dissenting opinion to each independent director of the audit committee and for discussion by the shareholders' meeting.</p> <p>In the discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or dissent and reasons of dissent, it shall be noted in the minutes of the board of directors meeting.</p>	<p>s of Article 14-3 and 14-5 of the Securities and Exchange Act.</p>
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Resolution :

C. Propose to discuss the amendment of the Operational Procedure for Endorsement and Guarantee.  
(Proposed by Board of Directors)

Explanation:

In order to conform to the regulation for revision of “Guidelines for Handling Public Company Loan and Endorsement and Guarantee” from an official letter of Jin-guan-zheng-shen-zi 1080304826 issued by the Financial Supervisory Commission on March 7, 2019. and to meet with the company's current situation, it is proposed to amend the related provision in the Company's "Procedure for Endorsement and Guarantee". The main revision focuses on the statutory Audit Committee's terms of reference, and clearly defines related matters in the Procedure for Endorsement and Guarantee which should be submitted to the Audit Committee.

The articles before and after the amendment are shown below:

	After Revision		Before Revision	Explanation
Article 5	<p>Procedure for Endorsement and Guarantee</p> <p>(1) When handling the endorsement/guarantee, the Finance Unit shall, in accordance with the Entities for which the Company may make endorsement/ guarantee, examine items such as their qualification and ceiling on amount whether they meet the requirement of the Procedures and whether it has reached the criteria for public announcement and regulatory filing. After the review according to Article 6 of the Procedure, the evaluation results are submitted to the Chairman for approval first. And then to be approved by the Audit Committee and by the Board of Directors; if the endorsement/ guarantee amounts are within the stipulated authorization limit, the Chairman shall approve it directly based on the Entities' credit rating and financial status.</p>	Article 5	<p>Procedure for Endorsement and Guarantee</p> <p>(1) When handling the endorsement/ guarantee, the Finance Unit shall, in accordance with the Entities for which the Company may make endorsement/ guarantee, examine items such as their qualification and ceiling on amount whether they meet the requirement of the Procedures and whether it has reached the criteria for public announcement and regulatory filing. After the review according to Article 6 of the Procedure, the evaluation results are submitted to the Chairman for approval first. And then to be approved by the Audit Committee and by the Board of Directors; if the endorsement/ guarantee amounts are within the stipulated authorization limit, the Chairman shall approve of it directly based on the Entities' credit rating and financial status. And then report to the most</p>	<p>To respond to the fact that the Company has set up an Audit Committee, it has clearly stipulated in the Procedure that it should be submitted to the Audit Committee and the Board of Directors for approval.</p>

	<p>And then report to the most coming Audit Committee and Board of Directors.</p> <p>The endorsement/guarantee for subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares shall be processed after the approval of the Audit Committee and the resolution of the Board of Directors of the Company in accordance with 3.2., provided that the restriction shall not apply to endorsement/guarantee made between companies in which the Company holds directly or Indirectly 100% of the voting shares.</p> <p>(2) The Finance Unit shall establish and maintain a memorandum book for its endorsement/guarantee activities and record in detail for the record.</p> <p>After the endorsement/guarantee are approved by the Audit Committee, the Board of Directors, or by the Chairman, in addition to stamping an official seal in accordance with prescribed Procedure, the following information in detail needs to be recorded for reference: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the Board of Directors or by the Chairman, the date the endorsement/guarantee is made, and the matters to be carefully</p>		<p>coming Audit Committee and Board of Directors.</p> <p>The endorsement/guarantee for subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares shall be processed after the approval of the Audit Committee and the resolution of the Board of Directors of the Company in accordance with the second paragraph of Article 3, provided that the restriction shall not apply to endorsement/guarantee made between companies in which the Company holds directly or indirectly 100% of the voting shares.</p> <p>(2) The Finance Unit shall establish and maintain a memorandum book for its endorsement/guarantee activities and record in detail for the record.</p> <p>After the endorsement/guarantee are approved by the Audit Committee, the Board of Directors, or by the Chairman, in addition to stamping an official seal in accordance with prescribed Procedure, the following information in detail needs to be recorded for reference: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the Board of Directors or by the Chairman, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under Article 6 of the Procedure. Relevant</p>	
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	<p>evaluated under Article 6 of the Procedure. Relevant bills, agreement and other documents should also be photocopied and kept.</p> <p>(3) Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee.</p> <p>(4) The Finance Unit should prepare a detailed list of the guarantees that occur and be cancelled each month, so as to control/track and make announcements. The Unit shall also assess and recognize every quarter, if any, contingent losses brought about by the endorsement/guarantee, so as to adequately disclose information in the financial statements, and to provide external auditors with necessary information.</p> <p>(5) If the Entity of the endorsement/guarantee does not meet the original requirements, or the amount of endorsement /guarantee exceeds the set limit due to the change of the basis on which the limit is calculated, the improvement plan on the endorsement/guarantee amount or the over-limit portion shall be made by the Finance Unit and get approval by the Chairman. The plan should resolve the matter within a certain period of time.</p>		<p>bills, agreement and other documents should also be photocopied and kept.</p> <p>(3) Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify every Independent Directors of the Audit Committee.</p> <p>(4) The Finance Unit should prepare a detailed list of the guarantees that occur and be cancelled each month, so as to control/track and make announcements, The Unit shall also assess and recognize every quarter, if any, contingent losses brought about by the endorsement/guarantee, so as to adequately disclose information in the financial statements, and to provide external auditors with necessary information.</p> <p>(5) If the Entity of the endorsement/guarantee does not meet the original requirements, or the amount of endorsement /guarantee exceeds the set limit due to the change of the basis on which the limit is calculated, the improvement plan on the endorsement/guarantee amount or the over-limit portion shall be made by the Finance Unit and get approval by the Chairman. The plan should resolve the matter within certain period of time. The relevant improvement plan will be sent to every Independent Directors of the Audit Committee, and the</p>	
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	<p>The relevant improvement plan will be sent to the Audit Committee, and the improvement should be completed according to the schedule planned.</p> <p>(6) Before the end of the endorsement/guarantee date, the Finance Unit shall take the initiative to notify the guaranteed enterprise to withdraw the retained guarantee notes from the bank or creditor institution, and cancel the relevant deed of endorsement/guarantee. This Procedure stipulates that for those issues which need the approval of the Audit Committee, but more than half of its members did not agree, more than two-thirds of Board of Directors may make their resolution to approve of it. The resolutions of the Audit Committee should be stated in the minutes of the Board of Directors meeting.</p> <p>All members of the Audit Committee and all Directors mentioned in this Procedure referred to the members and directors actually in the office at the given time.</p>		<p>improvement should be completed according to the schedule planned.</p> <p>(6) Before the end of the endorsement/guarantee date, the Finance Unit shall take the initiative to notify the guaranteed enterprise to withdraw the retained guarantee notes from the bank or creditor institution, and cancel the relevant deed of endorsement/guarantee. This Procedure stipulates that for those issues which need the approval of the Audit Committee, but more than half of its members did not agree, more than two-thirds of Board of Directors may make their resolution to approve of it. The resolutions of the Audit Committee should be stated in the minutes of the Board of Directors meeting.</p> <p>All members of the Audit Committee and all Directors mentioned in this Procedure referred to the members and directors actually in the office at the given time.</p>	
Article 8	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>(1) When the Company makes any endorsement/guarantee, it should be signed off in accordance with the Procedures specified in Article 5, agreed by the Audit Committee first, and then submitted to the Board of Directors for approval. During</p>	Article 8	<p>Hierarchy of decision-making authority and delegation thereof</p> <p>(1) When the Company makes any endorsement/guarantee, it should be signed off in accordance with Article 5, agreed by the Audit Committee first, and then submitted to the Board of Directors for approval. During</p>	<p>Reference is made to Article 14-3 of the Securities and Exchange Act. And in response to the fact that the Company</p>

	<p>the discussion in the Board of Directors, the opinions of each Independent Director should be fully considered. If the Independent Director has objections or reservations, it should be stated in the meeting minutes of Board of Directors.</p> <p>However, the pre-determined limit of total amount and a certain amount of a single enterprise may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most coming Audit Committee and Board of Directors' Meeting for ratification, and shall report to the next annual Shareholders' Meeting the handling situation.</p> <p>(2) To accommodate business needs, in case the above limits have to exceed the endorsement/guarantee limit set by this Procedure and to meet the requirements of the Company's endorsement/guarantee procedure, a resolution of the Audit Committee and Board of Directors should be obtained and over half of all the Directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board</p>		<p>the discussion in the Board of Directors, they shall take into full consideration each Independent Director's opinions and clearly record the opinions of agreement and the reasons of objection in the minutes of the Board of Directors.</p> <p>However, the pre-determined limit of total amount and a certain amount of a single enterprise may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/ guarantee shall be reported to the most coming Audit Committee and Board of Directors' Meeting for ratification, and reported to the next annual Shareholders' Meeting the handling situation.</p> <p>(2) To accommodate business needs, in case the above limits have to exceed the endorsement/guarantee limit set by this Procedure and to meet the requirements of the Company's endorsement/guarantee procedure, a resolution of Board of Directors should be obtained and over half of all the Directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw</p>	<p>has set up an Audit Committee, it clearly stipulates that when the Company's endorsement/ guarantee amounts exceed the limit of this Procedure, it should report to the Audit Committee and the Board of Directors for approval.</p>
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	of Directors should furnish a plan containing a timetable to withdraw the excess portion		the excess portion.	
Article 10	<p>Announcement and Reporting Procedures</p> <p>Announcement and Reporting Procedures</p> <p>(1) The Finance Unit shall announce and report the previous month's balance of endorsement/guarantee of itself and its subsidiaries and also their revenues by the 10th day of each month.</p> <p>(2) Except for the monthly announcement to declare the endorsement/guarantee balance, the Company whose balance of endorsement/guarantee reaches one of the following levels shall announce and report such an event within two days commencing immediately from the date of occurrence of the fact:</p> <p>a. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement</p> <p>b. The balance of endorsement/guarantee by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>c. The balance of endorsement/guarantee by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all</p>	Article 10	<p>Announcement and Reporting Procedures</p> <p>(1) The Finance Unit shall announce and report the previous month's balance of endorsement/guarantee of itself and its subsidiaries and also their revenues by the 10th day of each month.</p> <p>(2) Except for the monthly announcement to declare the endorsement/guarantee balance, the Company whose balance of endorsement/guarantee reaches one of the following levels shall announce and report such an event within two days commencing immediately from the date of occurrence of the fact:</p> <p>a. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement</p> <p>b. The balance of endorsement/guarantee by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.</p> <p>c. The balance of endorsement/guarantee by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsement/guarantee for, long- term investment in, and</p>	<p>To make clear the definition of long-term investment, refer to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and establish article 9, section 4, item 1. And the Section 1 item 3 in the Procedure was amended accordingly.</p>

	<p>endorsement/guarantee for, investment accounted for under the equity method in, and balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.</p> <p>d. The amount of new endorsement/guarantee made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.</p> <p>The term "date of occurrence of the fact" as used in the Procedures refers to the date of contract signing, date of payment, dates of resolutions of the Board of Directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.</p>		<p>balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.</p> <p>d. The amount of new endorsement/guarantee made by the Company or its subsidiaries reach NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.</p> <p>The term "date of occurrence of the fact" as used in the Procedures refers to the date of contract signing, date of payment, dates of resolutions of the Board of Directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.</p>	
Article 11	<p><b>Penalty</b></p> <p>When the person-in-charge of the Company's endorsement/guarantee violates this Procedure, it shall be handled according to the following provisions, depending on the circumstances of the violation. The violation records will be used as a reference for the annual personal performance assessment.</p> <p>(1) Violation of checking authority: for those first-time violators, a verbal warning will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those</p>	Article 11	<p><b>Penalty</b></p> <p>When the person-in-charge of the Company's endorsement/guarantee violates this Procedure, it shall be handled according to the following provisions, depending on the circumstances of the violation. The violation records will be used as a reference for the annual personal performance assessment.</p> <p>(1) Violation of checking authority: for those first-time violators, a verbal warning will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those</p>	<p>The adjusted items and the duties and power of supervisors in accordance with the article 218.2 of the Company Act are applicable to Independent Directors.</p>

	<p>recidivists or serious violators, job relocation will be arranged.</p> <p>(2) Violation of review procedure: for those first-time violators, a verbal warning will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those recidivists or serious violators, job relocation will be arranged.</p> <p>(3) Violation of approval authority: for those first-time violators, a verbal warning will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those recidivists or serious violators, job relocation will be arranged.</p> <p>(4) The supervisors of the person-in-charge who violate regulations shall be subject to punishment, but those who can reasonably explain that they have not taken precautions do not apply.</p> <p>If the Board of Directors or Directors violate the relevant regulations and resolutions of the Shareholders' Meeting, the independent directors shall notify the Board of Directors or Directors to cease their actions in accordance with the provisions of Article 218-2 of the Company Act.</p>		<p>recidivists or serious violators, job relocation will be arranged.</p> <p>(2) Violation of review procedure: for those first-time violators, a verbal warnings will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those recidivists or serious violators, job relocation will be arranged.</p> <p>(3) Violation of approval authority: for those first-time violators, a verbal warning will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those recidivists or serious violators, job relocation will be arranged.</p> <p>(4)The supervisors of the person-in-charge who violate regulations shall be subject to punishment, but those who can reasonably explain that they have not taken precautions do not apply.</p> <p>(5) If the Board of Directors or Directors violate the relevant regulations and resolutions of the Shareholders' Meeting, the Independent Directors of the Audit Committee shall notify the Board of Directors or Directors to cease their actions in accordance with the provisions of Article 218-2 of the Company Act.</p>	
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Article 12	<p>When the entity of the Company's endorsement/guarantee is a subsidiary and its net value is less than half of the paid-in capital, the subsidiary is requested to set up an improvement plan and send it to the Audit Committee within 10 days from the day of receipt. The Company should supervise the subsidiary in accordance with the improvement plan and make sure the plan is implemented accordingly. The implementation will be reported to the Audit Committee and the Board of Directors of the Company so as to control the improvement situation. If the subsidiary's stock has no denomination or the denomination per share is not NT \$ 10, the paid-in capital calculated in accordance with the provisions of the preceding paragraph shall be the total of capital stock plus additional paid-in capital and in excess of par.</p>	Article 12	<p>When the entity of the Company's endorsement/guarantee is a subsidiary and its net value is less than half of the paid-in capital, the subsidiary is requested to set up an improvement plan and send it to every Independent Directors of the Audit Committee within 10 days from the day of receipt. The Company should supervise the subsidiary in accordance with the improvement plan and make sure the plan is implemented accordingly. The implementation will be reported to the Audit Committee and the Board of Directors of the Company so as to control the improvement situation. If the subsidiary's stock has no denomination or the denomination per share is not NT \$ 10, the paid-in capital calculated in accordance with the provisions of the preceding paragraph shall be the total of capital stock plus additional paid-in capital and in excess of par.</p>	<p>To respond to the fact that the Company has set up an Audit Committee, the implementation situation should be reported to the Audit Committee and the Board of Directors quarterly.</p>
Article 13	<p>The establishment of the Procedures shall be effective upon approval by more than half of the entire Audit Committee first and then by Board of Directors, subject to the ordinary resolution in the general meeting. 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. Any objection by the Directors which is</p>	Article 13	<p>The establishment of the Procedures shall be effective upon approval by the Audit Committee first and then by Board of Directors, subject to the ordinary resolution in the general meeting. The same shall apply to any amendments to the Procedure. If any Director expresses objections and has a record or written statement, the Company shall send the objections to the Independent Directors of the Audit Committee and submit to the Shareholder's Meeting for discussion.</p>	<p>With reference to the provisions of Articles 14.3 and 14.5 of the Securities and Exchange Act, amend section 1~4.</p>

	<p>recorded or in writing shall be submitted to Audit Committee and for discussion by the Shareholders' Meeting. The same shall apply to any amendments to the Procedure. If the above Procedure is not approved by more than one-half of all members of the Audit Committee, more than two-thirds of all Directors may agree to do so, and the resolutions of the Audit Committee shall be stated in the minutes of the Board of Directors meeting. <u>All members of the Audit Committee and all Directors in this Procedure referred to the members and directors actually in the office at the given time.</u></p> <p>In the discussion of the Board of Directors, they shall take into full consideration each Independent Director's opinions and clearly record the opinions of agreement and the reasons of objection in the minutes of the Board of Directors.</p>		<p>In the discussion of the Board of Directors, they shall take into full consideration each Independent Director's opinions and clearly record the opinions of agreement and the reasons of objection in the minutes of the Board of Directors.</p>	
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Resolution:

## **VI. Election matters**

Re-election of the Company's Directors.

(Proposed by Board of Directors)

Description:

1. The term of the current directors of the Company will be expired on May 30, 2020. It is proposed to re-elect the directors in the 2020 Shareholders' General Meeting.
2. 7 new Directors should be elected (including 3 Independent Directors), and the term of office is 3 years, from June, 23 2020 to June, 22 2023.
3. The Company's Articles of Association stipulates that the election of Directors shall adapt the candidate nomination system in accordance with Article 192 of the Company Act, and the shareholders shall select them from the list of candidates. For their education, experience and other relevant information, please refer to Appendix 1 on pages 76 ~ 79 of this manual.

Election results:

## **VII. Temporary Motions**

## **VIII. Meeting Adjournmen**

## Appendix 1

Candidate list :

Candidate type	Name	Education	Experience	Present position	Shareholdings
Director	Lee, Chin-Yi	Graduate from Architecture Department, Chinese Culture University	Chairman of Delpha Construction Co., Ltd General Manager of Delpha Construction Co., Ltd	Chairman and General manager of Delpha Construction Co., Ltd	257
Director	Lin, Wen-Liang	Master of New Mexico State University	Director of Delpha Construction Co., Ltd Chairman of Delpha Construction Co., Ltd	Director of Delpha Construction Co., Ltd	7,063,941
Director	Lin, Po-Fong	Graduate from New Mexico State University	Director of Delpha Construction Co., Ltd Chairman of Sanrong Construction	Director of Delpha Construction Co., Ltd	10,805,008
Director	Dajie Investment Co., Ltd. Representative: Tseng, Ping-Joung	Master from Management Institute of National Taiwan University of Science and Technology	General Manager of Radium Kagaya International Hotel Vice General Manager of The Ambassador Hotel Co., Ltd.	Independent Director of Delpha Construction Co., Ltd	16,898,773
Director	Chen, Yu-Chun	Dept. of Law, Fu Jen University	Director of Taichung Commercial Bank	Director of Hongcheng Construction Co., Ltd.	0

			Director of Hongcheng Construction Co., Ltd.		
Director	Wang, Ying-Chuan	Masters' degree in Project Management, Northeastern University, Boston, US	Assistant of General Manager of Heyang Construction Co., Ltd.	Assistant of General Manager of Heyang Construction Co., Ltd.	0
Director	Yan, Ming-Hung	Masters' degree in Finance, National Taiwan University	Executive Vice President of SBG (Taipei Branch, Wealth Management Dept.) Vice President of CIB (Hong Kong branch) Senior Manager of BlackRock Inc. Senior Manager of Merrill Investment Consulting	Executive Vice President of SBG (Taipei Branch, Wealth Management Dept.)	0
Director	Cheng, Ssu-Tsung	International Trading, Fu Jen University	Director of China Bills Finance Corporation	Director of China Bills Finance Corporation	0
Director	Rongzhi Investment Co., Ltd. Representative: LIN, Chao-Jung	Electrical Engineering, National HsinChuang Senior High School	Chairman and General Manager of Shengnan Technology Co., Ltd. Director of Delpha Construction Co., Ltd	Chairman and General Manager of Shengnan Technology Co., Ltd.	10,132,499



Director	Rongzhi Investment Co., Ltd. Representative: Lin, Cheng-Chi	Masters' degree in Architecture and Urban Planning, Chinese Culture University Masters' degree in EMBA, School of Management, Fudan University	Hosting Architect, Lin, Cheng-Chi Architect Firm General Manager of LAND KING CONSTRUCTION CO., LTD.	Hosting Architect, Lin, Cheng-Chi Architect Firm General Manager of LAND KING CONSTRUCTION CO., LTD.	10,132,499
Director	Rongzhi Investment Co., Ltd. Representative: Lien, Huan-Chang	Dept. of Engineering, Chinese Culture University	Responsible Person of Cunsheng Industrial Co., Ltd.	Responsible Person of Cunsheng Industrial Co., Ltd.	10,132,499
Director	Rongzhi Investment Co., Ltd. Representative: Li, Chin-Ying	Masters' degree, The London School of Economics and Political Science Bachelors' degree in Economic, National Taiwan University	Candidate, The 10th Legislative Council Member Election Area of the Republic of China Head Researcher of Mayor's Office, Taipei City Government	Head Researcher of Mayor's Office, Taipei City Government	10,132,499
Independent director	Chang, Chang-Ter	Master from from Hsuan Chuang University	Chairman of Shanghai Apollo Building Co. Chairman of Dehe Construction Co., Ltd. Director of Hongpu Construction Co., Ltd. Consultant of Federation of the Real Estate Development Association of the	Independent Director of Delpha Construction Co., Ltd Member of Taipei City Design and Land Use Development Review Committee	0

			<p>Republic of China</p> <p>Member of Urban Plannin Commission, Taipei City Government</p> <p>City Government Consultant, Taipei City Government</p> <p>Member of Taipei City Renewal Review Committee</p> <p>Member of Taipei City Design and Land Use Development Review Committee</p> <p>Independent Director of Delpha Construction Co., Ltd</p>		
Independent director	Lien, Feng Hsiang	Dept. Law, Fu Jen University	<p>Secretary of President's office of High Court</p> <p>Head and Attorney of Jinye Law Firm</p> <p>Representative of Jinye Law Firm at Xiamen City (there are representative office at Shanghai, Xiamen, Fuzhou, Mawei and Pingtan)</p> <p>Legal Consultant, Archidioecesis Taipehensis</p> <p>Arbitration Commission, Tianjin</p> <p>Arbitration Commission, Fuzhou</p>	Head and Attorney of Jinye Law Firm	0
Independent director	Yeh, Chien-Wei	Dept. of Law, Ming Chuan University	<p>Attorney of Yongran United Law Firm</p> <p>Attorney of Heyi International Law</p>	Attorney of Haoheng International Law Office	0

			Office Attorney of Haoheng International Law Office		
Independent director	Chen, Chung-Yu	Ph.D. in Management, National Yunlin University of Science and Technology	Member of Mediation Committee, Taiwan Taipei District Court Arbitrator, Chinese Real Estate Arbitration Association Lead Accountant, KPMG International Assistant Professor of Chihlee University of Technology Accountant of Yong Xu Accounting Firm	Accountant of Yong Xu Accounting Firm Member of Mediation Committee, Taiwan Taipei District Court Assistant Professor of Chihlee University of Technology Arbitrator, Chinese Real Estate Arbitration Association	0
Independent director	Wang, Mu-Fan	Masters' degree in Accounting, National Chung Cheng University	Concurrent Assistant Professor of Feng Chia University Lecturer of Corporate Governance Association, Internal Audit Association Supervisor of NIPLUS ELECTRONICS CO., LTD. Supervisor of TAIWAN CALSONIC CO., LTD. Independent Director of Quaser Machine Tools, Inc.	Accountant of BDO Taiwan Accounting Firm	0
Independent director	Huang, CHih Chen	Masters' degree in Water Resources and Environment	Chairman of Hongcheng Construction Co., Ltd.	Chairman of Hongcheng Construction Co., Ltd.	0

		Engineering, Tamkang University			
Independent director	Jhan, Zong-Ren	Financial and Economic Group, Dept. of Law, Chinese Culture University	Chief Legal Officer and Advisor of General Manager's Office, BaiYi Construction Group Chief Legal Officer, Shinih Enterprise Co., Ltd. Member of the Remuneration Committee, Sheng Nan Technology Co., Ltd. Responsible Person of Dingjian International Enterprise Co., Ltd. Independent Director of Delpha Construction Co., Ltd	Responsible Person of Dingjian International Enterprise Co., Ltd. Independent Director of Delpha Construction Co., Ltd	0
Independent director	Yang, Yen Chieh	Ph.D. in Accounting, National Taiwan University	Adjunct Professor of School of Management, Yuan Ze University and Conveyor of Accounting Academic Group Head of the Bechelors' Class, School of Management, Yuan Ze University Supervisor of Sheng Nan Technology Co., Ltd.	Adjunct Professor of School of Management, Yuan Ze University Supervisor of Sheng Nan Technology Co., Ltd.	0
Independent director	Shen, Shi-Hong	Ph.D. in Chemical Engineering, National Taiwan University	Chairman of SUN BA Power Corp. (Feb. 2015 - Sep. 2016) Chairman of Environment Engineering Association, ROC (Dec. 2014-Oct.	Top Consultant of TESD Foundation Consultant of EPN Center Chairman of Overseas Daqing	0

			<p>2015)  Chair Professor of Department of Safety, Health and Environmental Engineering, National Kaohsiung University of Science and Technology (August 2014-July 2016)  Contract Chair Professor, Chemical Engineering and Material Engineering, Chinese Culture University (April 2014- August 2017)  Director of Environmental Protection Administration, Executive Yuan (May 20, 2008-March 3, 2014)  Chief Officer of General Affairs, Jin University of Science and Technology (2003-2006)  Adjunct Professor of Department of Environmental Science and Property Management (2003-2011)  Chief of Environmental Protection Bureau, Taipei City Government (1999-2003;2006-2008)  Director of Planning and Evaluation Section, National Science Committee of the Executive Yuan and Director of</p>	<p>Network Smart Motor System Company</p>	
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			<p>International Cooperation Office (1996-1999)</p> <p>Director of Air Quality Protection and Noise Control Division, Environmental Protection Department, Executive Yuan; Director of Control Assessment and Dispute Resolution Office; Head of Environmental Inspection Office; Director of Water Quality Protection Office; Head of Technical Supervision and Technology Consulting Office (1987-1996)</p> <p>Lecturer of Chemical Engineering, National Taiwan University (1977-1982)</p> <p>Technician of Department of Health, Executive Yuan (1975-1977)</p> <p>Leader of the 2<sup>nd</sup> Group, Environmental Protection Bureau (1982-1987)</p>		
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Note: Shareholdings up to the book closure date (April 25, 2020) for the shareholders' meeting.

## Appendix 2

### Shareholdings of individual and all Directors in the shareholders' register as of April 25, 2020

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, 2020: 270,752,466 shares

Note: A. Statutory shareholding of all Directors of the Company: 12,000,000 shares. As of April 7, 2020 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 3

### **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 4

# 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 is 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 5

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

Revised by shareholder's meeting on June 05 2018.

### 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.

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) Right-of-use assets.
- (F) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (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) contracts.
- (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.

- (I) 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 by accounting department. Whereas the acquisition or disposal of real estate property, right-of-use assets 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, equipment, or right-of-use assets 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 domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets 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 right-of-use assets thereof 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.
- (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. 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 right-of-use asset shall first refer to announced present value, assessed value, actual transaction prices 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.
- (F) 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, 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.

#### 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 submitting 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 reaches 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 Chapter 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 or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof 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 or right-of-use assets thereof 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 by the Company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; 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 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.
- (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 furthermore the transaction counterparty is not a related party, 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 domestic 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 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 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, equipment, or right-of-use assets 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 domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets 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 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 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. 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

When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets 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 selecting related party as the transaction counterparty.
- (C) With respect to the acquisition of real property or right-of-use assets 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 makes following transaction with its parent company, subsidiaries, or subsidiary directly or indirectly holds 100% of issued shares or authorized capital, 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:

1. Acquisition or disposal of equipment for its right-of-use assets therefore held for business use.
2. Acquisition or disposal of real property or right-of-use assets held for business use.

Article 12: Rationality evaluation of transaction conditions

The company should evaluate the rationality of the transaction conditions by the following means when acquiring real estate or the right-of-use assets from the related party:

- (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.

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.

The company acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

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:

- (A) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
- (B) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
- (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.
- (D) 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.

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, 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 shall not apply:

- (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 sale or leasing practices.
- (B) Where the company acquiring real property or obtaining real property right-of-use assets through leasing, 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.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 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 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 contract has been terminated, 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 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.

When the company obtains real property or right-of-use assets 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.

### **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 adverse 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

- (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.
- (B) 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.
- (C) 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.
- (D) 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**

Article18: 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.

Article19: 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 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.

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 of extraordinary circumstances 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 previously bought back by any company that is extinguished in a merger or that is demerged.
- (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.
- (D) The manner of handling changes in the number of participating entities or companies.
- (E) Preliminary progress schedule for plan execution, and anticipated completion date.
- (F) 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 any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (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 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 and paragraph 1 and paragraph 2 of this Article 23.

## **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 meet the following requirements:

- (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 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 parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- (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.

Article 26: 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.

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: 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.

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. Related parties or subsidiary referred to in the procedures: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## Appendix 6

# Delpha Construction Co., Ltd The Operational Procedures for Loaning of Funds

Revised by shareholder's meeting on May 31 2017.

- Article 1: Where the Company needs to loan funds to others for practical purposes, the provisions of the Procedures shall be complied.
- Article 2: Entities to which the company may loan funds
- (1) Where an inter-company or inter-firm business transaction calls for a loan arrangement
  - (2) Where an inter-company or inter-firm short-term financing facility is necessary.  
The so-called "short-term" is a time period of one year or one operating cycle (whichever is longer governs).
- Article 3: Where funds are lent to a company or business with business relationships with the Company, such loans shall be based on those with whom business transactions have occurred. Loans may be granted due to short-term financing need only under one of the following circumstances:
- (1) A Subsidiary of the Company of which the Company directly and indirectly holds more than 50% of its voting shares being due to repayment of bank loans, purchase of equipment, business turnover needs, or being beneficial to the Company's future business development.
  - (2) Where short-term financing is required for a company or business due to purchase of materials or operational needs
  - (3) Where the loan is approved by the Board of Directors of the Company.
- Article 4: The aggregate amount of loans and the maximum amount permitted to a single borrower  
The total amount of the Company's loans to others shall not exceed 40% of the Company's net value checked by an accountant or audited financial statements in the latest year. The limited amount for each loan and object is set as follows for the different reasons:
- (1) Where funds are lent to a company or business with business relationship, the amount of each loan shall not exceed 50% of the highest amount of the Company's purchase or sales in the latest year.
  - (2) Where funds are lent to a company or business with a short-term financing need, the amount of each loan shall not exceed 30% of the Company's net value checked by an accountant or audited financial statements in the latest year. (The total amount of short-term financing funds shall not exceed 40% of the net value checked and audited by the accountant or the financial statements in the latest year.)
- "Subsidiary" and "parent company" as referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- The net value of the latest financial statements of the parent company as referred to in the Procedures shall be equity attributable to owners of the parent company in the balance sheet by Securities Issuers.
- Where the foreign companies that the Company directly or indirectly hold 100% of its voting shares, such loans are not subject to the restrictions of 4.1. The total amount of loans shall not exceed 40% of the net value checked by the accountant or the audited financial statements in the latest year. The terms of such loans are limited to one year or one business cycle (whichever is longer governs).

## Article 5: Operation of loans funds

### (1) Handling procedures

1. When the Company handles the loan of funds, it shall be submitted to Chairman for approval after being reviewed by the authority. After approval of the audit committee, it shall be submitted to the Board of Directors and approved for handling.

When fund lending is contemplated between the Company and its parent company or when fund lending to Subsidiaries is contemplated by the Company, an approval from the Board of Directors shall be obtained after approval of the audit committee based on the preceding regulation. Then, the Chairman shall be authorized to handle the matter within the specific amount of fund lending to the same party approved by the Board of Directors and the lending is authorized in installment or revolver within one year.

"Specific amount" as referred to above shall mean that the authorized amount of loans by the Company to an individual entity shall not exceed 10% of the Company's net value of its financial statement in the latest year besides conforming with 4.2.

Also, the authorized amount of the subsidiary's loan of funds to a single enterprise shall not exceed 10% of the net value of its financial statements in the latest year.

When the above matters are contemplated for discussion by the Board of Directors under the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

2. The finance unit should establish and maintain a memorandum book on loan funds. After the loan is approved by the Board of Directors, the finance unit shall truthfully record the following information: the loan object, amount, approval date of the audit committee, approval date by the Board of Directors, loan date, and matters to be carefully evaluated under the reviewing procedures.
3. The auditing unit shall audit the operating procedures and execution of the loan on a quarterly basis and make a written record. If finding a major violation, it shall immediately notify each independent director of the audit committee in writing.
4. The finance units should prepare a detailed list of the loans that occur and cancel each month, so as to track and make announcements. And it shall make sufficient provision based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information
5. Should a borrower no longer satisfy the criteria set forth in the relevant regulations or the Procedures or there be any excess over the lending limit due to unexpected changes of the Company, the finance unit shall establish a corrective plan and submit it to the independent directors of the Audit Committee and the proposed correction actions should be implemented within the period specified in such plan.

### (2) Procedures for scrutinizing loans of funds

1. When the Company handles the loan of funds, the applying company or business shall first submit the relevant financial information describing the purpose of the loan and applying in writing.
2. After the Company accepts the application, the authority unit shall then investigate and evaluate the necessity and rationality of the loan application, whether the loan object has a direct (indirect) business relationship with the Company, the financial position of its business, profitability and borrowing purposes of the borrower, the impact towards the Company's operating risk, financial position and shareholders' equity, and then prepare a relevant written report and submit to the Board of

Directors.

3. When the Company handles the loan of funds, it shall obtain a promissory note in an amount equivalent to that of the loan. If necessary, it shall apply for the mortgage setting of movable or immovable property, and assess whether the value of the collateral is equivalent to the loan and the balance on a quarterly basis. If necessary, additional collateral shall be provided. For the borrower's rights guarantee in the preceding paragraph, if the borrower provides personal or corporate guarantees with equivalent capital and credit, instead of providing collateral, the Board of Directors may refer to the review report resolution of the authority unit; if the guarantor is a company, it shall pay attention to whether its charter has the terms of being a guarantee.

Where this operating procedure stipulates that the approval of the audit committee is required, if it is not agreed by more than one-half of all members of the audit committee, it is all right to be agreed by more than two-thirds of all Directors, which shall be clearly recorded in the minutes of the Board of Directors.

All members of the Audit Committee and all Directors as referred to in this Procedure are governed based on the actual incumbents.

Article 6: Duration of loans and calculation of interest

The term of finance funds extended by the Company shall not exceed one year or one operating cycle (Whichever the longer is). The interest rate of the Company's loans shall not be lower than the average interest rate of the Company's short-term borrowings from financial institutions and the interest rate shall be calculated on a monthly basis. In case of special circumstances, it may be adjusted based on the actual situation after obtaining the approval of the Board of Directors.

Article 7: Subsequent measures for management of loans, and procedures for handling delinquent creditor's rights

After each loan is extended, the Finance Unit shall frequently pay attention to the financial, business status and credit of the borrower and guarantor and the changes in the value of the collateral and make a written record. In the event of a major change, the Finance Unit shall immediately notify the general manager and relevant authorities as soon as possible.

When the borrower repays the loan upon the maturity or before the maturity, the loan shall be paid off together with the principal plus the interest payable, and then the guarantee note can be returned to the borrower or the mortgage rights are written off.

If the borrower fails to repay the loan within the specified period, the Company may dispose of and claim the collateral or guarantor provided by it in accordance with the law.

Article 8: Announcement and Reporting Procedures

- (1) The Company shall announce and report the previous month's loan balances of its head office and Subsidiaries together with its revenue by the 10th day of each month.
- (2) Besides announcing and reporting loan balances, the Finance Unit of the Company and Subsidiaries, whose loans of funds reach one of the following levels, shall announce and report such event attached with relevant information within two days commencing immediately from the date of occurrence of the fact:
  1. The aggregate balance of loans to others by the Company and its Subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
  2. The balance of loans by the Company and its Subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
  3. The amount of new loans of funds by the Company or its Subsidiaries reaches



NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

The date of occurrence of the facts referred to in this Operating Procedure refers to the date of the transaction signing date, payment date, Board resolution date, or other dates sufficient to determine the transaction object and transaction amount, whichever date is previous will govern.

Article 9: Procedures for managing loans to others by subsidiaries

(1) A Subsidiary of the Company shall also establish "The Operational Procedures For Loaning of Funds" in accordance with relevant regulations of the competent authority, which shall be sent to the supervisors after approval by the Board of Directors, and shall be submitted to the shareholders' meeting for approval. It is the same with amendment and shall be implemented based on the Operating Procedures.

If the Subsidiary of the Company has set up an audit committee and has established "The Operational Procedures for Loaning of Funds", the Procedure shall be approved by the Audit Committee. And it shall be submitted to the Shareholders' Meeting after approval by the Board of Directors. The same is applied to amendments to the Procedure.

(2) If a Subsidiary of the Company is not a public company and if it provides loans to others, it shall deal with the loan in accordance with the Regulations of the "Internal Control system" and "The Operational Procedures for Loaning of Funds", and shall collect the balance, objects, deadlines, etc. of the funds loaned last month and report to the Company prior to 5<sup>th</sup> of each month.

(3) If a Subsidiary of the Company is not a public company, and its loan reaches the level announced and reported as in 8.2.3, it shall notify the Company on the date of the fact, and the Company shall, in accordance with regulations, enter data to the information reporting website designated by the competent authorities.

Article 10: Penalty

If the related person in charge of the loans should violate the Procedure, he is referred to as violation and shall be dealt with in accordance with the following regulations. The violation records will be used as a reference for the annual personal performance assessment.

(1) Violation of checking authority: First-time violators shall be given verbal warnings, re-offenders shall be given a written warning, and be compulsory to participate in Internal Control training courses. Recidivists or those making serious mistakes shall be transferred.

(2) Violation of reviewing authority: First-time violators shall be given verbal warnings, re-offenders shall be given a written warning, and be compulsory to participate in Internal Control training courses. Recidivists or those making serious mistakes shall be arranged for job relocation.

(3) Violation of announcement and reporting: First-time violators shall be given verbal warnings; re-offenders shall be given a written warning. Recidivists or those making serious mistakes shall be arranged for job relocation.

(4) The supervisor of the violators shall be subject to punishment, but those who could reasonably explain that they have not taken precautions do not apply.

(5) For the Board of Directors or Directors who violate the relevant regulations and resolutions of the shareholders' meeting during the execution of their business, the

supervisor shall notify the Board of Directors or Directors to stop their actions in accordance with the Regulation of 218.2 of the Company Act.

Article 11: The Procedures and any amendment thereof shall be effective upon approval by the Audit Committee first and then by Board of Directors, subject to the ordinary resolution in the general meeting. 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. Any objection by the Directors which is recorded or in writing shall be submitted to the Audit Committee and for discussion by the Shareholders' Meeting. The same shall apply to any amendments to the Procedures.

In the discussion of the Board of Directors, they shall take into full consideration each Independent Director's opinions and clearly record the opinions of agreement and the reasons of objection in the minutes of the Board of Directors.

## Appendix 7

### Delpha Construction Co., Ltd The Operational Procedures for Endorsements and Guarantees

Revised by shareholder's meeting on May 31 2017.

#### Article 1: Purpose

These procedures are provided for the enhancement of the financial management of endorsements and guarantees and for the reduction of operating risks. The formulation whence the applicable regulations are from the competent authority and shall be complied

#### Article 2: Scopes applicable

The term "endorsements and guarantees" in this Procedure includes the following:

- (1) Financing endorsements/guarantees:
  1. Bill discount financing
  2. Endorsements/guarantees for other companies for their financing needs
  3. Endorsements/guarantees to the notes issued by the Company to nonfinancial institutions and entities for the Company's own financing needs.
- (2) Endorsements/guarantees of custom duties: Endorsements/guarantees of custom duties due from the Company or other companies
- (3) Other endorsements/guarantees that are not classified as preceding two types
- (4) The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan.

#### Article 3: Entities for which the Company may make endorsement or guarantees

The object of the company's endorsement and guarantee is limited to the following companies, but the following is not subject to this limitation: the inter-industry or joint applicants are mutually guaranteed based on the needs of contracting projects according to the provisions of the contract; or because of the joint investment relationship, all invested shareholders will make endorsement and guarantee for the invest company; or inter-industry is escrow joint guarantees in pre-sale house contracts in accordance with Consumer Protection Act.

- (1) A company with which the Company does business
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares
- (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements or guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to

endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares

The term "Capital Contribution" in the first item refers to direct investment by the Company or through a company holding 100% of the voting shares.

"Subsidiary" and "parent company" as referred to in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers of Taiwan.

"Net worth" as referred to in the Procedures shall be equity attributable to owners of the parent company in the balance sheet.

Article 4: The amount of endorsement/guarantee provided by the Company is subject to the following limits:

- (1) The aggregate amount of endorsements/guarantees provided by the Company shall not exceed 50% or more of the net worth of the Company and the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 20% of or more of the net worth of the Company.
- (2) The amount of the Company's endorsement/guarantee for a single entity due to business transactions shall not exceed 20 % or more of the net worth as stated in its latest financial statement of the Company.
- (3) The aggregate amount of endorsements/guarantees provided by the Company and its Subsidiaries shall not exceed 50 % or more of the net worth as stated in it's latest financial statement of the Company and the amount of endorsements/guarantees provided by the Company and its Subsidiaries for any single entity shall not exceed 20 % or more of the net worth as stated in its latest financial statement of the Company.

Article 5: Procedure for handling Endorsement and Guarantee

- (1) When handling the endorsement/guarantee, the Finance Unit shall, in accordance with the Entities for which the Company may make endorsement/ guarantee, examine items such as their qualification and ceiling on amount whether they meet the requirement of the Procedures and whether it has reached the criteria for public announcement and regulatory filing. After the review according to Article 6 of the Procedure, the evaluation results are submitted to the Chairman for approval first. And then to be approved by the Audit Committee and by the Board of Directors; if the endorsement/ guarantee amounts are within the stipulated authorization limit, the Chairman shall approve it directly based on the Entities' credit rating and financial status. And then report to the most coming Audit Committee and Board of Directors for ratification.

The endorsement/guarantee for subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares shall be processed after the approval of the Audit Committee and the resolution of the Board of Directors of the Company in accordance with the second paragraph of Article 3. Provided that the restriction shall not apply to endorsement/guarantee made between companies in which the Company holds directly or

indirectly 100% of the voting shares.

- (2) The Finance Unit shall establish and maintain a memorandum book for its endorsement/guarantee activities and record in detail for the record. After the endorsement/guarantee are approved by the Audit Committee, the Board of Directors, or by the Chairman, in addition to stamping an official seal in accordance with prescribed Procedure, the following information in detail needs to be recorded for reference: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the Board of Directors or by the Chairman, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under Article 6 of the Procedure. Relevant bills, agreement and other documents should also be photocopied and kept.
- (3) Internal auditors shall perform auditing on the Procedures and the implementation of the Procedures every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee.
- (4) The Finance Unit should prepare a detailed list of the guarantees that occur and be cancelled each month, so as to control/track and make announcements, The Unit shall also assess and recognize every quarter, if any, contingent losses brought about by the endorsement/guarantee, so as to adequately disclose information in the financial statements, and to provide external auditors with necessary information.
- (5) If the Entity of the endorsement/guarantee does not meet the original requirements, or the amount of endorsement /guarantee exceeds the set limit due to the change of the basis on which the limit is calculated. The improvement plan on the endorsement/guarantee amount or the over-limit portion shall be made by the Finance Unit and get approval by the Chairman. The plan should resolve the matter within certain period of time. The relevant improvement plan will be sent to the Audit Committee, and the improvement should be completed according to the schedule planned.
- (6) Before the end of the endorsement/guarantee date, the Finance Unit shall take the initiative to notify the guaranteed enterprise to withdraw the retained guarantee notes from the bank or creditor institution, and cancel the relevant deed of endorsement/guarantee.

This Procedure stipulates that for those issues which need the approval of the Audit Committee, but more than half of it's members did not agree, in that case more than two-thirds of Board of Directors may make their resolution to approve it. The resolutions of the Audit Committee should be stated in the minutes of the Board of Directors meeting. All members of the Audit Committee and all Directors mentioned in this Procedure referred to the members and directors actually in the office at the given time.

#### Article 6: Procedures for scrutinizing endorsement/guarantee

Any endorsement/guarantee to be provided by the Company shall be examined, evaluated, and made a record by the Finance Unit. The evaluation items shall be included:

- (1) Understand the relationship between the Entity of the endorsement/guarantee and the Company, the purpose of the loan, the relevance to the Company's business or the importance of its operation to the company, etc., and analyze and evaluate the necessity and rationality of the endorsement/guarantee in consideration of the Company endorsement/guarantee limit and its current balance.
- (2) Obtain relevant information such as the annual report and financial report of the endorsed party, and analyze its operation, financial and credit status and sources of repayment, etc., to evaluate the possible risks.
- (3) Analyze the ratio of the Company 's current endorsement/guarantee balance to the Company 's net worth, liquidity and cash flow status, and utilize the review results of (1) and (2) to assess the possible impact on the Company 's operating risks, financial status and shareholders 'equity.
- (4) Depending on the nature of the endorsement/guarantee and the credit status of the endorsed party and the evaluation results of (1) to (3), evaluate the necessity to acquire the collateral from the endorsed party, and assess whether the value of the collateral is equivalent to the endorsement/ guarantee balance quarterly, if necessary, the endorsed party may be required to provide additional collateral.

#### Article 7: Procedures for managing endorsement/guarantee by subsidiaries

- (1) The subsidiaries of the company should also formulate the "Procedures for Endorsement and Guarantee" in accordance with the relevant regulations of the competent authority. After the approval of the Board of Directors, they shall be sent to the supervisor and submitted to the Shareholders' Meeting for approval. Operating procedures. The amendment is the same, and should be handled in accordance with the prescribed procedures.  
If a subsidiary of the Company has set up an Audit Committee, it shall stipulate in the "Procedures for Endorsement and Guarantee" that it should get approved by the Audit Committee first, and then submitted to the Shareholders' Meeting for approval after the Approval of the Board of Directors.
- (2) If a subsidiary of the Company is not a Public Company, and intends to make endorsement/guarantee for others, it shall comply with its "Internal Control System" and "Procedures for Endorsement and Guarantee" prescribed by itself. And the information of the endorsement/guarantee of the previous month shall be provided to the Company for declaration before the 5th of each month.
- (3) A subsidiary of the Company is not a Public Company and if its endorsement/ guarantee amount reaches the standard that should be announced and reported in Article 10, section 2, item 4 of this Procedure, it shall notify the Company on the date of occurrence of the fact, and the Company shall make announcement and report on the

website designated by the competent authority in accordance with regulations.

#### Article 8: Hierarchy of decision-making authority and delegation thereof

- (1) When the Company makes any endorsement/guarantee, it should be signed off in accordance with the Procedures specified in Article 5, agreed by the Audit Committee first, and then submitted to the Board of Directors for approval. During the discussion in the Board of Directors. In the discussion of the Board of Directors, they shall take into full consideration each Independent Director's opinions and clearly record the opinions of agreement and the reasons of objection in the minutes of the Board of Directors. However, the pre-determined limit of total amount and a certain amount of a single enterprise may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most coming Audit Committee and Board of Directors' Meeting for ratification, and reported to the next annual Shareholders' Meeting the handling situation.
- (2) To accommodate business needs, in case the above limits have to exceed the endorsement/guarantee limit set by this Procedure and to meet the requirements of the Company's endorsement/guarantee procedure, a resolution of Board of Directors should be obtained and over half of all the Directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion

#### Article 9: Procedures for the use and storage of chop

- (1) The Company shall use the chop which has been applied for registration with the Ministry of Economic Affairs as the dedicated chop for endorsement/guarantee, and the chop shall be kept in the custody of a designated person and may be used to seal or issue negotiable instruments only in prescribed procedures.
- (2) The designated person should check whether there is an approval record, and be sure that the "Seal application form" has been approved by the Chairman, and the documents for the seal application are consistent before the seal is used.
- (3) When providing endorsements/guarantees to a foreign company, the endorsement/guarantee letter shall be executed and signed by Chairman or General Manager delegated by the Board of Directors.

#### Article 10: Announcement and Reporting Procedures

- (1) The Finance Unit shall announce and report the previous month's balance of endorsement/guarantee of itself and its subsidiaries and also their turnover by the 10th

day of each month.

- (2) Except for the monthly announcement to declare the endorsement/guarantee balance, the Company whose balance of endorsement/guarantee reaches one of the following levels shall announce and report such an event within two days commencing immediately from the date of occurrence of the fact:
  1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reach 50% or more of the Company's net worth as stated in its latest financial statement.
  2. The balance of endorsement/guarantee by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  3. The balance of endorsement/ guarantee by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsement/guarantee for, long-term investment in, and balance of loans to, such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.
  4. The amount of new endorsement/ guarantee made by the Company or its subsidiaries reach NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.

The term "date of occurrence of the fact" as used in the Procedures refers to the date of contract signing, date of payment, dates of resolutions of the Board of Directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

#### Article 11: Penalty

When the person-in-charge of the Company's endorsement/guarantee violates this Procedure, it shall be handled according to the following provisions, depending on the circumstances of the violation. The violation records will be used as a reference for the annual personal performance assessment.

- (1) Violation of approval authority: for those first-time violators, a verbal warnings will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those recidivists or serious violators,job relocation will be arranged.
- (2) Violation of review procedure: for those first-time violators, a verbal warnings will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those recidivists or serious violators,job relocation will be arranged.
- (3) Violation of approval authority: for those first-time violators, a verbal warnings will be given; for those re-offenders, a written warning will be given and they have to participate in internal control training courses compulsorily; for those recidivists or



serious violators, job relocation will be arranged.

- (4) The supervisors of the person-in-charge who violate regulations shall be subject to punishment, but those who can reasonably explain that they have not taken precautions do not apply.
- (5) If the Board of Directors or Directors violate the relevant regulations and resolutions of the Shareholders' Meeting, the Independent Directors shall notify the Board of Directors or Directors to cease their actions in accordance with the provisions of Article 218-2 of the Company Act.

Article 12: When the entity of the Company's endorsement/guarantee is a subsidiary and its net value is less than half of the paid-in capital. The subsidiary is requested to set up an improvement plan and send it to the Audit Committee within 10 days from the day of receipt. The company should supervise the subsidiary in accordance with the improvement plan and make sure the plan is implemented accordingly. The implementation will be reported to the Audit Committee and the Board of Directors of the Company so as to control the improvement situation.

If the subsidiary's stock has no denomination or the denomination per share is not NT\$ 10, the paid-in capital calculated in accordance with the provisions of the preceding paragraph shall be the total of capital stock plus additional paid-in capital and in excess of par.

Article 13: The establishment of the Procedures shall be effective upon approval by the Audit first and then by Board of Directors, subject to the ordinary resolution in the general meeting. The same shall apply to any amendments to the Procedure.

If any Director expresses objections and has a record or written statement, the Company shall send the objections to the Independent Directors of the Audit Committee and submit to the Shareholder's Meeting for discussion.

In the discussion of the Board of Directors, they shall take into full consideration each Independent Director's opinions and clearly record the opinions of agreement and the reasons of objection in the minutes of the Board of Directors.

## Appendix 8

### Delpha Construction Co.,Ltd.

#### The Rules for Director Elections

The rules are amended and passed by shareholders' meeting on May 31th, 2017.

Article 1: The rules are established in accordance to the regulations of the Company Act and corporation articles. The director election of the Company shall be conducted in accordance with the Regulations of the Rule.

Article 2: The director election of the Company shall be conducted at the shareholders' meeting.

Article 3: The director election of the Company shall adopt candidate nomination system based on the article 192-1 of the Company Act. Each share shall have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. Independent Directors and Non-independent Directors shall be elected in the same election and the voting shall be separately calculated to determine the elected people.

Article 4: The directors election of the Company follows the corporation articles and the director numbers approved in the Board of Director to separately calculate the voting rights for independent and non-independent directors. Those receiving ballots representing the highest numbers of voting rights shall be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes and exceed the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

Article 5: The Board of Directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting.

Article 6: Before the election begins, the Chair appoints a number of persons, such as vote monitoring and counting personnel to perform the respective duties.

Article 7: The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before voting commences.

Article 8: If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder Account number in the "candidate" column of the ballot; for a nonshareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both of the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

Article 9: A ballot is invalid under any of the following circumstances:

1. The ballot which isn't regulated by Article 5 in this Rule.
2. A blank ballot which is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder registration book; the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
5. The ballots which aren't put in the ballot box.
6. Select two or more candidates on the same ballot.
7. Other words or marks are entered in addition to the candidate's shareholder account name or shareholder account number (or identity card number) and the number of voting rights allotted.
8. The account name of the candidate entered in the ballot is identical to that of another shareholder's account name, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
9. The total voting rights which the voter can select exceed the total voting rights which the voter have.
10. The number of candidates entered in the ballot exceed the numbers which should be elected.

Article 10: The Board of Directors set the ballot boxes respectively. After the separate voting, the ballot boxes shall be opened by the monitoring staff.

Article 11: After the voting finishes, count the ballots on site immediately. The result shall be announced by the Chair on the site.

Article 12: The Board of Directors shall respectively issue the notifications to the persons elected as directors or supervisors.

Article 13: Issues which don't regulate in the Rule shall be handled in accordance with the Company Act, the corporation articles and relevant regulations.

Article 14: The Rule is drafted by the Board of Directors of the Company. Any amendments hereto, shall be implemented after approval by a shareholders' meeting.