



Stock Code : 9904

寶成工業股份有限公司

POU CHEN CORPORATION

# **Handbook for the 2019 Annual General Shareholders' Meeting**

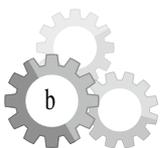
**Notice to readers**

*This English version handbook is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.*



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## **I. Meeting Procedure**

### **Pou Chen Corporation 2019 Annual General Shareholders' Meeting Procedure**

1. Call the Meeting to Order
2. Chairperson Remarks
3. Report Items
4. Ratifications
5. Discussion
6. Election Matter
7. Other Matters
8. Extraordinary Motions
9. Adjournment



## II. Meeting Agenda

### **Pou Chen Corporation** **2019 Annual General Shareholders' Meeting Agenda**

**Date and Time:** June 13, 2019 (Thursday) at 9:30 a.m.

**Location:** Conference room on the 3<sup>rd</sup> floor of the Company's office building in the Fu Hsin Industrial Park located at No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan

#### **Chairperson Remarks**

##### **A. Report Items**

1. 2018 Business and Financial Report. (please refer to pages 4-31)
2. The Audit Committee's Review Report on the 2018 Financial Statements. (please refer to pages 32-33)
3. Report on the 2018 Distribution of Employees' Compensation and Directors' Remuneration. (please refer to page 34)

##### **B. Ratifications**

1. Ratification of the 2018 Business Report and Financial Statements. (please refer to page 34)
2. Ratification of the proposed 2018 profit distribution plan.  
(please refer to pages 34-35)

##### **C. Discussion**

1. Discussion on the amendments to the Company's "Articles of Incorporation".  
(please refer to pages 36-40 )
2. Discussion on the amendments to the Company's "Procedures for Acquisition and Disposal of Assets". (please refer to pages 40-71 )

3. Discussion on the amendments to the Company's "Operational Procedures for Loaning of Company Funds". (please refer to pages 71-76 )

4. Discussion on the amendments to the Company's "Operational Procedures for Making Endorsements and Guarantees". (please refer to pages 76-80 )

**D. Election Matter**

Election of all Directors, including three independent Directors, of the Company.  
( please refer to pages 81-82)

**E. Other Matters**

Proposal for release the Directors of the Company from non-competition restrictions.  
( please refer to pages 83-84 )

**F. Extraordinary Motions**

**G. Adjournment**



**A. Report Items**

1. 2018 Business and Financial Report

a. Business Report

**i. Operational Review**

The Company's non-consolidated revenue in 2018 was 12.1 billion, the consolidated revenue was 293.3 billion, which reflects an increase of 5.27% compared to the previous year (2017: NT\$278.6 billion), and the net income attributed to owners of the Company was NT\$10.7 billion, a decrease of 17.13% compared to the previous year (2017: NT\$12.9 billion). (Schedule 1 and Schedule 1-1)

(1) Operating revenue

The Company's consolidated revenue was generated from its two core businesses: manufacturing of shoes, and retailing of sporting goods and brand licensing business, accounting for 61% and 39% of consolidated revenue respectively. (Schedule 2)

The Company's consolidated revenue in 2018 increased by NT\$14.7 billion compared to the previous year, mainly due to the sales increase by retailing of sporting goods and brand licensing business which was attributed to the continuous expansion of the sales network and the growth of same store sales.

(2) Income from operations

Accompanied by the continuous growth of its consolidated revenue, the Company's consolidated gross profit from operations in 2018 was NT\$75.5 billion, an increase 3.29% from previous year (NT\$73.1 billion). Consolidated gross profit margin in 2018 decreased from 26.2% in the previous year to 25.7%, primarily due to the adverse effects of order and product portfolio changes on the footwear business.

The Company's consolidated net operating income in 2018 was NT\$13.8 billion, a decreased 19.09% from previous year (NT\$17.1 billion). Consolidated net operating income margin in 2018 decreased from 6.1% in the previous year to 4.7%, primarily due to a slight increase in operating expenses from footwear manufacturing compared to previous year. In addition, the Company's retailing of sporting goods and brand licensing business were affected by sales network expansion and store renovation, causing increased market promotion and marketing expenses compared to previous year.

(3) Net income and Earnings per share

The net income attributable to owners of the Company in 2018 slightly decreased by NT\$2.2 billion compared to the previous year, resulting in EPS of NT\$3.63 which was a slight decrease of NT\$0.75 compared to the previous year (2017: NT\$4.38).

# Handbook for the 2019 Annual General Shareholders' Meeting

Schedule 1: Consolidated Financial Statements

(in NT\$ thousands, except earnings per share)

Year		2018		2017		+(-)%
		Amount	%	Amount	%	
Operating revenue		293,316,089	100%	278,631,872	100%	5.27%
Gross profit		75,471,295	26%	73,068,324	26%	3.29%
Income from operations		13,809,464	5%	17,068,098	6%	(19.09%)
Income before income tax		20,260,383	7%	24,817,504	9%	(18.36%)
Net income for the year		16,371,866	6%	21,730,590	8%	(24.66%)
Net income attributable to	Owners of the Company	10,708,646	4%	12,921,606	5%	(17.13%)
	Non-controlling interests	5,663,220	2%	8,808,984	3%	(35.71%)
Earnings per share (Basic)		3.63		4.38		

Schedule 1-1: Separate Financial Statements

(in NT\$ thousands, except earnings per share)

Year		2018		2017		+(-)%
		Amount	%	Amount	%	
Operating revenue		12,062,778	100%	11,704,905	100%	3.06%
Gross profit		4,610,127	38%	3,982,222	34%	15.77%
Income from operations		477,899	4%	478,923	4%	( 0.21%)
Income before income tax		11,609,847	96%	13,343,958	114%	(13.00%)
Net income for the year		10,708,646	89%	12,921,606	111%	(17.13%)
Earnings per share (Basic)		3.63		4.38		

Schedule 2

(in NT\$ thousands)

Year		2018		2017	
		Amount	%	Amount	%
Primary business					
Manufacturing of shoes		177,557,453	61%	185,597,169	67%
Retailing of sporting goods and brand licensing business		114,950,866	39%	92,101,627	33%
Other		807,770	-	933,076	-
Total		293,316,089	100%	278,631,872	100%



## ii. Research and Development

In 2018, the Company invested 2.1% of its consolidated revenue in research & development (R&D). R&D items include making production processes more flexible, developing an optimized system with automated production equipment connected to the IoT, incorporating and improving new production models and new manufacturing technologies, in order to constantly improve operational efficiency and productivity. The Company has established an independent R&D team and development Center for each of its major customers. The Company works closely with its customers in the stages of product development up to the completion of the product-prototype development, using its technical capabilities and abundant practical experience as well as innovative elements and materials, so as to provide customers with high quality footwear products, innovative services, and solutions.

## iii. Corporate Social Responsibility

As a socially and environmentally responsible corporate citizen, the Company actively implements corporate social responsibility while in pursuit of creating profit and seeking business performance. The Company values the rights and interests of its stakeholders, including customers, employees, investors, suppliers, and the community and continues to promote the following activities:

### (1) Environmental Protection, Energy Conservation, and Carbon Reduction

Facing issues of environmental sustainability, the Company maintains the effective operation of environmental pollution prevention mechanisms, promotes clean production, and reduces the environmental impact of production processes. Pou Chen is simultaneously committed to energy conservation and carbon reduction tasks. In addition to continuously introducing energy-saving equipment, reducing leakage of vapor gas and compressed air, and increasing equipment energy efficiency, the Company expects to build energy online monitoring systems in its plants as of 2019. Subsequently, we will continue to evaluate the feasibility of renewable energy applications in order to keep pace with international trends and meet the expectations of our customers.

### (2) Safety and Health Management

The Company emphasizes risk management from the source, and adopts safety designs and professional review when a new plant is constructed, equipment is purchased, or during maintenance and renovation; testing and acceptance procedures have also been strengthened to ensure that requirements are met. Pou Chen will continue to strengthen occupational hazard prevention, improve environmental and occupational health and safety management mechanisms, and implement equipment improvement projects. In

2019, we will also begin promoting monthly labor safety events and professional environmental safety and health training programs for chief engineering staff members in our plants, with the hope of increasing our employees' safety awareness and professional skills.

(3) Compliance Management

By using internal evaluation mechanisms for environmental safety, health, and labor affairs, Pou Chen examines the compliance of its production divisions with the Group's code of conduct and local laws and regulations, thereby fulfilling the requirements of responsible production. Improvement progress is regularly monitored to mitigate risks within the workplace. The Company plans to collaborate with internal functional units in 2019, integrate third-party resources, focus on labor-management issues handling measures and risk prevention, strengthen internal regulatory management, service functions, and auditing capabilities, and achieve sustainable development.

(4) Friendly Workplace

The Company has set up and maintains an effective communication platform to regularly track and analyze the issues of concerns to the employees, and developed a variety of caring channels for employees to improve interactions and trusts. By continuously organizing employee activities and friendly workplace promotions, the Company elucidates its core values, training interactive management through grassroots cadre, improves internal solidarity and organizational identity, promotes harmonious employee relations, and builds a friendly workplace.

**iv. 2019 Business Plan**

(1) Operating Guidelines

■ Footwear Manufacturing

(a) To upgrade production and continue to strengthen business capabilities

The Company continuously invests in automation technology, innovative technology, process re-engineering, and shoe material development, cultivates skilled experts in key technologies and processes, and establishes modularized production lines for more stable, faster, and flexible production patterns. Meanwhile, Pou Chen strictly controls its manufacturing cost and implements lean management to continuously improve production efficiency.

(b) To leverage local advantages to flexible capacity allocation

Vietnam, Indonesia, and China accounted for 46%, 37%, and 14% of the Company's total shoe production, respectively, in 2018, whereas Cambodia, Bangladesh, and Myanmar accounted for 3%. The Company will continue to





focus on China, Vietnam and Indonesia as its main production bases in 2019. In view of the uncertainly global economics rising, the Company will continue to enhance the production optimization of the production bases in various regions. The Company will also continue to maximize the flexibility its production allocation in response to customer orders, as well as changes in the industry environment.

- (c) To provide value-added service for solidifying relationship with brand customer  
The Company continues to improve its competitive advantage to meet the high standards that our brand customers have set for product quality, delivery, R&D capacity, and corporate governance and sustainability issues. We offer brand customers a one-stop manufacturing service encompassing technological development, process re-engineering, flexible production, and product diversification, all in an effort to cooperate with brand customers in greater depth and width of the industry chain.
- (d) To engage in vertical integration for extending into the blue ocean market  
Given the industrial trend and brand marketing strategies, Pou Chen continues to promote the effective integration and optimization of supply chain resources with the goals of improving material quality, accelerating its market response, and adopting green management practices to strive toward perfecting a sustainable supply chain system. In addition, the Company will keep thinking out of the box as it explores and identifies new opportunities in the industry chain to create greater added value.

#### ■ Retailing of Sporting Goods and Brand Licensing

- (a) To strengthens retail management as a means of increasing sales operation efficiency  
The Company will persist in the cultivation of its sales network across the Greater China region by adopting management strategies according to local conditions in order to elevate the operational efficiency of its stores. The Company continues to upgrade its sales management systems that provide more real-time and complete market information, which can serve as the basis for business decision making, thereby reinforcing the Company's management performance and operational efficiency.
- (b) To integrate online and offline networks ensures better omni-channel operation capabilities.  
Online and offline resources are constantly integrated to promote the upgrading of

omni-channel operations, including to facilitate the planning and opening of new concept stores in a more flexible manner as well as to strengthen the deployment of online platforms. By building a more complete sales network, Pou Chen will continue to expand the scale of its sales operation and properly plan a wide range of product profiles for different sales channels in order to effectively increase sell-through rate and boost continuous revenue growth.

(c) To stay current with market trends and enrich the product portfolio.

As consumers are favoring personalized and more diverse products, the Company is constantly improving its product portfolio from sporting goods to leisure wear to create and guide demand. The Company will continue to strengthen its local business strategy and marketing plans for co-operation brands. Furthermore, the Company will continue to seek opportunities for working with even more international brands.

(d) To valued consumer's experience and promote sports services.

The Company will plan and organize a series of major sports events to attract the customer who is interested in sports, and also provide online APP which included unique sports service. The Company also striving to make sports as a part of daily life through operates experience-rich stores to sale the product, comprehensively improve consumers' experience, which will enable the effective sales of services and products.

(2) Prospects

Looking forward to 2019, a soft growth in global economy can be anticipated. However, the US-China trade war, geopolitical risks, and fragile emerging markets coupled with fierce industrial competition, rapid changes in consumption patterns, rising labor costs, and exchange rate fluctuations have introduced a number of variables in the business environments around the world.

Pou Chen will uphold the value of sound management, leverage its core competitive advantage in response to the impacts of various adverse factors, continue to strengthen its corporate governance and sustainable development, focus its business activities on manufacturing of shoes as well as retailing of sporting goods and brand licensing business, build the most valuable and diverse sports service platform steered by smart manufacturing and innovative services, foster its business management capabilities, pursue stable and quality growth, and create greater value for all of its stakeholders.

Regarding the business of shoe manufacturing, the Company will continue to promote automation and production optimization programs, increase production flexibility and efficiency, maintain the maximum flexibility in the timely expansion and adjustment of production allocation, and closely cooperate with strategic suppliers to fulfill the needs



of its brand customers for better products and services and faster market response, thereby solidifying the cooperative relationship between the Company and its brand customers to safeguard the Company's leading position in the shoe manufacturing industry.

Regarding the retailing of sporting goods and brand licensing business, Pou Chen holds a positive view over the long-term development the sportswear market in the Greater China region. Thus, the Company will continuously expand omni-channel capabilities, enrich sports-related content and services, create the best shopping experiences for our consumers, and ensure proper data management for devising more rigorous procurement strategies, logistic processes and inventory management to constantly improve the overall operational performance.

Chan, Lu- Min



Chairman of the Board

Lu, Chin- Chu



President

Ho, Ming-Kun



Head of Accounting Dept.

b. Financial Report

i. Consolidated Financial Statements and Independent Auditors' Report

**Deloitte.**

**勤業眾信**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Pou Chen Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Pou Chen Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

**Basis for Opinion**

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

**Key Audit Matters**

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

Write-down of Inventory

As of December 31, 2018, the carrying amount of finished goods for retail included in the inventories was \$29,936,498 thousand. For the related disclosures, refer to Notes 4, 5 and 14 to the consolidated financial



statements.

The determination of net realizable value required an evaluation on the condition and quality of product market sales and assessment of obsolete and slow-moving inventory; the evaluation involved significant judgments and estimations made by management. Therefore, we considered write-down of inventory as a key audit matter.

We obtained the inventory valuation sheets prepared by management, selected samples of estimated selling prices and traced them to the recent sales records to assess the rationale of the net realizable value determined by management. In addition, we selected samples from the inventory aging report prepared by management to verify the correctness of its classification and the reasonableness of the amount of inventory write-downs.

### Impairment of Goodwill

As of December 31, 2018, goodwill allocated to the manufacture and sale of footwear of the Group amounted to \$5,635,957 thousand and \$2,420,956 thousand, respectively. For related disclosures, refer to Notes 4, 5 and 22 to the consolidated financial statements.

Management evaluated the impairment of the assets above based on their recoverable amount. The recoverable amount is determined according to the forecast of the trading performance and future cash flows and the discount rate. The test of impairment involved significant judgments and estimations made by management. As a result, we considered the impairment of goodwill as a key audit matter.

Our audit procedures in response to this key audit matter were to evaluate the reasonableness of the significant assumptions, evaluation model, and basic information of the impairment test used by management and to recalculate the impairment.

### **Other Matter**

The Group's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method based on its financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Group's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2018 and 2017, the carrying amounts of the investment were \$8,403,275 thousand and \$16,659,984 thousand which constituted 2.76% and 5.52% of the Group's consolidated total assets, respectively. For the years ended December 31, 2018 and 2017, the profit of the associate were \$4,491,495 thousand and \$3,775,090 thousand which constituted 22.17% and 15.21% of the income which the Group recognized before income tax, respectively.

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

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

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

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

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

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Kenny Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2019

Notice to Readers

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

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

# Handbook for the 2019 Annual General Shareholders' Meeting

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 32,252,001	11	\$ 34,108,353	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	845,690	-	1,096,915	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	15,065,002	5	-	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	14,590,513	5
Held-to-maturity financial assets - current (Notes 4 and 11)	-	-	1,359,820	1
Financial assets measured at cost - current (Notes 4 and 9)	2,660,995	1	-	-
Debt investments with no active market - current (Notes 4 and 12)	-	-	372,848	-
Notes receivable (Notes 4 and 13)	1,295	-	54,953	-
Notes receivable from related parties (Notes 4, 13 and 40)	-	-	64	-
Accounts receivable (Notes 4 and 13)	38,938,365	13	36,805,201	12
Accounts receivable from related parties (Notes 4, 13 and 40)	56,405	-	61,539	-
Other receivables (Notes 4 and 13)	5,133,235	2	3,665,966	1
Inventories - manufacturing and retailing (Notes 4 and 14)	54,571,450	18	47,776,580	16
Inventories - construction (Notes 4 and 14)	4,780,007	1	4,777,895	2
Prepayments for leases (Note 4)	151,206	-	138,455	-
Non-current assets held for sale (Notes 4 and 15)	-	-	23,659	-
Other current assets (Notes 4 and 16)	9,928,307	3	9,834,604	3
<b>Total current assets</b>	<b>164,383,958</b>	<b>54</b>	<b>154,667,365</b>	<b>51</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	776,688	-	582,701	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	768,212	-	-	-
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	1,146,061	-
Held-to-maturity financial assets - non-current (Notes 4 and 11)	-	-	4,286,504	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 41)	343,595	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 17)	-	-	495,121	-
Debt investments with no active market - non-current (Notes 4, 12 and 41)	-	-	40,029	-
Investments accounted for using equity method (Notes 4 and 19)	31,228,219	10	40,826,193	14
Property, plant and equipment (Notes 4 and 20)	79,162,641	26	71,517,038	24
Investment properties (Notes 4 and 21)	2,312,021	1	2,247,431	1
Goodwill (Notes 4 and 22)	8,866,746	3	8,691,600	3
Other intangible assets (Notes 4 and 23)	3,187,467	1	3,703,027	1
Deferred tax assets (Notes 4 and 31)	1,951,026	1	1,418,577	1
Long-term prepayments for leases (Note 4)	6,455,195	2	5,575,528	2
Other non-current assets (Notes 4 and 16)	4,826,645	2	6,707,255	2
<b>Total non-current assets</b>	<b>139,878,455</b>	<b>46</b>	<b>147,237,065</b>	<b>49</b>
<b>TOTAL</b>	<b>\$ 304,262,413</b>	<b>100</b>	<b>\$ 301,904,430</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 24)	\$ 37,560,974	12	\$ 33,448,199	11
Short-term bills payable (Note 24)	2,869,225	1	2,966,334	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	719,322	-	232,577	-
Notes payable (Notes 4 and 25)	9,332	-	51,547	-
Notes payable to related parties (Notes 4, 25 and 40)	74	-	11,250	-
Accounts payable (Notes 4 and 25)	13,581,756	5	12,730,775	4
Accounts payable to related parties (Notes 4, 25 and 40)	1,520,085	1	1,126,538	-
Other payables (Note 26)	25,243,368	8	26,027,401	9
Current tax liabilities (Notes 4 and 31)	2,478,784	1	2,497,360	1
Current portion of long-term borrowings (Note 24)	4,194,398	1	750,000	-
Other current liabilities	5,125,762	2	4,619,043	2
<b>Total current liabilities</b>	<b>93,303,080</b>	<b>31</b>	<b>84,461,024</b>	<b>28</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 24)	53,695,306	18	54,461,632	18
Deferred tax liabilities (Notes 4 and 31)	1,353,400	-	1,121,029	1
Long-term payables (Note 26)	151,483	-	151,364	-
Net defined benefit liabilities (Notes 4 and 27)	3,493,669	1	3,284,204	1
Other non-current liabilities	67,769	-	45,231	-
<b>Total non-current liabilities</b>	<b>58,761,627</b>	<b>19</b>	<b>59,063,460</b>	<b>20</b>
<b>Total liabilities</b>	<b>152,064,707</b>	<b>50</b>	<b>143,524,484</b>	<b>48</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 28)</b>				
Share capital				
Common shares	29,467,872	10	29,467,872	10
Capital surplus	4,600,092	1	4,615,341	1
Retained earnings				
Legal reserve	13,811,050	4	12,518,889	4
Special reserve	13,917,230	5	13,636,368	5
Unappropriated earnings	38,360,517	13	37,294,138	12
Total retained earnings	66,088,797	22	63,449,395	21
Other equity	(22,293,369)	(7)	(13,917,230)	(5)
<b>Total equity attributable to owners of the Company</b>	<b>77,863,392</b>	<b>26</b>	<b>83,615,378</b>	<b>27</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>74,334,314</b>	<b>24</b>	<b>74,764,568</b>	<b>25</b>
<b>Total equity</b>	<b>152,197,706</b>	<b>50</b>	<b>158,379,946</b>	<b>52</b>
<b>TOTAL</b>	<b>\$ 304,262,413</b>	<b>100</b>	<b>\$ 301,904,430</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 25, 2019)



**POU CHEN CORPORATION AND SUBSIDIARIES**

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 29 and 40)	\$ 293,316,089	100	\$ 278,631,872	100
OPERATING COSTS (Notes 27, 30 and 40)	<u>217,844,794</u>	<u>74</u>	<u>205,563,548</u>	<u>74</u>
GROSS PROFIT	<u>75,471,295</u>	<u>26</u>	<u>73,068,324</u>	<u>26</u>
OPERATING EXPENSES (Notes 27 and 30)				
Selling and marketing expenses	35,045,995	12	30,051,746	11
General and administrative expenses	20,385,218	7	19,517,193	7
Research and development expenses	<u>6,230,618</u>	<u>2</u>	<u>6,431,287</u>	<u>2</u>
Total operating expenses	<u>61,661,831</u>	<u>21</u>	<u>56,000,226</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>13,809,464</u>	<u>5</u>	<u>17,068,098</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 30)	3,637,248	1	4,131,649	2
Other gains and losses (Note 30)	(170,459)	-	(179,369)	-
Net gain on derecognition of financial assets at amortized cost	5,477	-	-	-
Finance costs (Note 30)	(2,781,382)	(1)	(1,986,075)	(1)
Share of the profit of associates and joint ventures (Notes 4 and 19)	<u>5,760,035</u>	<u>2</u>	<u>5,783,201</u>	<u>2</u>
Total non-operating income and expenses	<u>6,450,919</u>	<u>2</u>	<u>7,749,406</u>	<u>3</u>
INCOME BEFORE INCOME TAX	20,260,383	7	24,817,504	9
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(3,888,517)</u>	<u>(1)</u>	<u>(3,086,914)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>16,371,866</u>	<u>6</u>	<u>21,730,590</u>	<u>8</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 27)	38,359	-	(494,241)	-
Unrealized gain on investments in equity instruments designed at fair value through other comprehensive income	199,697	-	-	-

(Continued)

**POU CHEN CORPORATION AND SUBSIDIARIES**

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

	2018		2017	
	Amount	%	Amount	%
Share of the other comprehensive loss of associates and joint ventures	(504,544)	-	(40,298)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	2,581,218	1	(3,497,789)	(1)
Unrealized gain on available-for-sale financial assets	-	-	1,033,280	-
Share of the other comprehensive (loss) income of associates and joint ventures	<u>(25,647,596)</u>	<u>(9)</u>	<u>3,718,571</u>	<u>1</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(23,332,866)</u>	<u>(8)</u>	<u>719,523</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>	<u>\$ (6,961,000)</u>	<u>(2)</u>	<u>\$ 22,450,113</u>	<u>8</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 10,708,646	4	\$ 12,921,606	5
Non-controlling interests	<u>5,663,220</u>	<u>2</u>	<u>8,808,984</u>	<u>3</u>
	<u>\$ 16,371,866</u>	<u>6</u>	<u>\$ 21,730,590</u>	<u>8</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ (13,545,977)	(4)	\$ 12,255,237	4
Non-controlling interests	<u>6,584,977</u>	<u>2</u>	<u>10,194,876</u>	<u>4</u>
	<u>\$ (6,961,000)</u>	<u>(2)</u>	<u>\$ 22,450,113</u>	<u>8</u>
<b>EARNINGS PER SHARE (Note 32)</b>				
Basic	<u>\$ 3.63</u>		<u>\$ 4.38</u>	
Diluted	<u>\$ 3.62</u>		<u>\$ 4.37</u>	

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)



# POU CHEN CORPORATION

## POU CHEN CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company							Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2017	\$ 29,467,872	\$ 4,540,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ 3,109,173	\$ -	\$ 352	\$ 87,305,560	\$ 163,010,704
Appropriation of 2016 earnings (Note 28)	-	-	1,305,705	(1,305,705)	(1,305,705)	-	-	-	-	-
Legal reserve	-	-	(1,730,773)	1,730,773	(1,730,773)	-	-	-	-	(4,420,181)
Special reserve	-	-	(4,420,181)	(4,420,181)	(4,420,181)	-	-	-	-	(4,420,181)
Cash dividends	-	-	1,305,705	1,730,773	(7,456,629)	-	-	-	8,808,984	21,730,590
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	-	1,388,892	719,523
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	-	86	(666,349)	1,094,876
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	-	86	12,255,237	22,450,113
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 28)	-	(47,660)	-	-	-	-	-	-	(47,660)	(47,660)
Share of changes in equities of subsidiaries (Notes 4 and 28)	-	(7,579)	-	-	-	-	-	-	(7,579)	(7,579)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 28)	-	130,407	-	-	-	-	-	-	130,407	130,407
Change in non-controlling interests	-	-	-	-	-	-	-	-	(227,735,868)	(227,735,868)
Change in equity for the year ended December 31, 2017	-	75,128	1,305,705	1,730,773	5,079,440	(4,899,702)	4,618,754	86	7,910,234	(4,630,758)
BALANCE AT DECEMBER 31, 2017	29,467,872	4,615,341	12,518,889	13,636,368	37,294,138	(1,790,529)	(12,127,139)	438	83,615,378	158,179,946
Effect of retrospective application	-	-	-	-	292,111	-	12,127,139	-	1,860,011	13,772,386
BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,636,368	37,586,249	(1,790,529)	1,860,011	(506,437)	97,387,764	172,152,332
Appropriation of 2017 earnings (Note 28)	-	-	1,292,161	(1,292,161)	(1,292,161)	-	-	-	-	-
Legal reserve	-	-	(280,862)	280,862	(280,862)	-	-	-	-	(5,893,524)
Special reserve	-	-	(5,893,524)	(5,893,524)	(5,893,524)	-	-	-	-	(5,893,524)
Cash dividends	-	-	1,292,161	280,862	(7,466,527)	-	-	-	5,663,220	16,371,866
Net income for the year ended December 31, 2018	-	-	-	-	10,708,646	-	-	-	10,708,646	5,663,220
Other comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	(64,529)	1,478,405	(12,677,612)	(12,990,827)	(24,254,623)	921,757
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	10,644,117	1,478,405	(12,677,612)	(12,990,827)	(13,545,927)	(6,961,000)
Share of changes in equities of subsidiaries (Notes 4 and 28)	-	(15,653)	-	-	(69,572)	-	-	-	(85,225)	(85,225)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 28)	-	-	-	-	-	-	-	-	404	404
Change in non-controlling interests	-	-	-	-	(2,333,670)	-	-	-	(7,015,231)	(7,015,231)
Change in equity for the year ended December 31, 2018	-	(15,249)	1,292,161	280,862	774,268	1,478,405	(10,345,942)	(12,990,827)	(19,524,372)	(19,955,626)
BALANCE AT DECEMBER 31, 2018	\$ 29,467,872	\$ 4,600,092	\$ 13,811,050	\$ 13,917,230	\$ 38,560,517	\$ (512,124)	\$ (6,485,931)	\$ (13,499,314)	\$ 71,863,392	\$ 152,197,706

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 25, 2019)

**POU CHEN CORPORATION AND SUBSIDIARIES**

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

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax for the year	\$ 20,260,383	\$ 24,817,504
Adjustments for:		
Depreciation expenses	9,849,129	8,895,832
Amortization expenses	700,342	689,903
Expected credit loss on accounts receivable/impairment reversed on accounts receivable	66,060	(141,115)
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	3,425	(956,473)
Finance costs	2,781,382	1,986,075
Net gain on derecognition of financial assets at amortized cost	(5,477)	-
Interest income	(615,620)	(605,978)
Dividends income	(898,686)	(856,941)
Compensation cost of employee share options	130,489	142,912
Share of profit of associates and joint ventures	(5,760,035)	(5,783,201)
Net loss on disposal of property, plant and equipment	524,208	821,180
Net gain on disposal of investment properties	-	(14,199)
Net gain on disposal of investments	-	(37,984)
Net gain on disposal of subsidiaries, associates and joint ventures	(153,872)	(480,603)
Recognized of impairment loss	-	161,865
Reversal of impairment loss	(116)	-
Gain from bargain purchase - acquisition of subsidiaries	(13,280)	(2,320)
Changes in operating assets and liabilities		
Financial instruments held for trading	-	615,937
Financial assets mandatorily at fair value through profit or loss	1,435,134	-
Notes receivable	53,658	(32,210)
Notes receivable from related parties	64	(47)
Accounts receivable	(2,199,224)	1,409,593
Accounts receivable from related parties	5,134	(7,383)
Other receivables	(1,565,090)	648,793
Inventories	(6,796,982)	(6,949,322)
Other current assets	(93,703)	(524,836)
Other operating assets	(178,814)	(153,730)
Notes payable	(42,215)	32,021
Notes payable to related parties	(11,176)	(15,559)
Accounts payable	850,981	(458,653)
Accounts payable to related parties	393,547	(323,479)
Other payables	(2,096,272)	605,563
Other current liabilities	506,719	(74,884)
Net defined benefit liabilities	247,824	(1,020,828)
Other operating liabilities	119	(7,966)
Cash generated from operations	17,378,036	22,379,467
Interest paid	(2,627,719)	(1,878,472)
Income tax paid	(4,207,115)	(3,692,347)

(Continued)



**POU CHEN CORPORATION AND SUBSIDIARIES**

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

	<b>2018</b>	<b>2017</b>
Net cash generated from operating activities	<u>10,543,202</u>	<u>16,808,648</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets design at fair value through profit or loss	-	(595,200)
Proceeds on sale of financial assets design at fair value through profit or loss	-	11,654
Proceeds from return of capital of financial assets at fair value through other comprehensive income	48,408	-
Purchases of financial assets at amortized cost	(5,040,644)	-
Proceeds from sale of financial assets at amortized cost	8,044,692	-
Acquisition of debt investments with no active market	-	(687,838)
Proceeds on sale of debt investments with no active market	-	1,104,090
Acquisition of held-to-maturity financial assets	-	(672,677)
Proceeds on held-to-maturity financial assets	-	1,007,080
Acquisition of financial assets measured at cost	-	(4,085)
Proceed on sale of financial assets measured at cost	-	99,891
Acquisition of associates and joint ventures	(70,000)	(115,283)
Proceeds from disposal of associates and joint ventures	819,904	1,825,208
Net cash outflow on acquisition of subsidiaries	(74,380)	52,647
Net cash outflow (inflow) on disposal of subsidiaries	417,829	175,411
Acquisition of property, plant and equipment	(14,389,558)	(15,107,635)
Proceeds from disposal of property, plant and equipment	1,001,490	531,478
Increase in refundable deposits	(86,196)	(173,888)
Acquisition of intangible assets	(43,314)	(22)
Acquisition of investment properties	(2,192)	(978)
Proceeds from disposal of investment properties	-	86,103
Increase in other non-current assets	(236,267)	-
Increase in prepayments for equipment	-	(2,140,235)
Acquisition of long-term prepayments for leases	(566,128)	(15,469)
Proceeds from disposal of long-term prepayments for leases	77,836	25,542
Interest received	722,961	618,857
Dividends received	2,559,368	3,307,163
Cash dividends from reduction of capital surplus from associates	<u>108,705</u>	<u>-</u>
Net cash used in investing activities	<u>(6,707,486)</u>	<u>(10,668,186)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	4,112,775	9,417,079
Proceeds from short-term bills payable	-	422,000
Repayments of short-term bills payable	(98,000)	-
Proceeds from long-term borrowings	2,642,419	5,156,200
Increase in guarantee deposits	22,538	5,913
Cash dividend	(5,893,574)	(4,420,181)
Change in non-controlling interests	<u>(7,015,231)</u>	<u>(22,735,868)</u>

(Continued)

**POU CHEN CORPORATION AND SUBSIDIARIES**

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

	2018	2017
Net cash used in financing activities	<u>(6,229,073)</u>	<u>(12,154,857)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>537,005</u>	<u>4,443,590</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,856,352)	(1,570,805)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>34,108,353</u>	<u>35,679,158</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 32,252,001</u>	<u>\$ 34,108,353</u>

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)



ii. Separate Financial Statements and Independent Auditors' Report



**勤業眾信**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Pou Chen Corporation

**Opinion**

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

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

**Basis for Opinion**

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

**Key Audit Matter**

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2018. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Below is the key audit matter of the financial statements for the year ended December 31, 2018.

Impairment Assessment on Goodwill - Investments Accounted for Using Equity Method

As described in Notes 4, 5, 16 and Table 6 to the financial statements, any excess of investment cost over the fair value of the investee's net identifiable assets is recognized as goodwill. Management performs impairment test of goodwill in accordance with IAS 36.

Management evaluates impairment of an asset by estimating the recoverable amount of such an asset based on forecast sales, estimated future cash flows, and discount rate. Impairment test involves the management's critical estimations and judgments. Therefore, we considered impairment assessment of goodwill of investments accounted for using equity method as a key audit matter for the year ended December 31, 2018.

For this key audit matter, we evaluated the reasonableness of the significant assumptions, the basis of the evaluation model, the rationality of the basic information, and the amount of impairment.

#### **Other Matter**

The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method and were based on its financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Company's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2018 and 2017, the carrying amounts of the investment were \$8,403,275 thousand and \$16,659,984 thousand which constituted 7.32% and 14.40% of the Company's total assets, respectively. For the years ended December 31, 2018 and 2017, the profit of the associate which the Company recognized were \$4,491,495 thousand and \$3,775,090 thousand which constituted 38.69% and 28.29% of the income before income tax, respectively.

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

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

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

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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



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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Kenny Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2019

Notice to Readers

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

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



# POU CHEN CORPORATION

## POU CHEN CORPORATION

**BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**  
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 194,630	-	\$ 1,199,584	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	5,005,749	4	-	-
Available-for-sale financial assets - current (Notes 4 and 9)	-	-	4,685,590	4
Financial assets at amortized cost - current (Notes 4 and 10)	689,271	1	-	-
Notes receivable (Notes 4 and 11)	1,180	-	54,923	-
Notes receivable from related parties (Notes 4, 11 and 32)	-	-	64	-
Accounts receivable (Notes 4 and 11)	1,127	-	48,466	-
Accounts receivable from related parties (Notes 4, 11 and 32)	1,981,697	2	1,445,747	2
Other receivables (Notes 4, 11 and 32)	344,215	-	257,958	-
Inventories (Notes 4 and 12)	52,092	-	38,650	-
Other current assets (Notes 4 and 13)	57,190	-	132,375	-
<b>Total current assets</b>	<b>8,327,151</b>	<b>7</b>	<b>7,863,357</b>	<b>7</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	60,756	-	-	-
Held-to-maturity financial assets - non-current (Notes 4 and 14)	-	-	282,432	-
Financial assets measured at cost - non-current (Notes 4 and 15)	-	-	61,000	-
Investments accounted for using equity method (Notes 4 and 16)	98,566,569	86	100,234,720	87
Property, plant and equipment (Notes 4 and 17)	5,341,147	5	4,859,896	4
Investment properties (Notes 4 and 18)	1,985,597	2	2,039,425	2
Deferred tax assets (Notes 4 and 26)	4,532	-	3,510	-
Other non-current assets (Notes 4 and 13)	535,493	-	324,130	-
<b>Total non-current assets</b>	<b>106,494,094</b>	<b>93</b>	<b>107,805,113</b>	<b>93</b>
<b>TOTAL</b>	<b>\$ 114,821,245</b>	<b>100</b>	<b>\$ 115,668,470</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 14,654,000	13	\$ 9,275,200	8
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	30,751	-	206,060	-
Notes payable (Notes 4 and 20)	7,678	-	47,850	-
Notes payable to related parties (Notes 4, 20 and 32)	74	-	11,211	-
Accounts payable (Notes 4 and 20)	1,224,211	1	1,123,244	1
Accounts payable to related parties (Notes 4, 20 and 32)	82,876	-	44,428	-
Other payables (Note 21)	1,954,626	2	2,352,183	2
Current tax liabilities (Notes 4 and 26)	717,895	-	1,006,020	1
Current portion of long-term borrowings (Note 19)	4,194,398	4	750,000	1
Other current liabilities	177,126	-	71,461	-
<b>Total current liabilities</b>	<b>23,043,635</b>	<b>20</b>	<b>14,887,657</b>	<b>13</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 19)	12,905,602	11	16,250,000	14
Deferred tax liabilities (Notes 4 and 26)	291,324	-	125,106	-
Net defined benefit liabilities (Notes 4 and 22)	670,776	1	752,580	1
Other non-current liabilities (Note 16)	46,516	-	37,749	-
<b>Total non-current liabilities</b>	<b>13,914,218</b>	<b>12</b>	<b>17,165,435</b>	<b>15</b>
<b>Total liabilities</b>	<b>36,957,853</b>	<b>32</b>	<b>32,053,092</b>	<b>28</b>
<b>EQUITY (Notes 4 and 23)</b>				
Share capital				
Common shares	29,467,872	26	29,467,872	25
Capital surplus	4,600,092	4	4,615,341	4
Retained earnings				
Legal reserve	13,811,050	12	12,518,889	11
Special reserve	13,917,230	12	13,636,368	12
Unappropriated earnings	38,360,517	33	37,294,138	32
Total retained earnings	66,088,797	57	63,449,395	55
Other equity	(22,293,369)	(19)	(13,917,230)	(12)
<b>Total equity</b>	<b>77,863,392</b>	<b>68</b>	<b>83,615,378</b>	<b>72</b>
<b>TOTAL</b>	<b>\$ 114,821,245</b>	<b>100</b>	<b>\$ 115,668,470</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 25, 2019)

## POU CHEN CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 12,062,778	100	\$ 11,704,905	100
OPERATING COSTS (Notes 25 and 32)	<u>7,452,651</u>	<u>62</u>	<u>7,736,216</u>	<u>66</u>
GROSS PROFIT	4,610,127	38	3,968,689	34
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>-</u>	<u>-</u>	<u>13,533</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,610,127</u>	<u>38</u>	<u>3,982,222</u>	<u>34</u>
OPERATING EXPENSES (Notes 22 and 25)				
Selling and marketing expenses	67,731	-	68,949	1
General and administrative expenses	2,286,232	19	1,785,903	15
Research and development expenses	<u>1,778,265</u>	<u>15</u>	<u>1,648,447</u>	<u>14</u>
Total operating expenses	<u>4,132,228</u>	<u>34</u>	<u>3,503,299</u>	<u>30</u>
INCOME FROM OPERATIONS	<u>477,899</u>	<u>4</u>	<u>478,923</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 32)	589,671	5	670,751	6
Other gains and losses (Note 25)	1,026,890	8	(1,424,361)	(12)
Net loss on derecognition of financial assets at amortized cost	(224)	-	-	-
Finance costs (Note 25)	(319,999)	(3)	(313,483)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 16)	<u>9,835,610</u>	<u>82</u>	<u>13,932,128</u>	<u>119</u>
Total non-operating income and expenses	<u>11,131,948</u>	<u>92</u>	<u>12,865,035</u>	<u>110</u>
INCOME BEFORE INCOME TAX	11,609,847	96	13,343,958	114
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(901,201)</u>	<u>(7)</u>	<u>(422,352)</u>	<u>(3)</u>
NET INCOME FOR THE YEAR	<u>10,708,646</u>	<u>89</u>	<u>12,921,606</u>	<u>111</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)



## POU CHEN CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
Remeasurement of defined benefit plan (Note 22)	(37,152)	-	(206,462)	(2)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	316,990	2	-	-
Share of the other comprehensive loss of subsidiaries and associates	(378,343)	(3)	(179,045)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	-	-	217,073	2
Share of the other comprehensive loss of subsidiaries and associates	<u>(24,156,118)</u>	<u>(200)</u>	<u>(497,935)</u>	<u>(5)</u>
Other comprehensive loss for the year, net of income tax	<u>(24,254,623)</u>	<u>(201)</u>	<u>(666,369)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (13,545,977)</u>	<u>(112)</u>	<u>\$ 12,255,237</u>	<u>105</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 3.63</u>		<u>\$ 4.38</u>	
Diluted	<u>\$ 3.62</u>		<u>\$ 4.37</u>	

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)

## POU CHEN CORPORATION

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

	Other Equity							Total Equity		
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets		Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Others
BALANCE AT JANUARY 1, 2017	\$ 29,467,872	\$ 4,540,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ 3,109,173	\$ 116,745,893	\$	\$ 352	\$ 75,705,144
Appropriation of 2016 earnings (Note 23)	-	-	1,305,705	(1,305,705)	(1,305,705)	-	-	-	-	-
Legal reserve	-	-	(1,730,773)	1,730,773	(1,730,773)	-	-	-	-	-
Special reserve	-	-	(4,420,181)	(4,420,181)	(4,420,181)	-	-	-	-	(4,420,181)
Cash dividends	-	-	(1,305,705)	(1,730,773)	(7,456,659)	-	-	-	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	-	-	12,921,606
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,754	-	86	(666,569)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,754	-	86	12,255,237
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 23)	-	(47,650)	-	-	-	-	-	-	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(7,579)	-	-	-	-	-	-	-	(7,579)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	130,407	-	-	-	-	-	-	-	130,407
BALANCE AT DECEMBER 31, 2017	29,467,872	4,615,341	12,518,889	13,656,368	37,294,138	(1,790,529)	(12,127,139)	-	438	83,615,378
Effect of retrospective application	-	-	-	292,111	292,111	-	12,127,139	1,860,011	(506,825)	13,772,386
BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,656,368	37,586,249	(1,790,529)	-	1,860,011	(506,432)	97,387,764
Appropriation of 2017 earnings (Note 23)	-	-	1,292,161	(1,292,161)	(1,292,161)	-	-	-	-	-
Legal reserve	-	-	(280,862)	280,862	(280,862)	-	-	-	-	-
Special reserve	-	-	(5,893,574)	(5,893,574)	(5,893,574)	-	-	-	-	(5,893,574)
Cash dividends	-	-	(1,292,161)	(280,862)	(7,466,597)	-	-	-	-	(5,893,574)
Net income for the year ended December 31, 2018	-	-	-	-	10,708,646	-	-	-	-	10,708,646
Other comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	(64,539)	1,478,405	-	(12,677,612)	(12,990,877)	(24,254,623)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	10,644,107	1,478,405	-	(12,677,612)	(12,990,877)	(13,545,977)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	404	-	-	(2,333,670)	-	-	2,333,670	-	404
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(15,653)	-	-	(69,572)	-	-	-	-	(85,225)
Change in equity for the year ended December 31, 2018	-	(15,249)	1,292,161	280,862	774,268	1,478,405	-	(10,343,942)	(12,990,877)	(19,594,372)
BALANCE AT DECEMBER 31, 2018	29,467,872	4,600,092	13,811,050	13,917,230	38,360,517	(312,124)	-	(8,483,931)	(13,497,314)	77,863,392

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated March 25, 2019)



**POU CHEN CORPORATION**

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 11,609,847	\$ 13,343,958
Adjustments for:		
Depreciation expenses	298,587	261,758
Net gain on fair value change of financial instruments at FVTPL	(574,565)	(60,430)
Finance costs	319,999	313,483
Net loss on derecognition of financial assets at amortized cost	224	-
Interest income	(30,808)	(27,010)
Dividends income	(291,438)	(275,865)
Share of the profit of subsidiaries and associates	(9,835,610)	(13,932,128)
Net loss on disposal of property, plant and equipment	30,723	21,149
Realized gain on the transactions with subsidiaries	-	(13,533)
Unrealized loss on foreign currency exchange	6,014	3,203
Changes in operating assets and liabilities		
Financial instruments held for trading	-	285,121
Financial assets mandatorily at fair value through profit or loss	399,256	-
Notes receivable	53,743	(33,670)
Notes receivable from related parties	64	(47)
Accounts receivable	47,339	(18,962)
Accounts receivable from related parties	(535,950)	409,030
Other receivables	98,966	6,437
Inventories	(13,218)	37,607
Other current assets	74,933	(71,095)
Other operating assets	9,299	(24,766)
Notes payable	(40,172)	31,174
Notes payable to related parties	(11,137)	(14,513)
Accounts payable	100,967	(201,396)
Accounts payable to related parties	38,448	(56,825)
Other payables	(453,168)	850,727
Other current liabilities	105,665	(41,571)
Net defined benefit liabilities	(118,956)	(1,243,050)
Cash generated from (used in) operations	1,289,052	(451,214)
Interest paid	(302,729)	(305,514)
Income tax paid	(1,024,131)	(651,808)
Net cash used in operating activities	<u>(37,808)</u>	<u>(1,408,536)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	(692,670)	-
Proceeds from financial assets at amortized cost	279,488	-
Proceeds on sale of debt investments with no active market	-	90,493
Acquisition of associates under equity method	(70,000)	(82,000)
Acquisition of property, plant and equipment	(794,936)	(604,314)
Proceeds from disposal of property, plant and equipment	99,197	64,548
Increase in refundable deposits	(671)	(1,964)

(Continued)

**POU CHEN CORPORATION**

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

	<b>2018</b>	<b>2017</b>
Decrease in refundable deposits	6,178	-
Loans to related parties	(189,000)	-
Increase in other current liabilities	(236,267)	-
Increase in prepayments for equipment	(3,667)	(13,974)
Increase in other prepayments	-	(226,594)
Interest received	34,691	29,825
Dividends received	932,160	4,471,593
Cash dividends from reduction of capital surplus from associates	<u>70,067</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(565,430)</u>	<u>3,727,613</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	5,378,800	2,760,200
Proceeds from long-term borrowings	3,500,000	-
Repayments of long-term borrowings	(3,400,000)	-
Cash dividend	(5,893,574)	(4,420,181)
Increase in guarantee deposits	13,059	-
Decrease in guarantee deposits	<u>-</u>	<u>(305)</u>
Net cash (used in) financing activities	<u>(401,715)</u>	<u>(1,660,286)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,004,953)</b>	<b>658,791</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>1,199,584</b></u>	<u><b>540,793</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 194,631</b></u>	<u><b>\$ 1,199,584</b></u>

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

(With Deloitte & Touche audit report dated March 25, 2019)

(Concluded)



2. The Audit Committee's Review Report on the 2018 Financial Statements

**Audit Committee's Review Report**

The Board of Directors has prepared and submitted the Company's 2018 business report and financial statements. Commissioned by the Board of Directors, the CPA firm Deloitte & Touch has audited the financial statements and issued an audit report relating to the Financial Statements.

These have been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To:

2019 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Bor-Liang

A handwritten signature in black ink, appearing to be '陳伯亮' (Chen Bor-Liang).

Date : March 25, 2019

**Audit Committee's Review Report on Profit Distribution Plan**

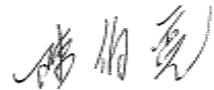
The Board of Directors has prepared and submitted the 2018 profit distribution plan. This has been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To:

2019 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Bor-Liang



Date : April 30, 2019



3. Report on the 2018 Distribution of Employees' Compensation and Directors' Remuneration

- a. The Company's profit is NT\$11,932,010,580 in 2018 ("profit" shall mean the income before income tax less Employees' compensation and Directors' remuneration). It is proposed that 1.8% and 0.9% of the profit, which is equal to NT\$214,776,000 and NT\$107,388,000, will be allocated as Employees' compensation and Directors' remuneration. The distribution shall be made in cash.
- b. The above amount is consistent with the estimate for the fiscal year.

**B. Ratifications**

1. Ratification of the 2018 Business Report and Financial Statements (proposed by the Board of Directors)

The Audit Committee of the Company has reviewed the 2018 Business Report and the 2018 Financial Statements (including consolidated and separate balance sheets, statements of comprehensive income, statements of changes in equity and statements of cash flows) audited by independent certified public accountants, Wu, Ker-Chang and Hong Kuo-Tyan, of Deloitte & Touche (please refer to pages 4-31). The 2018 Business Report and Financial Statements are hereby submitted for ratification.

Resolution:

2. Ratification of the proposed 2018 profit distribution plan (proposed by the Board of Directors)

- a. The Company's 2018 net income is NT\$10,708,645,905 and the proposed 2018 profit distribution plan is set forth below.
- b. The Board of Directors proposed to distribute cash dividends in the amount of NT\$ 4,420,180,819 to the shareholders according to their share ownership at NT\$1.5 for per share, rounded down to the nearest New Taiwan Dollar. Shareholder dividends under NT\$1 shall be recognized as "Other Income" of the Company.
- c. The Chairman of the Board is authorized to set the record date, payment date and other relevant matters after such proposal is approved at the shareholders' meeting. If the cash distribution ratio changes which result in changes in number of the total issued and outstanding shares of the Company, it is proposed that the Chairman of the Board be authorized by the shareholders' meeting to make any adjustments as necessary.

Resolution:

# Handbook for the 2019 Annual General Shareholders' Meeting

## Pou Chen Corporation 2018 Profit Distribution Plan

	(in NT\$)
Beginning unappropriated retained earnings	\$ 29,827,540,937
Effect of retrospective application of IFRS 9	292,111,810
Beginning unappropriated retained earnings as restated	30,119,652,747
Adjustment arising from investments accounted for equity method	(2,403,242,212)
Less: actuarial losses reflected in retained earning <sup>1</sup>	( 64,539,350)
Unappropriated retained earnings after adjustment	27,651,871,185
Net income of 2018	10,708,645,905
Less: 10% legal reserve	( 1,070,864,591)
Less: special reserve <sup>2</sup>	( 8,376,138,440)
Retained earnings available for distribution as of 2018	28,913,514,059
Distribution item:	
Shareholders dividend - cash dividend (NT\$1.5 /share) <sup>3</sup>	4,420,180,819
Unappropriated retained earnings	\$ 24,493,333,240

Chan, Lu-Min



Chairman of the Board

Lu, Chin-Chu



President

Ho, Ming-Kun



Head of Accounting Dept.

<sup>1</sup> The Company adopts IAS 19 "Employee Benefits" to recognize actuarial losses of defined benefit plan (which is recognized in other comprehensive income is reflected immediately in retained earnings.)

<sup>2</sup> Special reserve appropriated by the Company is based on the net deductions from 2018 equity (including exchange differences on translating foreign operations, unrealized losses on financial assets at fair value through other comprehensive income and share of the other comprehensive loss of associate).

<sup>3</sup> Shareholders dividends distributed are computation of 2,946,787,213 shares outstanding as of April 15, 2019.



**C. Discussion**

1. Discussion on the amendments to the Company’s “Articles of Incorporation”.

(proposed by the Board of Directors)

a. To amend the Company’s “Articles of Incorporation” to reflect regulatory amendments of Company Act and in fulfillment of the Company’s operational needs.

b. Comparisons of pre-amended and amended “Articles of Incorporation” are set forth below.

	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
<b>Article 6-2</b>	<u>The Company transfers its treasury shares to employees, issues employee stock option certificates, issues restricted shares for employee, and reserves the issuance of common shares in cash for employees to subscribe, which could be entitled to the qualified employees of subsidiaries of the Company meeting certain specific requirements. The board of Directors is authorized to decide the conditions and the subscription.</u>		Amended as Company Act and the Company’s management operations to add this article.
<b>Article 7</b>	The Company’s shares shall be registered, bear the signatures or personal seals of <u>the Director representing the Company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws.</u> The Company may issue shares without certificates which shall be registered with a central securities depository.	The Company’s shares shall be registered <u>and numbered</u> , bear the signatures or personal seals of <u>at least three Directors, and be issued upon certification by the competent authority or its designated registration agency.</u> The Company may issue shares without certificates, <u>or issue one certificate for the total number of shares newly issued at the time which shall be registered or deposited</u> with a central securities depository.	Amended as the Company Act.
<b>Article 17</b>	The board of Directors’ meeting shall be convened at least once every quarter of each year. In calling a board of Directors’	The board of Directors’ meeting shall be convened at least once every quarter of each year. In calling a board of Directors’	Amended as the Company Act to add the sixth item.

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	<p>meeting, a notice setting forth the item(s) to be discussed at the meeting shall be given to each Director at least seven days prior to the scheduled meeting date, unless in the event of emergency, Directors' meeting may be convened at any time. Conventions of meetings under the preceding paragraph may be done in writing or by facsimile or electronically.</p> <p>Except as otherwise prescribed by laws, any resolution of the board of Directors shall only be adopted with the approval by more than half of the Directors present at the meeting attended by more than half of all Directors.</p> <p>A Director who has personal interests in any of the items on the meeting agenda shall disclose the material aspects of such personal interest at the meeting.</p> <p><u>Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>When board of Directors' meetings are held by means of</p>	<p>meeting, a notice setting forth the item(s) to be discussed at the meeting shall be given to each Director at least seven days prior to the scheduled meeting date, unless in the event of emergency, Directors' meeting may be convened at any time. Conventions of meetings under the preceding paragraph may be done in writing or by facsimile or electronically.</p> <p>Except as otherwise prescribed by laws, any resolution of the board of Directors shall only be adopted with the approval by more than half of the Directors present at the meeting attended by more than half of all Directors.</p> <p>A Director who has personal interests in any of the items on the meeting agenda shall disclose the material aspects of such personal interest at the meeting.</p> <p>When board of Directors' meetings are held by means of video conference, the Directors participating in such meetings via webcam shall be deemed to have attended the meetings in person. If a Director is unable to attend a meeting for any reason, such Director may appoint another Director as his or her proxy by using a letter of appointment setting forth the scope of authorization with</p>	



	Amended Provisions	Pre-amended Provisions	Commentary
	<p>video conference, the Directors participating in such meetings via webcam shall be deemed to have attended the meetings in person. If a Director is unable to attend a meeting for any reason, such Director may appoint another Director as his or her proxy by using a letter of appointment setting forth the scope of authorization with respect to each subject to be discussed at the meeting. A Director may only be appointed as proxy by one other Director. The Company's board of Directors may establish different types of functional committees.</p>	<p>respect to each subject to be discussed at the meeting. A Director may only be appointed as proxy by one other Director. The Company's board of Directors may establish different types of functional committees.</p>	
<b>Article 23-1</b>	<p>The Company's annual net profits should be appropriated as follows:</p> <ol style="list-style-type: none"> <li>(1) For paying taxes.</li> <li>(2) For offsetting deficits.</li> <li>(3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.</li> <li>(4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder</li> </ol>	<p>The Company's annual net profits should be appropriated as follows:</p> <ol style="list-style-type: none"> <li>(1) For paying taxes.</li> <li>(2) For offsetting deficits.</li> <li>(3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.</li> <li>(4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder</li> </ol>	<p>Amended as Company Act and the Company's management operations.</p>

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	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>as proposed according to stock ownership proportion.</p> <p><u>The board of Directors proposes an earnings distribution in the form of new shares shall be approved following the resolution of the shareholders' meetings. Distribution of dividends and bonuses or distribution of the legal reserve and capital surplus in whole or in part by cash shall be resolved by a majority vote at a meeting attended by more than two thirds of the total number of directors, and such distribution shall be reported at the shareholders' meeting.</u></p> <p>Profits may be distributed after taking into consideration financial, business and operational factors. The distribution of profits shall be proposed by the board of Directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profits.</p>	<p>as proposed according to stock ownership proportion.</p> <p>Profits may be distributed after taking into consideration financial, business and operational factors. The distribution of profits shall be proposed by the board of Directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profits.</p>	
<b>Article 25</b>	These Articles of Incorporation was adopted on August 15,	These Articles of Incorporation was adopted on August 15,	Date of Amendment



	Amended Provisions	Pre-amended Provisions	Commentary
	1969. The first amendment was made on April 18, 1971..... <u>The forty-sixth amendment was made on June 13, 2019.</u> These Articles of Incorporation and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.	1969. The first amendment was made on April 18, 1971..... The forty-fifth amendment was made on June 15, 2017. These Articles of Incorporation and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.	added.

Resolution:

2. Discussion on the amendments to the Company's "Procedures for Acquisition and Disposal of Assets". (proposed by the Board of Directors)
  - a. To amend the Company's "Procedures for Acquisition and Disposal of Assets" in accordance with certain provisions of the "Regulation Governing the Acquisition and Disposal of Assets by Public Companies" as amended and promulgated by the Financial Supervisory Commission on November 26, 2018 Letter No. Financial-Supervisory-Securities-Corporate-1070341072 and in fulfillment of the Company's operational needs.
  - b. Comparisons of pre-amended and amended "Procedures for Acquisition and Disposal of Assets" are set forth below.

	Amended Provisions	Pre-amended Provisions	Commentary
<b>Article 3</b>	<b>Scope of Assets</b> 1. Securities: including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real estate (including land, houses and buildings, investment property and construction enterprise inventory) and equipment. 3. Memberships. 4. Intangible Assets: including Patents, copyrights, trademarks, franchise rights. 5. <u>Right-of-use assets.</u>	<b>Scope of Assets</b> 1. Securities: including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real estate (including land, houses and buildings, investment property, <u>rights-of-use land,</u> and construction enterprise inventory) and equipment. 3. Memberships. 4. Intangible Assets: including Patents, copyrights, trademarks, franchise rights,	1. Removed rights-of-use land in Subparagraph 2 to Subparagraph 5 in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". 2. Revised Subparagraph 4

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	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p><u>6.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>7.</u> Derivatives.</p> <p><u>8.</u> Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law.</p> <p><u>9.</u> Other major assets.</p>	<p><u>and other intangible assets.</u></p> <p><u>5.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>6.</u> Derivatives.</p> <p><u>7.</u> Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law.</p> <p><u>8.</u> Other major assets.</p>	wording.
<b>Article 4</b>	<p><b>Definitions</b></p> <p>1. Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>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.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>contracts.</u></p> <p>2. Assets acquired or disposed</p>	<p><b>Definitions</b></p> <p>1. Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, <u>and compound contracts combining the above products,</u> whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sale) <u>agreements.</u></p> <p>2. Assets acquired or disposed through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: refers to assets acquired or disposed through mergers, spin-offs, or acquisitions conducted under the Business</p>	<p>1. Revised Subparagraph 1 and Subparagraph 2 in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>2. Delete the Subparagraph 7 and Subparagraph 8 that have been clearly defined in the relevant article of the Procedures.</p>



	Amended Provisions	Pre-amended Provisions	Commentary
	<p>through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: refers to assets acquired or disposed through mergers, spin-offs, 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 the issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>(omitted)</p> <p>6. Mainland China area investment: refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through the issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act.</p> <p>(omitted)</p> <p>6. Mainland China area investment: refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>7. <u>The term "within one year" means the year preceding the date of acquisition or disposal. Items that have been announced or declared will not be counted towards the calculation.</u></p> <p>8. <u>The term "most recent financial statement" means the financial statement that has been certified or examined by a certified public accountant prior to the Company's acquisition or</u></p>	

	Amended Provisions	Pre-amended Provisions	Commentary
		<u>disposal of asset and has been published in accordance with laws and regulations.</u>	
<b>Article 5</b>	<p><b>Amount of the investment in real estate for non-business use <u>real estate right-of-use assets held for non-business use and the investment in securities</u></b></p> <p>The amount of the aforementioned assets acquired by the Company and each of its subsidiaries are as follows:</p> <p><u>1.Limit of investment by the Company:</u></p> <p>(1) <u>Real estate for non-business use and real estate right-of-use assets held for non-business use shall not exceed 100% of the company's paid-in capital.</u></p> <p>(2) <u>The total amount of investments in securities shall not exceed 150% of the Company's net value; the total amount of investments in individual securities shall not exceed 40% of the Company's net value.</u></p> <p><u>2.Limit of Investment by Subsidiaries:</u></p> <p>(1) <u>Real estate for non-business use and real estate right-of-use assets held for non-business use shall not exceed 100% of the Company's paid-in capital.</u></p> <p>(2) <u>The total amount of</u></p>	<p><b>Amount of the investment in real estate for non-business use and the investment in securities</b></p> <p>The amount of the aforementioned assets acquired by the Company and each of its subsidiaries are as follows:</p> <p><u>1. The acquisition amount of real estate for non-business use shall not exceed 100% of the Company's paid-in capital.</u></p> <p><u>2. The amount of investment in securities (including the Company and its subsidiary's investment in securities) shall not exceed 150% of the net worth of the investment's occupancy of the debt-to-equity ratio. However, this limit shall not apply in the event where the invested business is related to the Company's operations, and the proof of such an investment is not considered by the Company to be materially abnormal, or where, according to the most recent financial statement, there are no additional stock investments.</u></p> <p><u>3. The amount of investment in each of the securities shall not exceed 40% of the Company's net worth.</u></p>	<p>Limit of investment in real estate for non-business use and real estate right-of-use assets held for non-business use and securities for the Company and its Subsidiaries is hereby established for business purposes, and situations in which the limits shall not apply are incorporated.</p>



	Amended Provisions	Pre-amended Provisions	Commentary
	<p><u>investments in securities shall not exceed 150% of the Company's net value; the total amount of investments in individual securities shall not exceed 40% of the Company's net value.</u></p> <p><u>The Company and its Subsidiaries shall not be subject to the aforementioned limits in the following situations:</u></p> <p><u>1. Investments in acquired stocks are associated with the Company's main business focus.</u></p> <p><u>2. The company group is restructuring its organizational structure.</u></p>		
Article 6	<p><b><u>Procedure of the appraisal reports or opinions published by qualified expert</u></b></p> <p>Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports, certified public accountants opinions, attorney's opinions, or underwriter's opinions. <u>The qualification of appraisal reports or opinions should comply with article 5 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</u>.</p>	Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports, certified public accountants opinions, attorney's opinions, or underwriter's opinions, <u>shall not be a related party of any party to the transaction.</u>	Revised in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
Article 7	<b><u>Procedures for Acquisition or Disposal of Real Estate, Right-Of-Use Real Estate,</u></b>	<b><u>Procedures for Acquisition or Disposal of Real Estate or Equipment</u></b>	1. Included rights-of-use assets to article 7 and

	Amended Provisions	Pre-amended Provisions	Commentary
	<p><b><u>Equipment or Right-of-use Equipment</u></b></p> <p>1. Assessment and Operating Procedures The Company's acquisition or disposal of real estate, <u>right-of-use real estate, equipment or right-of-use equipment</u> shall abide by the revolving procedures of real estate, factories and facilities in the Company's internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount</p> <p>(1) In the event of acquisition or disposal of real estate <u>or right-of-use real estate</u>, the terms of transaction and the transaction price shall be determined by referring to the announced current value, appraised value and actual transaction price of neighboring real estate, and an analysis report shall be submitted to the Company's president. If the transaction price is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction price exceeds NT\$ 100 million but is less than NT\$ 300 million, the transaction shall be approved by the Company's chairman, who</p>	<p>1. Assessment and Operating Procedures The Company's acquisition or disposal of real estate or equipment shall abide by the revolving procedures of real estate, factories and facilities in the Company's internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount</p> <p>(1) In the event of acquisition or disposal of real estate, the terms of transaction and the transaction price shall be determined by referring to the announced current value, appraised value and actual transaction price of neighboring real estate and an analysis report shall be submitted to the Company's president. If the transaction price is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction price exceeds NT\$ 100 million but is less than NT\$ 300 million, the transaction shall be approved by the Company's chairman, who is authorized to approve transactions; if the transaction price amount is NT\$ 300 million or</p>	<p>revised exemption scope in paragraph 4 in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>2. Revised wording of first subparagraph, 4 paragraph.</p>



	Amended Provisions	Pre-amended Provisions	Commentary
	<p>is authorized to approve transactions; if the transaction price amount is NT\$ 300 million or more, the transaction shall be approved by the board of Directors.</p> <p>(2) The acquisition or disposal of equipment or <u>right-of-use equipment</u> shall be conducted by means of price inquiry, price comparison, price negotiation or bidding. In the event where the amount is NT\$ 10 million or less, the transaction shall be approved in accordance with the Company's levels of authorization; in the event where the amount exceeds NT\$ 10 million but is less than NT\$ 100 million, the transaction shall be approved by the president; in the event where the amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation unit The Company's acquisition or disposal of real estate, <u>right-of-use real estate, equipment</u> or <u>right-of-use equipment</u> shall be approved in accordance with the levels of</p>	<p>more, the transaction shall be approved by the board of Directors.</p> <p>(2) The acquisition or disposal of equipment shall be conducted by means of price inquiry, price comparison, price negotiation or bidding. In the event where the amount is NT\$ 10 million or less, the transaction shall be approved in accordance with the Company's levels of authorization; in the event where the amount exceeds NT\$ 10 million but is less than NT\$ 100 million, the transaction shall be approved by the president; in the event where the amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation unit The Company's acquisition or disposal of real estate or equipment shall be approved in accordance with the levels of authorization specified in the preceding paragraph and shall be implemented by the department (or management department) which intends to use the real estate or the equipment.</p>	

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	<p>authorization specified in the preceding paragraph and shall be implemented by the department (or management department) which intends to use the real estate or the equipment.</p> <p>4. Appraisal report on real estate, <u>right-of-use real estate, equipment</u> or <u>right-of-use equipment</u></p> <p>In the event of the Company's acquisition or disposal of real estate, <u>right-of-use real estate, equipment</u> or <u>right-of-use equipment</u> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, except for transactions with <u>domestic</u> governments, engaging others to build on their land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use equipment</u> for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the date of occurrence and shall comply with the following provisions:</p> <p>(1) In the event where, due to special circumstances, the transaction price shall refer to a limited price, a specified price or a special price that is necessary in</p>	<p>4. Appraisal report on real estate or equipment</p> <p>In the event of the Company's acquisition or disposal of real estate or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, except for transactions with governments, engaging others to build on their land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the date of occurrence and shall comply with the following provisions:</p> <p>(1) In the event where, due to special circumstances, the transaction price shall refer to a limited price, a specified price or a special price that is necessary in serving as reference, such a transaction shall be submitted for the board of Directors' prior approval, and the same procedure shall apply if there are <u>future</u> changes to the terms and conditions of the transaction.</p> <p>(omitted)</p>	



	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>serving as reference, such a transaction shall be submitted for the board of Directors' prior approval, and the same procedure shall apply if there are changes to the terms and conditions of the transaction.</p> <p>(omitted)</p>		
<b>Article 8</b>	<p><b>Procedures for Acquisition or Disposal of Securities</b> (omitted)</p> <p>4. Obtaining Professional Opinion (omitted)</p> <p>(3) The transaction amount shall be calculated in accordance with subparagraph <u>(8)</u>, paragraph <u>1</u> of Article <u>14</u> of this Procedure.</p>	<p><b>Procedures for Acquisition or Disposal of Securities</b> (omitted)</p> <p>4. Obtaining Professional Opinion (omitted)</p> <p>(3) The transaction amount shall be calculated in accordance with subparagraph <u>(6)</u>, paragraph <u>4</u> of Article <u>7</u> of this Procedure.</p>	<p>Unified the transaction amount of Article, paragraph, subparagraph.</p>
<b>Article 9</b>	<p><b>Procedures for Acquisition or Disposal of Assets with a Related Party</b></p> <p>1. In the event where the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions are adopted and that the reasonableness of the term of the transaction has been evaluated in accordance with this Procedure, if the transaction amount reaches 10% of the Company's total assets, the Company shall</p>	<p><b>Procedures for Acquisition or Disposal of Assets with a Related Party</b></p> <p>1. In the event where the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions are adopted and that the reasonableness of the term of the transaction has been evaluated in accordance with this Procedure, if the transaction amount reaches 10% of the Company's total assets, the Company shall</p>	<p>1. Revised the first paragraph to unify the transaction amount of Article, paragraph, subparagraph.</p> <p>2. Revised subparagraph 3, paragraph 2 and subparagraph 5, paragraph 3 wording.</p> <p>3. Revised paragraph 2, item A-(c),</p>

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	<p>also obtain an appraisal report from a professional appraiser or a certified public accountants opinion in accordance with Article 7 of this Procedure. The aforementioned transaction amount shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14 of this Procedure. When determining whether a trading counterparty is a related party, in addition to the legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Assessment and Operating Procedures</p> <p>In the event where the Company engages in any acquisition or disposal of real estate <u>or right-of-use real estate</u> from or to a related party, or engages in any acquisition or disposal of assets other than real estate <u>or right-of-use real estate</u> from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$ 300 million or more, except for the trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or</p>	<p>also obtain an appraisal report from a professional appraiser or a certified public accountants opinion in accordance with Article 7 of this Procedure. The aforementioned transaction amount shall be calculated in accordance with subparagraph (6), paragraph 4 of Article 7 of this Procedure. When determining whether a trading counterparty is a related party, in addition to the legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Assessment and Operating Procedures</p> <p>In the event where the Company engages in any acquisition or disposal of real estate from or to a related party, or engages in any acquisition or disposal of assets other than real estate from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$ 300 million or more, except for the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic</p>	<p>subparagraph 4, paragraph 3, added item D, subparagraph 6, paragraph 3 and included rights-of-use assets to article 9 in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>



	Amended Provisions	Pre-amended Provisions	Commentary
	<p>subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the following matters have been approved by the board of Directors and the audit committee:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reasons for choosing the related party as a trading counterparty.</p> <p>(3) In the event where the Company acquires real estate <u>or right-of-use real estate</u> from a related party, information concerning the evaluation of the reasonableness of the preliminary terms of the transaction in accordance with from subparagraphs (1) to (4), paragraph 3 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real estate, its original trading counterparty, and the counterparty's relationship to the</p>	<p>securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the following matters have been approved by the board of Directors and the audit committee:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reasons for choosing the related party as a trading counterparty.</p> <p>(3) In the event where the Company acquires real estate from a related party, information concerning the evaluation of the reasonableness of the preliminary terms of the transaction in accordance with from subparagraphs (1) to (4), paragraph 3 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real estate, its original trading counterparty, and the counterparty's relationship to the Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the coming</p>	

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	<p>Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the coming year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the utilization of the funds.</p> <p>(6) The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding paragraph.</p> <p>(7) The restrictive terms of this transaction and other important agreements in connection with the transaction.</p> <p>The transaction amount under this paragraph shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14. The term “within one year” as used herein means the year preceding the date of occurrence of this transaction. Items that have been approved by the board of Directors and the audit committee will not be counted towards the calculation.</p> <p>With respect to the <u>types of</u></p>	<p>year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the utilization of the funds.</p> <p>(6) The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding paragraph.</p> <p>(7) The restrictive terms of this transaction and other important agreements in connection with the transaction.</p> <p>The transaction amount under this paragraph shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14. The term “within one year” as used herein means the year preceding the date of occurrence of this transaction. Items that have been approved by the board of Directors and the audit committee will not be counted towards the calculation.</p> <p>With respect to the <u>acquisition or disposal of equipment for business use</u> between the Company and its subsidiary, if the transaction amount is</p>	



	Amended Provisions	Pre-amended Provisions	Commentary
	<p><u>transactions listed below use</u> between the Company and its subsidiary, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, if the transaction amount is within NT\$ 500 million, the chairman is authorized to approve the transaction. The chairman's approval shall subsequently be submitted to and ratified by the next board of Directors' meeting:</p> <p>(1) <u>Acquisition or disposal of equipment or right-of- use equipment thereof held for business use.</u></p> <p>(2) <u>Acquisition or disposal of real estate right-of-use assets held for business use.</u></p> <p>In the event where matters are submitted to the board of Directors for discussion pursuant to this Article, the board of Directors shall take each independent Director's opinion into consideration. If an independent Directors' objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of Directors' meeting.</p> <p>3. Assessment of the Reasonableness of Transaction Costs</p>	<p>within NT\$ 500 million, the chairman is authorized to approve the transaction. The chairman's approval shall subsequently be submitted to and ratified by the next board of Directors' meeting.</p> <p>In the event where matters are submitted to the board of Directors for discussion pursuant to this Article, the board of Directors shall take each independent Director's opinion into consideration. If an independent Directors' objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of Directors' meeting.</p> <p>3. Assessment of the Reasonableness of Transaction Costs</p> <p>(1) In the event where the Company acquires real estate from a related party, the reasonableness of the transaction costs shall be assessed by the following means:</p> <p>A. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average</p>	

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	<p>(1) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, the reasonableness of the transaction costs shall be assessed by the following means:</p> <p>A. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; however, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>B. In the event where the related party previously mortgaged the real estate as security for a loan to a financial institution, the total loan value evaluation shall be made by the financial institution towards the real estate; however, the actual cumulative amount loaned by the</p>	<p>interest rate on borrowing in the year the Company purchases the property; however, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>B. In the event where the related party previously mortgaged the real estate as security for a loan to a financial institution, the total loan value evaluation shall be made by the financial institution towards the real estate; however, the actual cumulative amount loaned by the financial institution shall reach 70% or more of the financial institution's evaluated loan value of the real estate, and the period of the loan shall have exceeded one year or more. This shall not apply if the financial institution is a related party to one of the trading counterparties.</p> <p>(2) In the event that land and structures thereupon are combined as a single property purchased in one</p>	



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	<p>financial institution shall reach 70% or more of the financial institution's evaluated loan value of the real estate, and the period of the loan shall have exceeded one year or more. This shall not apply if the financial institution is a related party to one of the trading counterparties.</p> <p>(2) In the event that land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs of the land and building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph.</p> <p>(3) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, the Company shall evaluate the costs of the real estate <u>or real estate right-of-use assets</u> in accordance with paragraph 3, subparagraphs (1) and (2) of this Article, and shall engage a certified public accountant to review the evaluation and render a specific opinion.</p>	<p>transaction, the transaction costs of the land and building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph.</p> <p>(3) In the event where the Company acquires real estate from a related party, the Company shall evaluate the costs of the real estate in accordance with paragraph 3, subparagraphs (1) and (2) of this Article, and shall engage a certified public accountant to review the evaluation and render a specific opinion.</p> <p>(4) In the event where the Company acquires real estate from a related party, and the results of the evaluation conducted in accordance with paragraph 3, subparagraphs (1) and (2) of this Article are uniformly lower than the transaction price, paragraph 3, subparagraph (5) of this Article shall apply. However, this restriction shall not apply in the event that the following events exist, objective evidence has been submitted and specific opinions on their</p>	

	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>(4) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, and the results of the evaluation conducted in accordance with paragraph 3, subparagraphs (1) and (2) of this Article are uniformly lower than the transaction price, paragraph 3, subparagraph (5) of this Article shall apply. However, this restriction shall not apply in the event that the following events exist, objective evidence has been submitted and specific opinions on their reasonableness from a professional real estate appraiser and a certified public accountant have been obtained:</p> <p>A. In the event where the related party acquires undeveloped land or leases land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(a) Where undeveloped lands are evaluated in accordance with paragraph 3 of this Article, and</p>	<p>reasonableness from a professional real estate appraiser and a certified public accountant have been obtained:</p> <p>A. In the event where the related party acquires undeveloped land or leases land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(a) Where undeveloped lands are evaluated in accordance with paragraph 3 of this Article, and buildings according to the related party's construction cost plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3</p>	



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	<p>buildings according to the related party's construction cost plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years, or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area</p>	<p>years, or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p><u>(c) Completed leasing transactions by unrelated parties for other floors of the same property within the preceding year, where the transaction terms are similar, after</u></p>	

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	<p>and the transaction terms are similar, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>B. In the event where the Company acquires real estate <u>or leased real estate right-of-use assets</u> from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.</p> <p>The aforementioned “transactions completed for the acquisition of neighboring land” refers to parcels on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the announced value of the land is close to that of the subject matter; the term “similar size” refers to</p>	<p><u>calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>B. In the event where the Company acquires real estate from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.</p> <p>The aforementioned “transactions completed for the acquisition of neighboring land” refers to parcels on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the announced value of the land is close to that of the subject matter; the term “similar size” refers to transactions completed by unrelated parties where the land area is no less than 50% of the land area of the</p>	



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	<p>transactions completed by unrelated parties where the land area is no less than 50% of the land area of the transaction's subject matter. The aforementioned term "within one year" refers to the year preceding the date of the acquisition of the real estate <u>or real estate right-of- use assets</u>.</p> <p>(5) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, and the results of the evaluation conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this Article are uniformly lower than the transaction price, the following actions shall be taken:</p> <p>A. A special reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real estate <u>or real estate right-of - use assets</u> transaction price and the evaluated cost, and may not be distributed or used for capital</p>	<p>transaction's subject matter. The aforementioned term "within one year" refers to the year preceding the date of the acquisition of the real estate.</p> <p>(5) In the event where the Company acquires real estate from a related party, and the results of the evaluation conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this Article are uniformly lower than the transaction price, the following actions shall be taken:</p> <p>A. A special reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real estate transaction price and the evaluated cost, and may not be distributed or used for capital increase or issuance of bonus shares. In the event where a public company uses the equity method to account for its investment in the</p>	

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	<p>increase or issuance of bonus shares. In the event where a public company uses the equity method to account for its investment in the Company, the special reserve under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set side pro rata in a proportion consistent with the public company's equity stake in the Company.</p> <p>B. Independent Directors of the audit committee shall comply with Article 218 of the Company Act.</p> <p>C. Actions that are taken in accordance with items <u>A</u> and <u>B</u> of this <u>subparagraph</u> shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual (and any other) prospectus.</p> <p>In the event where the Company has set aside a special reserve in accordance with the <u>subparagraph</u>, the</p>	<p>Company, the special reserve under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set side pro rata in a proportion consistent with the public company's equity stake in the Company.</p> <p>B. Independent Directors of the audit committee shall comply with Article 218 of the Company Act.</p> <p>C. Actions that are taken in accordance with items <u>1</u> and <u>2</u> of <u>subparagraph (5) in paragraph 3</u> of this <u>Article</u> shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual (and any other) prospectus.</p> <p>In the event where the Company has set aside a special reserve in accordance with the <u>preceding paragraph</u>, the Company may not utilize the special reserve until it has recognized a loss on due to decline in market value of the assets it</p>	



	Amended Provisions	Pre-amended Provisions	Commentary
	<p>Company may not utilize the special reserve until it has recognized a loss on due to decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of <u>or terminated the leased</u>, or adequate compensation has been made, or status quo ante has been restored, or there is other evidence confirming that the transaction was not unreasonable, and which the FSC has approved.</p> <p>(6) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Assessment and Operating Procedures under paragraph 2 of this Article, and paragraph 3, subparagraphs (1), (2) and (3) of this Article shall not apply:</p> <p>A. Where the related party acquired the real estate <u>or real estate right-of-use assets</u> by virtue of inheritance or as a gift.</p> <p>B. Where more than 5</p>	<p>purchased at a premium, or they have been disposed of, or adequate compensation has been made, or status quo ante has been restored, or there is other evidence confirming that the transaction was not unreasonable, and which the FSC has approved.</p> <p>(6) In the event where the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Assessment and Operating Procedures under paragraph 2 of this Article, and paragraph 3, subparagraphs (1), (2) and (3) of this Article shall not apply:</p> <p>A. Where the related party acquired the real estate by virtue of inheritance or as a gift.</p> <p>B. Where more than 5 years has lapsed between the time the related party executed the agreement to acquire the real estate and the execution date of the current transaction.</p> <p>C. Where the real estate is</p>	

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	<p>years has lapsed between the time the related party executed the agreement to acquire the real estate <u>or real estate right-of-use assets</u> and the execution date of the current transaction.</p> <p>C. Where the real estate is acquired through executing a joint development agreement with a related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.</p> <p>D. <u>The real estate right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> <p>(7) In the event where the Company acquires real estate <u>or real estate right-of-use assets</u> from a related party, it shall also comply with paragraph 3, subparagraph (5) of this Article if there is other evidence indicating that the acquisition was not an arm's length</p>	<p>acquired through executing a joint development agreement with a related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.</p> <p>(7) In the event where the Company acquires real estate from a related party, it shall also comply with paragraph 3, subparagraph (5) of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	



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	transaction.		
<b>Article 10</b>	<p><b>Procedures for Acquisition or Disposal of <u>Intangible Assets</u> or <u>Right-Of-Use Intangible Assets</u> or <u>Memberships</u></b></p> <p>1. Assessment and Operating Procedures In the event of the Company's acquisition or disposal of <u>intangible assets</u> or <u>right-of-use intangible assets</u> or <u>memberships</u>, the Company shall abide by the revolving <u>property, plant and equipment</u> procedures in the Company's internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount <u>(1)</u> In the event of the Company's acquisition or disposal of intangible assets or <u>right-of-use intangible assets</u>, the terms and price of the transaction shall be determined by referring to an appraisal report issued by an expert or by referring to the fair price in the market, and an analysis report shall be submitted to the <u>president</u>. If the transaction amount is NT\$ <u>300</u> million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ <u>300</u> million or</p>	<p>Procedures for Acquisition or Disposal of <u>Memberships</u> or Intangible Assets</p> <p>1. Assessment and Operating Procedures In the event of the Company's acquisition or disposal of <u>memberships</u> or intangible assets, the Company shall abide by the revolving <u>investment</u> procedures in the Company's internal control system.</p> <p>2. Decision Procedures for Transaction Terms and Authorized Amount <u>(1)</u> In the event of the Company's acquisition or disposal of memberships, the terms and price of transaction shall be determined by referring to the fair price in the market, and an analysis report shall be submitted to the Company's president. If the transaction amount is <u>1% or less of the Company's paid-in capital</u> or NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p>	<p>1. Included rights-of-use assets to article 10 in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>2. Aligned the queue between intangible assets and memberships, and also between the first subparagraph and second subparagraph of the second paragraph.</p> <p>3. Revised the second paragraph and 4 paragraph by the Company's management operations.</p>

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	<p>more, the transaction shall be approved by the board of Directors.</p> <p><u>(2)</u> In the event of the Company's acquisition or disposal of memberships, the terms and price of transaction shall be determined by referring to the fair price in the market, and an analysis report shall be submitted to the Company's president. If the transaction amount is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation Unit The Company's acquisition or disposal of intangible assets <u>or right-of-use intangible assets or memberships</u> shall be approved in accordance with the preceding paragraph and shall be implemented by the department which intends to use the memberships or intangible assets and the finance department, or the administration department.</p> <p>4. <u>The Company shall engaged CPA to render a specific opinion if the transaction</u></p>	<p><u>(2)</u> In the event of the Company's acquisition or disposal of intangible assets, the terms and price of the transaction shall be determined by referring to an appraisal report issued by an expert or by referring to the fair price in the market, and an analysis report shall be submitted to <u>the board of Directors</u>. If the transaction amount <u>is 1% or less of the Company's paid-in capital or NT\$ 100 million</u> or less, the transaction shall be approved by the president; if the transaction amount is NT\$ <u>100 million</u> or more, the transaction shall be approved by the board of Directors.</p> <p>3. Implementation Unit The Company's acquisition or disposal of <u>memberships or</u> intangible assets shall be approved in accordance with the preceding paragraph and shall be implemented by the department which intends to use the memberships or intangible assets and the finance department, or the administration department.</p> <p>4. <u>Appraisal Report on Memberships and Intangible Assets</u></p>	



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	<p><u>amount reach certain condition</u></p> <p>In the event where the transaction amount of the Company’s acquisition or disposal of intangible assets <u>or right-of-use intangible assets or memberships</u> reaches NT\$ 300 million or more, except for trading with <u>domestic governments</u>, the Company shall engage a certified public accountant to issue an opinion on the reasonableness of the transaction price prior to the date of occurrence. The certified public accountant shall issue his/her opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>(1) <u>In the event that the transaction amount of the Company’s acquisition or disposal of memberships reaches 1% or more of the Company’s paid-in capital or NT\$ 100 million or more, the Company shall obtain an expert’s appraisal report.</u></p> <p>(2) <u>In the event that the transaction amount of the Company’s acquisition or disposal of intangible assets reaches 1% or more of the Company’s paid-in capital or NT\$ 100 million or more, the Company shall obtain an expert’s appraisal report.</u></p> <p>(3) In the event where the transaction amount of the Company’s acquisition or disposal of <u>memberships or intangible assets</u> reaches <u>20% or more of the Company’s paid-in capital or NT\$ 300 million or more</u>, except for trading with governments, the Company shall engage a certified public accountant to issue an opinion on the reasonableness of the transaction price prior to the date of occurrence. The certified public accountant shall issue his/her opinion in accordance with the</p>	

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		provisions of Statement of Auditing Standards No. 20 published by the ARDF.	
<b>Article 12</b>	<p><b>Procedures for Acquisition or Disposal of Derivatives</b></p> <p>1. Trading Principles and Strategies</p> <p>(1) Types of Derivatives</p> <p style="padding-left: 20px;">A. The derivatives engaged by the Company refer to transaction agreements, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rates, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> <u>The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</u></p> <p>(omitted)</p> <p>5. Monitoring and Management Principles of the Board of</p>	<p><b>Procedures for Acquisition or Disposal of Derivatives</b></p> <p>1. Trading Principles and Strategies</p> <p>(1) Types of Derivatives</p> <p style="padding-left: 20px;">A. The derivatives engaged by the Company refer to transaction agreements, whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests (such as forward contracts, options, futures, interest or foreign exchange rates, swaps, and compound contracts combining the products mentioned above).</u></p> <p>(omitted)</p> <p>5. Monitoring and Management Principles of the Board of Directors when Engaging in Derivatives Transactions</p> <p>(omitted)</p> <p>(3) The Company shall report to the next board of Directors' meeting after it authorizes relevant personnel to handle the derivatives transactions in accordance with this Procedure.</p> <p>(4) When engaging in</p>	<p>Revised the scope of the Derivatives in accordance to coordinate with the amendment of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>



	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>Directors when Engaging in Derivatives Transactions (omitted)</p> <p>(3) The Company shall report to the next board of Directors' meeting after it authorizes relevant personnel to handle the derivatives transactions in accordance with this Procedure.</p> <p>(4) When engaging in derivatives transactions, the Company shall establish a log book, which shall record in detail the types, amounts, the board of Directors' approval dates and the matters required to be carefully evaluated under subparagraph (2), paragraph 4, and subparagraphs (1) and (2), paragraph 5 of this article.</p>	<p>derivatives transactions, the Company shall establish a log book, which shall record in detail the types, amounts, the board of Directors' approval dates and the matters required to be carefully evaluated under subparagraph (2), paragraph 4, and subparagraphs (1) and (2), paragraph 5 of this article.</p>	
<b>Article 14</b>	<p><b>Procedures of public disclosure</b></p> <p>1. Items and standards for public announcement and report</p> <p>(1) Acquisition or disposal of real estate <u>or right-of-use real estate</u> from or to a related party, or acquisition or disposal of assets <u>or right-of-use real estate</u> other than real estate from or to a related party where the transaction amount reaches 20% or more of</p>	<p><b>Procedures of public disclosure</b></p> <p>1. Items and standards for public announcement and report</p> <p>(1) Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the</p>	<p>1. Included rights-of-use assets to article 14 and revised 3,5,6 subparagraph in first paragraph in accordance to coordinate with the amendment of the "Regulations Governing the Acquisition and</p>

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	<p>the Company's paid-in capital, 10% or more of the Company's total assets or NT\$ 300 million or more; provided that this shall not apply to the trade of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Mergers, spin-offs, acquisitions or transfers of shares.</p> <p>(3) Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in the procedures adopted by the Company.</p> <p>(4) Where the type of asset acquired or disposed is equipment <u>or right-of-use equipment</u> for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion.</p> <p>(5) Acquisition or disposal by the Company in the construction business of real estate <u>or right-of-use</u></p>	<p>Company's total assets or NT\$ 300 million or more; provided that this shall not apply to the trade of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Mergers, spin-offs, acquisitions or transfers of shares.</p> <p>(3) Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in the procedures adopted by the Company.</p> <p>(4) Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion.</p> <p>(5) Acquisition or disposal by the Company in the construction business of real estate for construction use, where the counterparty is not a related party, and the transaction amount reaches</p>	<p>Disposal of Assets by Public Companies”.</p>



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	<p><u>real estate</u> for construction use, where the counterparty is not a related party, and the transaction amount reaches NT\$ 500 million.<u>If the Company disposal the real estate to unrelated party which was built and completed by the Company, the transaction amount will be reached NT\$ 1 billion.</u></p> <p>(6) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, <u>where the counterparty is unrelated party</u> and the Company's estimated investment amount in the transaction reaches NT\$ 500 million.</p> <p>(7) Where an asset transaction other than any of those referred to in the preceding six provisions or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT \$300 million; provided that this</p>	<p>NT\$ 500 million.</p> <p>(6) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and the Company's estimated investment amount in the transaction reaches NT\$ 500 million.</p> <p>(7) Where an asset transaction other than any of those referred to in the preceding six provisions or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT \$300 million; provided that this shall not apply to any of the following circumstances:</p> <p>A. Trading government bonds.</p> <p>B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust</p>	

	Amended Provisions	Pre-amended Provisions	Commentary
	<p>shall not apply to any of the following circumstances:</p> <p>A. Trading <u>domestic</u> government bonds.</p> <p>B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(8) The amount of the transactions referred to in the above subparagraphs (1) to (7) of this paragraph shall be calculated as follows. The term "Within the preceding year" as used in the paragraph below refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the relevant regulations shall not be counted towards the transaction amount.</p> <p>A. The amount of each individual transaction.</p> <p>B. The cumulative transaction amount of the acquisitions and disposals of the same type of assets with the same counterparty</p>	<p>enterprises.</p> <p>(8) The amount of the transactions referred to in the above subparagraphs (1) to (7) of this paragraph shall be calculated as follows. The term "Within the preceding year" as used in the paragraph below refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the relevant regulations shall not be counted towards the transaction amount.</p> <p>A. The amount of each individual transaction.</p> <p>B. The cumulative transaction amount of the acquisitions and disposals of the same type of assets with the same counterparty within the preceding year.</p> <p>C. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within the preceding year.</p>	



	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>within the preceding year.</p> <p>C. The cumulative transaction amount of real estate <u>or right-of-use real estate</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(omitted)</p>	<p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(omitted)</p>	
<b>Article 15</b>	<p><b>Procedures complied with by the Company’s subsidiaries</b></p> <p>1. Each of the Company’s subsidiaries (the “Subsidiary” hereinafter) shall establish its “Procedures for Acquisition and Disposal of Assets” in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. The Subsidiary’s “Procedures for Acquisition and Disposal of Assets” shall be approved by its board of Directors or</p>	<p><b>Procedures complied with by the Company’s subsidiaries</b></p> <p>1. Each of the Company’s subsidiaries (the “Subsidiary” hereinafter) shall establish its “Procedures for Acquisition and Disposal of Assets” in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. The Subsidiary’s “Procedures for Acquisition and Disposal of Assets” shall be approved by its board of Directors or</p>	<p>Revised the third and fourth paragraph in accordance to coordinate with the amendment of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

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	Amended Provisions	Pre-amended Provisions	Commentary
	<p>shareholders' meeting, and this procedure shall also apply to the amendments thereafter.</p> <p>2. Any of the Subsidiary's acquisition or disposal of assets shall abide by the relevant regulations of the Company.</p> <p>3. In the event where the Subsidiary is a non-public company, and where its acquisition or disposal of assets has reached the announcement standard stipulated by "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Company shall announce and report the relevant matters on behalf of the Subsidiary.</p> <p>4. In the event of the subsidiary's, The term of the Company's paid-in capital or the Company's total assets" stipulated in the Subsidiary's announcement and report standards refers to the Company's paid-in capital or total assets.</p>	<p>shareholders' meeting, and this procedure shall also apply to the amendments thereafter.</p> <p>2. Any of the Subsidiary's acquisition or disposal of assets shall abide by the relevant regulations of the Company.</p> <p>3. In the event where the Subsidiary is a non-public company, and where its acquisition or disposal of assets has reached the announcement standard stipulated by "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Company shall announce and report the relevant matters on behalf of the Subsidiary.</p> <p>4. In the event of the subsidiary's, The term <u>reaches 20%</u> of the Company's paid-in capital or <u>10% of</u> the Company's total assets" stipulated in the Subsidiary's announcement and report standards refers to the Company's paid-in capital or total assets.</p>	

Resolution:

3. Discussion on the amendments to the Company's "Operational Procedures for Loaning of Company Funds". (proposed by the Board of Directors)
  - a. To amend the Company's "Operational Procedures for Loaning of Company Funds" in accordance with certain provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" as amended and promulgated by



the Financial Supervisory Commission on March 7, 2019 Letter No. Financial-Supervisory-Securities-Auditing-1080304826 and in fulfillment of the Company’s operational needs.

b.Comparisons of pre-amended and amended “Operational Procedures for Loaning of Company Funds” are set forth below.

	Amended Provisions	Pre-amended Provisions	Commentary
<b>Article 2</b>	<p><b>Recipients of Loaned Funds</b></p> <p><u>1.</u>In accordance with Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other recipients except under the following circumstances:</p> <p><u>(1)</u> To companies or firms that engage in business with the Company.</p> <p><u>(2)</u> To companies or firms that require short-term financing from the Company. The term “short-term” shall mean the longer of one year or one operating cycle period of the Company. The reasons and necessary circumstances of loaning funds to recipients shall be limited to the following circumstances:</p> <p><u>A</u> To recipients engaging in business with the Company and require short-term financing.</p> <p><u>B</u> To subsidiaries of the Company, whom due to operational turnover and other business requirements, require short-term financing.</p> <p><u>C</u> To other recipients whom the Company's board of</p>	<p><b>Recipients of Loaned Funds</b></p> <p>In accordance with Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other recipients except under the following circumstances:</p> <p><u>1.</u> To companies or firms that engage in business with the Company.</p> <p><u>2.</u> To companies or firms that require short-term financing from the Company. The term “short-term” shall mean the longer of one year or one operating cycle period of the Company. The reasons and necessary circumstances of loaning funds to recipients shall be limited to the following circumstances:</p> <p><u>(1)</u> To recipients engaging in business with the Company and require short-term financing.</p> <p><u>(2)</u> To subsidiaries of the Company, whom due to operational turnover and other business requirements, require short-term financing.</p> <p><u>(3)</u> To other recipients whom the Company's board of Directors approves fund loaning to.</p>	<p>Revised in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and added paragraph.</p>

	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p style="text-align: center;">Directors approves fund loaning to.</p> <p><u>2. The responsible person of a company who has violated the provisions of the preceding Paragraph 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.</u></p>		
<b>Article 3</b>	<p><b>Total Loan Amount and Loan Limits of each Recipient</b></p> <p>1. Total Loan Amount: The total amount of funds loaned by the Company shall not exceed <u>40%</u> of the Company's net value, amongst which:</p> <p>(1) For companies or firms engaging in business with the Company, the total amount of funds loaned shall not exceed 10% of the Company's net value.</p> <p>(2) For companies or firms with short-term financing requirements from the Company, the total amount of funds loaned shall not exceed <u>40%</u> of the Company's net value.</p> <p>(omitted)</p> <p>3. Between foreign companies that require fund loaning for financing, which the Company directly or indirectly holds 100% of voting shares, the monetary</p>	<p><b>Total Loan Amount and Loan Limits of each Recipient</b></p> <p>1. Total Loan Amount: The total amount of funds loaned by the Company shall not exceed <u>30%</u> of the Company's net value, amongst which:</p> <p>(1) For companies or firms engaging in business with the Company, the total amount of funds loaned shall not exceed 10% of the Company's net value.</p> <p>(2) For companies or firms with short-term financing requirements from the Company, the total amount of funds loaned shall not exceed <u>30%</u> of the Company's net value.</p> <p>(omitted)</p> <p>3. Between foreign companies that require fund loaning for financing, which the Company directly or indirectly holds 100% of voting shares, the monetary</p>	<p>1. Adjusted the total amount of funds loaned and short-term financing loaned in accordance to Company's operational requirements.</p> <p>2. Revised the third paragraph and added the fourth paragraph in accordance to coordinate with the amendment of the "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies."</p>



	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>amount limitations in the preceding two paragraphs shall not apply. However, the loaning company shall nonetheless stipulate the <u>total loan amount and loan limits to each Recipient</u> and <u>loan term</u> in its fund lending procedures.</p> <p>4. <u>The responsible person of a company who has violated the provisions of the preceding Paragraph 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.</u></p>	<p>amount limitations in the preceding two paragraphs shall not apply. However, the loaning company shall nonetheless stipulate the loan amount and term in its fund lending procedures.</p>	
<b>Article 12</b>	<p><b>Repayment of Loaned Funds</b></p> <p>1. After the loan has been appropriated, the financial, business, credit, and other statuses of the Borrower and guarantor shall be noted on a regular basis. For recipients who have provided collateral, circumstances where any changes to collateral value shall be noted. The Borrower shall be notified <u>two months prior the expiration of the loan term</u> to pay off the principal and interest on the expiration date of the loan.</p>	<p><b>Repayment of Loaned Funds</b></p> <p>1. After the loan has been appropriated, the financial, business, credit, and other statuses of the Borrower and guarantor shall be noted on a regular basis. For recipients who have provided collateral, circumstances where any changes to collateral value shall be noted. The Borrower shall be notified to pay off the principal and interest on the expiration date of the loan <u>or extend its loan term, two months prior the expiration of the loan term.</u></p>	The Borrower should pay off the principal and interest on the expiration date and should not extend its loan term in accordance to Company's operational requirements.
<b>Article 17</b>	<p><b>Disclosure of Information</b> (omitted)</p> <p>5. The term "date of occurrence" under this Procedure shall mean the earlier of the date of</p>	<p><b>Disclosure of Information</b> (omitted)</p> <p>5. The term "date of occurrence" under this Procedure shall mean the earlier of the date of</p>	Revised in accordance to coordinate with the amendment of the "Regulations

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	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<u>contract</u> , date of payment, date of board of Directors' resolution, or any other dates that can confirm the counterpart and amount <u>of the loan</u> .	<u>execution of a transaction</u> , date of payment, date of board of Directors' resolution, or any other dates that can confirm the <u>transaction's</u> counterpart and amount.	Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”
<b>Article 19</b>	<p><b>Implementation and Amendment</b></p> <p>1. <u>After approved by at least half of Audit Committee members and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect.</u> If any Director expresses his/her dissent and whose dissent is recorded or represented in writing, the Company shall deliver such dissent to the shareholders' meeting for discussion. The same shall apply for amendments of this Procedure.</p> <p>2. <u>If approval is not obtained from at least half of all Audit Committee members in the preceding Paragraph, it may be approved by two-thirds or more of all directors and the resolution of the Audit Committee shall be specified in the Board of Directors meeting minutes.</u></p> <p>3. <u>All Audit Committee members and all directors referred to in the preceding Paragraph are calculated based on the actual number of members and directors.</u></p>	<p><b>Implementation and Amendment</b></p> <p><u>This Procedure is passed by the Audit Committee and the board of Directors and submitted for approval by a shareholders' resolution prior to implementation. The board of Directors in its discussion, shall fully consider the opinions of independent Directors and include in the minutes of the board of Directors meeting, record the opinion of the independent Director (specifically, their consent or dissent, and the reasons of his/her dissent).</u> If any Director expresses his/her dissent and whose dissent is recorded or represented in writing, the Company shall deliver such dissent to the shareholders' meeting for discussion. The same shall apply for amendments of this Procedure.</p>	Revised the first paragraph and added the second, third paragraph in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”

Resolution:



4. Discussion on the amendments to the Company’s “Operational Procedures for Making Endorsements and Guarantees”. (proposed by the Board of Directors)
- a. To amend the Company’s “Operational Procedures for Making Endorsements and Guarantees” in accordance with certain provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” as amended and promulgated by the Financial Supervisory Commission on March 7, 2019 Letter No. Financial-Supervisory-Securities-Auditing-1080304826 and in fulfillment of the Company’s operational needs.
- b. Comparisons of pre-amended and amended “Operational Procedures for Making Endorsements and Guarantees” are set forth below.

	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
<b>Article 2</b>	<p><b>The following matters shall fall within the scope of the Procedures :</b></p> <p>I. Financing endorsements and guarantees, including:</p> <p>i. Discounted bill financing.</p> <p>ii. Endorsements and guarantees made for the purposes of another company’s financing needs.</p> <p>iii. Issuance of another negotiable instrument to a non-financial enterprise as security for the purposes of the Company’s financing needs.</p> <p>II. Customs duty endorsements and guarantees, which shall mean the endorsements and guarantees, made for the Company itself or other companies in connection with customs duty matters.</p> <p>III. Other endorsements and guarantees, which shall mean the endorsements and guarantees made in</p>	<p><b>The following matters shall fall within the scope of the Procedures :</b></p> <p>I. Financing endorsements and guarantees, including:</p> <p>i. Discounted bill financing.</p> <p>ii. Endorsements and guarantees made for the purposes of another company’s financing needs.</p> <p>iii. Issuance of another negotiable instrument to a non-financial enterprise as security for the purposes of the Company’s financing needs.</p> <p>II. Customs duty endorsements and guarantees, which shall mean the endorsements and guarantees, made for the Company itself or other companies in connection with customs duty matters.</p> <p>III. Other endorsements and guarantees, which shall mean the endorsements and guarantees made in</p>	Revised the wording

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	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>connection with matters beyond the scope of the preceding two <u>subparagraphs</u>.</p> <p>IV. The Company's creation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.</p>	<p>connection with matters beyond the scope of the preceding two <u>paragraphs</u>.</p> <p>IV. The Company's creation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.</p>	
<b>Article 3</b>	<p><b>The Company may make endorsements and guarantees for the following parties:</b> (omitted)</p> <p>V. Where the Company provides mutual guarantees in accordance with the contract for another company in the same industry or for joint constructors to meet the demand under a construction project, or where all shareholders making Capital Contribution to a jointly invested company make endorsements and guarantees for such company in proportion to their shareholding ratio, such endorsements and guarantees may be made free of the restrictions under the preceding <u>Subparagraph</u>.</p> <p>The "Capital Contribution" under Subparagraph V refers to direct capital contribution by the</p>	<p><b>The Company may make endorsements and guarantees for the following parties:</b> (omitted)</p> <p>V. Where the Company provides mutual guarantees in accordance with the contract for another company in the same industry or for joint constructors to meet the demand under a construction project, or where all shareholders making Capital Contribution to a jointly invested company make endorsements and guarantees for such company in proportion to their shareholding ratio, such endorsements and guarantees may be made free of the restrictions under the preceding <u>Subparagraph I to Subparagraph IV</u>.</p> <p>The "Capital Contribution" under Subparagraph V refers to</p>	Revised the wording



	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the shares.	direct capital contribution by the Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the shares.	
<b>Article 8</b>	<p><b>Announcement and reporting procedures</b> (omitted)</p> <p>II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two days from the Date of Occurrence:</p> <p>i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>iii. The balance of endorsements and guarantees by the</p>	<p><b>Announcement and reporting procedures</b> (omitted)</p> <p>II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two days from the Date of Occurrence:</p> <p>i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>iii. The balance of endorsements and guarantees by the</p>	Revised in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”

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	<b>Amended Provisions</b>	<b>Pre-amended Provisions</b>	<b>Commentary</b>
	<p>Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements and guarantees for, <u>the book amount of investments accounted for using equity method</u>, and balance of loans to such enterprise reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement</p> <p>iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>(omitted)</p> <p>V. The "Date of Occurrence" in the Procedures refers to the earlier of: <u>date of contract</u>, date of payment, date of the boards of Directors' resolution, or other date when the counterparty and the amount <u>for making endorsements and guarantees</u> can be confirmed.</p>	<p>Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements and guarantees for, <u>investment of a long-term nature in</u>, and balance of loans to such enterprise reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement</p> <p>iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its latest financial statement.</p> <p>(omitted)</p> <p>V. The "Date of Occurrence" in the Procedures refers to the earlier of: <u>execution date of the transaction</u>, date of payment, date of the boards of Directors' resolution, or other date when the counterparty and the amount <u>of the transaction</u> can be confirmed.</p>	
<b>Article 12</b>	<b><u>Implementation and amendment</u></b>	<b><u>Enactment and amendment</u></b> After <u>adoption of the Procedures</u>	Revised the first paragraph and



	Amended Provisions	Pre-amended Provisions	Commentary
	<p>1. After <u>approved by at least half of all Audit Committee members</u> and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect. <u>If any Director expresses his/her dissent and whose dissent is recorded or represented in writing</u>, the Company shall <u>deliver such dissent</u> to the shareholders' meeting for discussion. The same shall apply for amendments of this Procedure.</p> <p>2. <u>If approval is not obtained from at least half of all Audit Committee members in the preceding Paragraph, it may be approved by two-thirds or more of all directors and the resolution of the Audit Committee shall be specified in the Board of Directors meeting minutes.</u></p> <p>3. <u>All Audit Committee members and all directors referred to in the preceding Paragraph are calculated based on the actual number of members and directors.</u></p>	<p><u>by the Audit Committee and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect. The board of Directors shall fully consider the opinions of each independent Director in their discussion, and the independent Directors' opinions expressly stating assent or dissent as well as the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting.</u> <u>Where any Director expresses dissent and such dissent is recorded in the minutes or stated in a written statement, the Company shall submit the dissenting opinions to the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.</u></p>	<p>added the second, third paragraph in accordance to coordinate with the amendment of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

Resolution:

**D.Election Matter**

1. Election of all Directors, including three independent Directors, of the Company.  
(proposed by the Board of Directors)
  - a. The term of the 22<sup>nd</sup>-term Board of Directors will expire on June 14, 2019, and the annual meeting of shareholders is planned to elect the 23<sup>rd</sup>-term Board of Directors on June 13, 2019.
  - b. According to Article 192-1 of the Company Act and Article 15 of the Company's "Articles of Incorporation", nine directors (including three independent directors) shall be elected by adopting the candidate nomination system from a list of candidates during the shareholders' meeting. New directors shall assume office on the day of the election for a total term of three years starting from June 13, 2019 to June 12, 2022.
  - c. List of candidates of directors (including independent directors) is as follows:

**Pou Chen Corporation**

**List of Director Candidate (proposed by the Board of Directors)**

Type	Candidates	Education	Experience	Share Ownership
Director	PC Brothers Corporation (Representative: Chan, Lu-Min)	Statistics Department, National Chung Hsing University	Chairman of Pou Chen Corporation Executive Director of Yue Yuen Industrial (Holdings) Limited President of the Administration Management Department of Pou Chen Corporation	213,280,710
Director	Tsai, Pei-Chun	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	Director of Pou Chen Corporation Managing Director and Executive Director of Yue Yuen Industrial (Holdings) Limited Non-executive Director of Pou Sheng International (Holdings) Limited	4,177,779
Director	Tzong Ming Investments Co., Ltd. (Representative: Tsai, Min-Chieh)	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	Director of Pou Chen Corporation Financial Analytics, Bloomberg News, USA	6,340,933
Director	Ever Green Investments Corporation (Representative: Lu, Chin-Chu)	Master Degree in Business Administration, National Chung Hsing University	Director of Pou Chen Corporation Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited President of Pou Chen Corporation	23,216,045



Type	Candidates	Education	Experience	Share Ownership
Director	Sheachang Enterprise Corporation (Representative: Tsai, Ming-Lun)	Master Degree in Design Studies, Harvard University, USA	Director of Pou Chen Corporation Executive Director of Yue Yuen Industrial (Holdings) Limited Vice President of Pou Chen Corporation	4,413,010
Director	Lai Chia Investments Co., Ltd. (Representative: Ho, Yue-Ming)	Master Degree in Laws, National Taiwan University	Director of Pou Chen Corporation Vice President of Pou Chen Corporation Vice President of HTC Corporation	2,677,700
Independent Director	Chen, Bor-Liang	Ph.D. in Applied Mathematics, National Chiao Tung University	Professor of Business Administration, National Taichung University of Science and Technology Professor of Applied Mathematics Department, Tunghai University Independent Director of Pou Chen Corporation	3,374
Independent Director	Chiu, Tien-I	S.J.D., Tunghai University	Managing Partner, Chiu & Chien, Attorneys at Law Adjunct Assistant Professor of Financial and Economic Law Department, Chung Yuan Christian University Adjunct Assistant Professor of the Business Administration Department, National Central University Independent Director of Pou Chen Corporation	0
Independent Director	Chen, Huan-Chung	Industrial Mangement Department , National Taiwan University of Science and Technology	Vice President of E.Sun Bills Finance Corporation Supervisor of Pou Chen Corporation Independent Director of Pou Chen Corporation Independent Non-executive Director of Pou Sheng International (Holdings) Limited Partner of Wang Tong & Co., CPAs	0

c. Hereby submitted for election.

Results of the election:

**E. Other Matters**

1. Proposal for release the Directors of the Company from non-competition restrictions.

(proposed by the Board of Directors)

- a. Pursuant to Article 209 of the Company Act, a director engaging activities either for himself or on behalf of another person that are within the scope of the Company's business, shall explain at the shareholders' meeting the essential details of such activities and obtain the shareholders' approval for engaging in such activities.
- b. Proposal for release the prohibition on the candidates of directors (including independent director) of the Company from participation in competitive business as follow:

Type	Candidates	Released Restriction
Director	Chan, Lu-Min	Chairman of Barits Development Corporation, Chairman of Song Ming Investments Co., Ltd., Chairman of Yu Hong Development Co., Ltd., Chairman of Techview International Technology Inc., Chairman of Pou Zhi Investments Co., Ltd. Executive Director of Yue Yuen Industrial (Holdings) Limited Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited Director of the subsidiaries of Wealthplus Holdings Limited Director of Pou Chien Enterprise Co., Ltd., Director of Ruen Chen Investment Holding Co., Ltd., Director of Nan Shan Life Insurance Co., Ltd. Director of Footwear & Recreation Technology Research Institute Director of Oftenrich Holdings Limited Director of Brilliant Ocean Limited Director of Often Best Limited Director of Vantage Capital Investments Limited Director of Pearl Dove International Limited Director of Metro Power Technology Limited Director of Key Team Investments Limited Director of Golden Brands Developments Limited
Director	Tsai, Pei-Chun	Managing Director and Executive Director of Yue Yuen Industrial (Holdings) Limited Director of Chih-Chun Co., Ltd. Non-executive Director of Pou Sheng International (Holdings) Limited
Director	Tsai, Min-Chieh	Director of Chih-Chun Co., Ltd. Director of Nan Shan Life Insurance Co., Ltd.



Type	Candidates	Released Restriction
Director	Lu, Chin-Chu	Chairman of Pou Chien Technology Co., Ltd., Chairman of Pou Chien Enterprise Co., Ltd., Chairman of Pou Hui Investments Co., Ltd. Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited Director of the subsidiaries of Wealthplus Holdings Limited Director of Barits Development Corporation Director of Yue Dean Technology Corporation Director of San Fang Chemical Industry Co., Ltd., Non-executive Director of Prosperous Industrial (Holdings) Ltd. Director of Zhong Ao Multiplex Management Group Co., Ltd. Director of Best Focus Holdings Limited Director of Crystalyte Industrial Limited Director of Hong Kong Jian Long Limited
Director	Tsai, Ming-Lun	Executive Director of Yue Yuen Industrial (Holdings) Limited Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited
Director	Ho, Yue-Ming	Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited Director of Elitegroup Computer Systems Co., Ltd. Director of Hua Jian Industrial Holding Co., Limited
Independent Director	Chen, Huan-Chung	Independent Non-executive Director of Pou Sheng International (Holdings) Limited

Resolution:

**F.Extraordinary Motions**

**G.Adjournment**

### III. Appendix

#### Appendix 1

## POU CHEN CORPORATION Articles of Incorporation

Adopted by shareholders' meeting on June 15, 2017

### Section I General Provisions

- Article 1** The name of company shall be Pou Chen Corporation (寶成工業股份有限公司) (the "Company"). The Company is duly organized in accordance with the Company Act of Taiwan.
- Article 2** The business to be operated by the Company is as follows:
- (1) CK01010 Footwear Manufacturing.
  - (2) C301010 Yarn Spinning Mills.
  - (3) C302010 Knit Fabric Mills.
  - (4) C303010 Non-woven Fabrics Mills.
  - (5) C306010 Outerwear Knitting Mills.
  - (6) C307010 Apparel, Clothing Accessories and Other Textile Product Manufacturing.
  - (7) C399990 Other Textile Products Manufacturing.
  - (8) C801120 Manmade Fiber Manufacturing.
  - (9) CJ01010 Hat Manufacturing.
  - (10) F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products.
  - (11) F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products.
  - (12) F113010 Wholesale of Machinery.
  - (13) F213080 Retail Sale of Machinery and Equipment.
  - (14) CC01080 Electronic Parts and Components Manufacturing.



- (15) CC01120 Data Storage Media Manufacturing and Duplicating.
- (16) F119010 Wholesale of Electronic Materials.
- (17) F219010 Retail Sale of Electronic Materials.
- (18) F401010 International Trade.
- (19) I199990 Other Consultancy (consultation on shoe-manufacturing techniques).
- (20) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

**Article 2-1** Investments in other businesses by the Company may be exempt from the maximum investment restriction under Article 13 of the Company Act.

**Article 3** The Company may act as a guarantor of another party if required for its business purposes.

**Article 4** The Company is headquartered in Chang Hwa County. If required, the Company may establish factories or branches in Taiwan or overseas by board of Directors resolution.

**Article 5** Deleted.

### Section II Shares

**Article 6** The registered share capital of the Company shall be forty five billion New Taiwan Dollars (NT\$ 45,000,000,000), divided into four billion-and-five hundred million (4,500,000,000) shares at a par value of exactly ten New Taiwan Dollars (NT\$ 10) per share. Among the Company's above share capital, three hundred million shares in the amount of three billion New Taiwan Dollars (NT\$ 3,000,000,000) shall be reserved for issuance upon the exercise of any employee stock options, equity warrants issued with preferred shares or equity warrant bonds. The board of Directors is authorized to issue the unissued shares in installments in Taiwan or overseas depending on actual needs in accordance with the Company Act and relevant laws and regulations.

**Article 6-1** Upon resolution adopted by two thirds or more of the votes of shareholders present at the shareholders' meeting that is attended by shareholders representing more than half of the total issued and outstanding shares of the

Company, the Company may buy back its shares and transfer such shares to its employees at a price lower than the average price of all shares bought back by the Company, or issue employee stock options with the exercise price lower than the closing price of the issuing date.

**Article 7** The Company's shares shall be registered and numbered, bear the signatures or personal seals of at least three Directors, and be issued upon certification by the competent authority or its designated registration agency. The Company may issue shares without certificates, or issue one certificate for the total number of shares newly issued at the time which shall be registered or deposited with a central securities depository.

**Article 8** The Company's shareholder shall register his/her/its name, address, chop specimen card and the national ID card number/business administration number, and any changes to such information, with the Company or the stock agency for records. The shareholder shall affix his/her/its specimen chop for purpose of receiving stock dividends and bonuses or exercising shareholders' rights in writing.

**Article 9** Unless otherwise prescribed by laws or securities regulations, the Company Act and other relevant laws shall apply to the Company's shareholder's share transfer, share loss report, inheritance of shares, gratuitous giving of shares, loss report or change of the chop, or report of change of address.

**Article 10** Registration for the transfer of shares shall not be done within sixty days preceding the date of the annual general meeting of shareholders', thirty days preceding the date of any shareholders' special meeting or five days preceding the designated reference date for the distribution of dividends, bonus or other interests.

### **Section III Shareholders' Meeting**

**Article 11** There are two types of shareholders' meeting: annual general meeting of shareholders and special meeting of shareholders. The annual general meeting of shareholders shall be convened at least once a year within six months after the end of every fiscal year. Except as otherwise provided for by the Company Act, special meetings of shareholders shall be convened as necessary by the



board of Directors.

**Article 11-1** Prior to the annual general meeting of shareholders, the Company shall determine and announce the procedures, location, time period, and other matters relating to accepting shareholders' proposals in accordance with Article 172-1 of the Company Act.

**Article 12** When the Company convenes shareholders' meetings, the shareholders may exercise their voting rights in writing or by way of electronic transmission. A shareholder who is unable to attend the shareholders' meeting may appoint another person to attend as his/her/its proxy in accordance with Article 177 of the Company Act by using the proxy form provided by the Company to set forth the scope of authorization. Except as otherwise prescribed by the Company Act, the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies as promulgated by the regulatory authority shall apply to attendance by proxy.

**Article 13** Except as otherwise prescribed by laws, each share of the Company is entitled to one vote.

**Article 14** Except as otherwise required by the Company Act, a proposal shall be adopted with the approval of more than half of the votes of the shareholders present at the shareholders' meeting attended by shareholders representing more than half of the total issued and outstanding shares of the Company.

#### **Section IV Directors**

**Article 15** The Company shall have nine Directors. The board of Directors shall be elected from a list of nominated candidates at the shareholders' meeting for a term of three years. Re-elected Directors may serve consecutive terms. The shareholding ratio of all Directors collectively shall be subject to rules provided by the securities regulatory authority.

At least three Directors and at least one fifth of all incumbent Directors shall be independent Directors. Regulations governing independent Directors' professional qualifications, shareholding, holding of concurrent positions, as well as assessment of independence, procedures of nomination and other related matters shall be adopted by the regulatory authority.

**Article 16** The board of Directors shall consist of Directors. The chairman of the board shall be elected from and among the Directors by the approval of more than half of the Directors present at a meeting attended by at least two thirds of the Directors holding office, and a vice chairman may be elected in the same manner if the Company's business so requires. The chairman of the board shall have the authority to represent the Company.

**Article 16-1** The Company may pay compensation to Directors performing duties for the benefit of the Company regardless of the Company's profit performance. The board of Directors is authorized to determine, according to the general standards adopted by the industry, Directors' compensation based on the level and value of contributions to the Company's operations.

**Article 17** The board of Directors' meeting shall be convened at least once every quarter of each year.

In calling a board of Directors' meeting, a notice setting forth the item(s) to be discussed at the meeting shall be given to each Director at least seven days prior to the scheduled meeting date, unless in the event of emergency, Directors' meeting may be convened at any time.

Conventions of meetings under the preceding paragraph may be done in writing or by facsimile or electronically.

Except as otherwise prescribed by laws, any resolution of the board of Directors shall only be adopted with the approval by more than half of the Directors present at the meeting attended by more than half of all Directors.

A Director who has personal interests in any of the items on the meeting agenda shall disclose the material aspects of such personal interest at the meeting.

When board of Directors' meetings is held by means of video conference, the Directors participating in such meetings via webcam shall be deemed to have attended the meetings in person. If a Director is unable to attend a meeting for any reason, such Director may appoint another Director as his or her proxy by using a letter of appointment setting forth the scope of authorization with respect to each subject to be discussed at the meeting. A Director may only be



appointed as proxy by one other Director.

The Company's board of Directors may establish different types of functional committees.

**Article 17-1** The Company may acquire liability insurance for its Directors.

**Article 18** The powers and duties of the board of Directors are as follows:

- (1) To approve the appointment and removal of officers.
- (2) To determine the establishment and dissolution of subsidiaries and branches.
- (3) To propose and discuss the amendments to the Articles of Incorporation.
- (4) To review budgets and final accounts.
- (5) To review and supervise the implementation of annual business plan.
- (6) To propose and discuss the offer of all or material parts of the Company's assets for assignment under "dian," sale, lease, pledge, mortgage or any other disposal.
- (7) To approve the Company's long-term investments in other businesses.
- (8) To propose and discuss the profit distribution and loss offset.
- (9) To determine the increase or decrease of capital.
- (10) To approve the Company's staffing quota and compensation structure.
- (11) To select and engage independent auditors.
- (12) To approve material contracts.
- (13) To conduct any matter other than those that shall be resolved at shareholders' meetings under the Company Act or the Articles of Incorporation.

**Article 19** The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall consist of independent Directors only. The audit committee and members of the committee shall be responsible for performing duties as prescribed for Supervisors' by the Company Act, Securities and Exchange Act and other

regulations.

#### **Section V Officers and Staff**

**Article 20** The Company may have a president and other officers, the appointment, removal, and compensation of whom shall be subject to Article 29 of the Company Act.

**Article 21** Deleted.

#### **Section VI Accounting**

**Article 22** The fiscal year of the Company shall begin on January 1 and end on December 31 of each year. After each fiscal year, the board of Directors shall prepare the following reports and submit the reports to the annual general shareholders' meeting for ratification in accordance with the legally mandated procedures:

- (1) Business report.
- (2) Financial statements.
- (3) Proposal for Distribution of profits or Deficit Compensation.

**Article 23** The Company shall appropriate 1 to 5% of the profit of the fiscal year (profit shall mean the income before income tax less Employees' compensation and Directors' remuneration) for employees' compensation and may appropriate no higher than 3% of the same profit as Directors' remuneration. Such employees' compensation may be in the form of stock or cash by the resolution of the board of Directors. Employees eligible for such compensation may include those of the Company's subsidiaries meeting certain conditions.

In the presence of accumulated loss, the Company shall allocate an amount to recover such loss before appropriating any employees' and Directors' remuneration in accordance with the ratios prescribed by the preceding paragraph.

**Article 23-1** The Company's annual net profits should be appropriated as follows:

- (1) For paying taxes.
- (2) For offsetting deficits.



- (3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.
- (4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.

Profits may be distributed after taking into consideration financial, business and operational factors. The distribution of profits shall be proposed by the board of Directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profits.

#### **Section VII Miscellaneous**

**Article 24** Matters not addressed in these Articles of Incorporation shall be governed by the Company Act.

**Article 25** These Articles of Incorporation was adopted on August 15, 1969. The first amendment was made on April 18, 1971. The second amendment was made on November 26, 1972. The third amendment was made on July 15, 1973. The fourth amendment was made on August 20, 1974. The fifth amendment was made on February 8, 1976. The sixth amendment was made on August 1, 1976. The seventh amendment was made on June 15, 1977. The eighth amendment was made on December 25, 1977. The ninth amendment was made on February 26, 1978. The tenth amendment was made on November 24, 1978. The eleventh amendment was made on December 31, 1981. The twelfth amendment was made on March 18, 1982. The thirteenth amendment was made on June 10, 1984. The fourteenth amendment was made on September 30, 1984. The fifteenth amendment was made on April 10, 1985. The sixteenth amendment was made on July 15, 1985. The seventeenth amendment was made on November 2, 1987. The eighteenth amendment was made on April

30, 1988. The nineteenth amendment was made on April 20, 1989. The twentieth amendment was made on August 7, 1989. The twenty-first amendment was made on April 10, 1990. The twenty-second amendment was made on April 12, 1991. The twenty-third amendment was made on May 18, 1992. The twenty-fourth amendment was made on May 25, 1993. The twenty-fifth amendment was made on May 27, 1994. The twenty-sixth amendment was made on May 31, 1995. The twenty-seventh amendment was made on May 13, 1997. The twenty-eighth amendment was made on April 21, 1998. The twenty-ninth amendment was made on June 22, 2000. The thirtieth amendment was made on April 10, 2001. The thirty-first amendment was made on June 12, 2002. The thirty-second amendment was made on June 12, 2003. The thirty-third amendment was made on June 9, 2004. The thirty-fourth amendment was made on June 14, 2005. The thirty-fifth amendment was made on June 14, 2005. The thirty-sixth amendment was made on June 14, 2006. The thirty-seventh amendment was made on April 24, 2007. The thirty-eighth amendment was made on June 13, 2008. The thirty-ninth amendment was made on June 16, 2009. The fortieth amendment was made on June 17, 2010. The forty-first amendment was made on June 15, 2012. The forty-second amendment was made on June 14, 2013. The forty-third amendment was made on June 12, 2015. The forty-fourth amendment was made on June 15, 2016. The forty-fifth amendment was made on June 15, 2017. These Articles of Incorporation and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.



## **POU CHEN CORPORATION**

### **Rules for Election of Directors**

Adopted by shareholders' meeting on June 15, 2016

**Article 1** The election of the Directors of Pou Chen Corporation (the “Company”) shall comply with the Rules for Election of Directors (the “Rules”) unless otherwise provided by the laws or the Company’s Articles of Incorporation.

**Article 2** The election of the Directors of the Company shall consider the composition of the board of Directors, formulating an appropriate policy on diversity based on the Company’s business operations, operating dynamics and development needs, including but not limited to these two general criteria:

1. Basic criteria and personal values including gender, age, nationality and culture background.
2. Professional knowledge and skills: a professional background (e.g. law, accounting, industry, finance, marketing, technology), professional skills, and industry experience, and the knowledge, skills and experience necessary to perform their duties.

All members of the board of Directors shall possess skills in the following areas:

1. Ability to exercise sound business judgment
2. Ability to perform accounting and financial analysis
3. Business administration skills
4. Ability to conduct crisis management
5. Knowledge of the industry
6. A global market perspective
7. Leadership skills
8. Decision-making skills

A spousal or familial relationship within the second degree kinship may not exist among more than half of the board of Directors’ seats.

The board of Directors shall consider adjusting its composition based on the results of the performance evaluations.

**Article 3** The qualifications and election of independent Directors of the Company shall comply with Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies and Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.

**Article 4** The Directors of the Company election shall adopt the candidate nomination system according to Article 192-1 of the Company Act. In reviewing the qualifications, education and experience of the candidates, and whether there are circumstances set forth in Article 30 of the Company Act involved, the Company shall not require any shareholder who nominates a candidate to provide additional documentation other than as prescribed in Article 192-1 of the Company Act, and shall furnish the results of their review to shareholders to allow well qualified Directors to be elected.

If the number of Directors falls below five due to the removal of one or more Directors of the Company for any reason, the Company shall elect new Directors to fill such vacancies at its next shareholders' meeting. If the vacancies of the board of Directors reaches one third of the total number of the board of Directors' seats prescribed in its Articles of Incorporation, the Company shall call a special shareholders' meeting within 60 days from the occurrence of such event and elect Directors to fill the vacancies.

If the number of independent Directors falls below what is required under Article 14-2, Paragraph 1 of the Securities and Exchange Act or the related provisions of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, an election shall be held at the next shareholders' meeting to fill such vacancy. In the event where all the independent Directors are removed, the Company shall call a special shareholders' meeting within 60 days from the occurrence of such event to elect new independent Directors to fill the vacancies.

**Article 5** The Directors of the Company election shall adopt the cumulative voting system. The number of votes exercisable in respect of each share shall be the same as the number of Directors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates.



**Article 6** The board of Directors shall prepare the ballots in the number equal to the number of Directors to be elected, with the number of votes being noted on the ballots; and distribute the ballots to the shareholders who are present at the shareholders' meeting. The name of the voters may be represented by the attendance number printed on their ballots.

**Article 7** The Company's Directors shall be elected in accordance with the number of Directors to be elected specified in the Company's Articles of Incorporation. The number of votes received by the independent Directors and non-independent Directors shall be calculated separately. A candidate to whom the ballots cast represent the highest number of votes shall be deemed an elected Director or independent Director. If two or more candidates receive the same number of votes, which consequently exceeds the number of Directors or independent Directors to be elected, such candidates who received the same number of votes shall draw lots to decide the winner; if such candidate(s) is/(are) not present, the chairman shall draw lots on behalf of the candidate(s).

**Article 8** Before the election begins, the chairman shall designate a number of persons to count the ballots and a number of persons that are shareholders of the Company to supervise the casting of the ballots, each of which shall then respectively perform their relevant functions accordingly. A ballot box prepared by the board of Directors shall be examined in public by persons supervising the casting of the ballots before the ballots are cast.

**Article 9** In the event that the candidate is a shareholder of the Company, the voters voting for such a candidate shall fill in the candidate column on the ballot such candidate's account name and shareholder account number. In the event that the candidate is not a shareholder of the Company, the voters voting for such a candidate shall fill in the candidate column on the ballot such candidate's name and personal identification documents number. In the event that the candidate is a government or a corporate shareholder, the voters voting for such a candidate shall fill in the candidate column on the ballot with the name of such government or such corporate shareholder, or the name of such government or such corporate shareholder together with the name of such government's or such corporate shareholder's representative; when there are multiple representatives,

the names of all representatives shall be listed.

**Article 10** A ballot is deemed void if any of the following circumstances apply:

1. Any ballot is cast without using the ballot prepared by the board of Directors.
2. Any blank ballot is cast.
3. Any ballot with illegible writing rendering it unrecognizable; or any ballot with corrections, is cast.
4. Where the candidate voted for is a shareholder of the Company, and such candidate's account name and shareholder account number filled in in the ballot is inconsistent with that on the shareholder registry; or if the candidate voted for is not a shareholder of the Company and his name and personal identification documents number are incorrect.
5. Any ballot which is filled in with characters other than the account name (or name), account number (or personal identification documents number) and number of votes cast.
6. The name of the candidate voted for is identical to that of another shareholder, and no account number or personal identification documents number of the candidate is filled in on the ballot to identify such candidate.

**Article 11** The ballots shall be counted during the shareholders' meeting immediately after they have been cast and the results shall be announced by the chairman at such shareholders' meeting, including the names of the Directors elected and the number of votes received.

The ballots in the preceding paragraph shall be sealed and signed by the persons supervising the casting of the ballots and kept for at least one year; provided, however, ballots concerning an action filed by a shareholder according to Article 189 of the Company Act shall be kept until the process has been concluded.

**Article 12** The board of Directors of the Company shall deliver a written notification to each of the elected Directors.

**Article 13** The Rules and any amendments thereafter shall become effective upon resolution at the general meeting of shareholders.



## **POU CHEN CORPORATION**

### **Rules and Procedures of Shareholder Meetings**

Adopted by shareholders' meeting on June 15, 2016

#### **Article 1 (Applicable Laws and Regulations)**

Except as otherwise provided in relevant laws or Pou Chen Corporation (the "Company")'s Articles of Incorporation, the Company's shareholders' meetings shall be held in accordance with these Rules and Procedures of Shareholders' Meetings (these "Rules and Procedures").

#### **Article 2 (Convention of Shareholders' Meeting and Meeting Notice)**

Except as otherwise provided in relevant laws, the Company's shareholders' meetings shall be convened by the board of Directors.

The Company shall make the meeting notice, proxy form, short title for ratification proposals, discussion proposals and election or removal of Directors, and other explanatory information into electronic files and submit such files onto the Market Observation Post System (the "MOPS") website thirty days before the regular shareholders' meeting or fifteen days before the special shareholders' meeting. The Company shall also make the handbook for shareholders' meetings and other supplementary materials into electronic files and submit these files onto the MOPS website twenty one days before the regular shareholders' meeting or fifteen days before the special shareholders' meeting. The Company shall prepare the handbook for shareholders' meetings and other supplementary materials fifteen days before the shareholders' meeting for shareholders to ask for at any time, exhibit these documents in the Company and the professional agency appointed by the company to handle the share-related affairs for the company, and distribute such documents at the shareholders' meeting.

The reasons for convening the shareholders' meeting shall be indicated in the notice and the announcement to the shareholders; and the notice may be delivered by means of electronic transmission with prior consent from the recipient(s).

Matters pertaining to election or removal of Directors, amendments to the Articles of

Incorporation, dissolution, merger, spin-off, or any matters as set forth in Article 185 Paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the shareholders' meeting, and shall not be brought up as extemporary motions.

Shareholders holding 1% or more of the total number of outstanding shares of the Company may propose to the Company a proposal at regular shareholders' meetings, provided that only one matter is allowed in such a proposal, and proposals with more than one matter will not be included in the agenda. In addition, if there are any of the circumstances listed in Paragraph 4, Article 172-1 of the Company Act in the proposal raised by a shareholder, the board of Directors may choose not to list such a proposal in the agenda.

Prior to the date on which share transfer registration is suspended before the convention of the regular shareholders' meeting, the Company shall publish an announcement stating the place and the time period for shareholders to submit proposals to be resolved at the meeting; and the time period for accepting such proposals shall not be less than ten days.

The number of words in the proposal proposed by a shareholder shall be no more than three hundred words, and any proposal with more than three hundred words will not be included in the agenda. A shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting where the proposal is to be resolved and shall take part in the discussion of such a proposal.

The Company shall, prior to delivering the meeting notice, inform all the shareholders who have submitted proposals of whether their proposals are accepted, and shall list in the meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not listed in the agenda of the meeting, the reasons for not listing such proposals shall be explained by the board of Directors at the shareholders' meeting.

**Article 3 (Attending Shareholders' Meetings by Proxy and Authorization)**

A shareholder may appoint, per meeting, another person to attend as his/her/its proxy by using the proxy form provided by the Company to set forth the scope of



authorization.

A shareholder may only use one proxy form and appoint one proxy only, and shall serve such proxy form to the Company no later than five days prior to the meeting date of the shareholders' meeting. In the event that two or more proxy forms are received from one shareholder, the first proxy form served to the Company shall prevail, unless an explicit statement to revoke the previous proxy form is made in the proxy form that is later served to the Company.

After the service of the proxy form to the Company, in the event that the shareholder issuing the said proxy form intends to attend the shareholders' meeting in person or to exercise the voting rights in writing or by way of electronic transmission, a written notice to rescind the proxy form shall be filed with the Company two days prior to the date of the shareholders' meeting, or otherwise the voting rights exercised by the authorized proxy at the meeting shall prevail.

**Article 4 (Principles for the Venues and Times of Shareholders' Meetings)**

The shareholders' meeting shall be held at the Company's place of business or any other place that is convenient for the shareholders to attend and appropriate to convene such meeting, and shall commence at a time no earlier than 9:00 a.m. and no later than 3:00 p.m. The decision of the place and time for the meeting shall be made taking the independent Directors' opinions into full consideration.

**Article 5 (Preparation of Attendance Register and other Documents)**

The Company shall set forth in the meeting notice the time and place for shareholders to sign in, and any other matters to be noted by the Shareholders.

The time for shareholders to sign in under the preceding paragraph shall begin at least thirty minutes earlier than the meeting commencement time. There shall be a conspicuous sign to indicate the place for shareholders to sign in, and sufficient and proper personnel shall be at such place to handle relevant matters.

Shareholder or their proxies (hereinafter "Shareholders") may only attend the meeting with his/her/its attendance card, sign-in card or other attendance identification papers.

The solicitor of proxies shall also bring his/her identity document for further check.

The Company shall prepare an attendance register for shareholders or their proxies (hereinafter "Shareholders") to sign in, which may be substituted with the sign-in card submitted by Shareholders attending the meeting.

The Company shall deliver to Shareholders attending the meeting the handbook for the meeting, the annual report, the attendance card, a slip of paper for comments, voting ballots and other meeting information. Where there are proposals to elect the Directors at meetings, the Company shall also deliver the election ballots to Shareholders attending such meetings.

When Shareholders are governments or legal persons, there may be multiple representatives attending the meeting on behalf of such Shareholders. In the event that a legal person attends a meeting as a proxy, there may only be one representative appointed by such legal person.

**Article 6 (Chairperson and Attendees of Shareholders' Meeting)**

For the shareholders' meeting convened by the board of Directors, such meeting shall be chaired by the chairman of the board. In case the chairman is on leave or cannot exercise his authority for any reason, the vice chairman shall act on his behalf. In case there is no vice chairman, or the vice chairman is also on leave or unable to exercise his authority for any reason, the chairman shall designate one of the Directors to act on his behalf. In the absence of such designation, the Directors shall elect from among themselves an acting chairman to act on the chairman's behalf.

A Director shall have served as a Director in the Company for six months or more to act on behalf of the chairman in accordance with the preceding paragraph. The same should apply to the situation where the chairman is the representative of a Director that is a legal person.

When the shareholders' meeting is convened by the board of Directors, it is advised that the chairman of the board of Directors preside at such meeting, having more than half of the Directors and at least one member from each of the functional committees present at the meeting. The attendance shall be recorded in the minutes of the shareholders' meeting.

If the shareholders' meeting is convened by a person with the authority to convene other than the board of Directors, such person shall act as the chairman at that meeting; provided, however, if there are more than one person with the authority to convene, the chairman for the meeting shall be appointed from among them.

The Company may designate legal counsel, certified public accountants, and other relevant personnel to attend the shareholders' meetings in a non-voting capacity.



**Article 7 (Records of Process of Shareholders' Meeting)**

The Company shall tape record and videotape, without interruption, the whole process of Shareholders' signing in, the meeting and casting and counting of the ballots.

The tape-recorded and videotaped records shall be kept for at least one year, provided that where there is litigation brought by the shareholder pursuant to Article 189 of the Company Act, such records shall be kept until the litigation ends.

**Article 8 (Share Number Calculation for Attendance at Shareholders' Meetings and Convention of Meetings)**

The attendance of shareholders' meetings shall be calculated based on the number of shares held by Shareholders attending such meetings, which shall be determined according to the attendance register or the sign-in cards submitted by Shareholders, adding the number of voting shares where voting rights are exercised by means of written notice or electronic transmission.

Upon the scheduled meeting time, the chairman shall call the meeting to order. The chairman may adjourn the meeting if the number of shares of the Shareholders present do not exceed half of the total number of issued and outstanding shares, which meeting may be postponed up to two times, with the total adjournment time not exceeding one hour. If, after two postponements, the number of shares present still does not meet one-third of the total issued and outstanding shares, the chairman shall cancel the meeting.

If, after two postponements in accordance with the preceding paragraph, the number of shares of the Shareholders present still does not meet the aforementioned threshold but represent one-third or more of the total issued and outstanding shares, tentative resolutions may be adopted in accordance with Article 175 of the Company Act, and a shareholders' meeting shall be convened within one month after the meeting in which the tentative resolutions were adopted.

If, before the meeting in which the tentative resolutions are adopted is adjourned, the number of shares present reaches more than half of the total issued and outstanding shares, the chairman may re-submit the tentative resolution for approval at the meeting in accordance with Article 174 of the Company Act.

**Article 9 (Discussion of Proposals)**

Agendas for shareholders' meetings shall be set by the board of Directors if such meetings are convened by the board of Directors. Unless otherwise resolved by resolution at the shareholders' meetings, the meetings shall be carried out in accordance with the scheduled agenda.

The preceding paragraph shall apply mutatis mutandis to meetings convened by any person, other than the board of Directors, with the authority to convene such meeting.

In respect of the scheduled agenda referred to in the preceding two paragraphs, the chairman may not, absent a resolution, unilaterally announce the adjournment of the meeting before all of the items on such agenda (including ad hoc motions) have been resolved. If the chairman announces its adjournment in violation of the Rules and Procedures, other Directors of the board shall promptly assist the Shareholders present to elect, in accordance with legal procedures, one person to act as chairman to continue the meeting with more than half of the votes of the Shareholders present.

For proposals and amendments to the proposals and ad hoc motions proposed by the Shareholders, the chairman shall ensure there is adequate opportunity for explanation and discussion. If the chairman believes that the discussion for a proposal has reached a level where a vote may be called, the chairman may announce to end such discussion and call for a vote.

**Article 10 (Speeches of Shareholders)**

Before Shareholders make speeches, such Shareholders shall submit a slip of paper, noted with such Shareholders' shareholder account number (or the attendance card number) and account name, summarizing his/her/its comments, for the chairman to determine the speaking order.

Attending Shareholders who submit slips but does not speak at a shareholders' meeting is deemed to have not spoken; in the event of any inconsistency between the contents of a Shareholder's speech and those recorded on the slip, the contents of the Shareholder's speech shall prevail.

Unless otherwise agreed to by the chairman, a Shareholder may speak on a single proposal up to two times, each time no more than five minutes in length. The chairman may stop the speech of any Shareholder that is in violation of relevant rules or exceeds the scope of their proposal.



When an attending Shareholder is speaking at the meeting, no other Shareholder shall interrupt the speech of the speaking Shareholder unless otherwise permitted by the chairman and such speaking Shareholder; the chairman shall stop any such violations. When a Shareholder that is a legal person appoints two or more representatives to attend the shareholders' meeting, only one representative may speak on any given proposal.

After a speech is given by the attending Shareholder, the chairman may personally or designate relevant personnel to respond.

**Article 11 (Calculation of Voting Shares and Conflict of Interests)**

The voting in the shareholders' meeting shall be determined based on the number of shares.

The shares held by Shareholders without voting rights shall not be counted in the number of total issued and outstanding shares when adopting a resolution at the shareholders' meeting.

Shareholders with personal interests in the matter under discussion at a shareholders' meeting, which may impair the interests of the Company, shall neither vote nor exercise the voting rights on behalf of another Shareholder.

The number of shares in which such Shareholders may not exercise their voting rights in accordance with the preceding paragraph shall not be counted in the number of votes of Shareholders present at the meeting.

Except for trust enterprises or stock agencies approved by the competent authority for securities, if a person is entrusted by two or more Shareholders, the proxy votes by such person shall not exceed 3% of the total issued and outstanding shares of the Company; and any votes in excess of the foregoing will not be counted.

**Article 12 (Methods for Resolving Proposal, Supervising Casting of Ballots and Counting Ballots)**

Except for restricted shares or shares without voting rights under Article 179 Paragraph 2 of the Company Act, each Shareholder is entitled to one vote per share.

When shareholders' meetings are held by the Company, voting rights may be exercised in writing or by way of electronic transmission. The Company shall set forth the methods to exercise voting rights in the shareholders' meeting notice when the shareholders are to exercise such rights in writing or by way of electronic

transmission. A Shareholder who exercises his/her/its voting rights at a shareholders' meeting in writing or by way of electronic transmission shall be deemed to have attended the meeting in person, provided that such Shareholder shall be deemed to have waived his/her/its voting rights in respect of any ad hoc motions and the amendments to the original proposals at the said shareholders' meeting, and thus it is advised that the Company does not propose an ad hoc motion or amend the original proposal.

Where Shareholders elect to exercise their voting rights in writing or by way of electronic transmission, their declaration of intent shall be served to the Company two days prior to the scheduled meeting date, provided that if two or more declarations of the same intention are served to the Company, the first declaration of such intention shall prevail, unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

If a Shareholder who has exercised his/her/its voting rights in writing or by way of electronic transmission intends to attend a shareholders' meeting in person, he/she/it shall serve another declaration of intent to rescind his/her/its previous declaration of intent under the preceding paragraph two days prior to the meeting date and in the same manner used in exercising his/her/its voting rights. In the absence of a timely rescission of the previous declaration of intent, the voting rights exercised in writing or by way of electronic transmission shall prevail. If a shareholder has exercised his/her/its voting rights in writing or by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting on his/her/its behalf, then the voting rights exercised by the authorized proxy for the said shareholder shall prevail.

Except as otherwise required by the Company Act or the Articles of Incorporation of the Company, a proposal is adopted with the approval of more than half of the vote rights of the Shareholders present. Upon the voting, the chairman or the personnel designated by the chairman shall announce the total number of votes of Shareholders present, and then the Shareholders shall cast their ballots. The Company shall key in the results of the Shareholders' for or against votes and their waivers to the MOPS website on the shareholders' meeting date after such shareholders' meeting.

In the event that there is an amendment or replacement proposal to the original proposal, the chairman shall decide on the order in which such proposals will be



voted in, along with the original proposal, provided that if one of such proposals has been adopted, the other proposals will be deemed to have been vetoed and no further voting shall be necessary.

The person(s) supervising the casting of the ballots and the person(s) counting the ballots shall be designated by the chairman, provided that the person(s) supervising the casting of the ballots shall be a Shareholder.

The counting of ballots for voting or election at the shareholders' meeting shall be conducted in an open area within the shareholders' meeting room. After the counting is completed, the voting results shall be announced on the spot, including the number of votes, and records shall be made.

**Article 13 (Election Matters)**

Where there is a proposal to elect Directors, the election shall be conducted in accordance with the Company's Rules for Election of Directors, and the results of the election shall be announced on the spot, including the list of Directors elected and the number of votes they are elected with.

The ballots for the election under the preceding paragraph shall be sealed by the personnel supervising the casting of ballots, with such personnel's signature on the seal, and shall be kept properly for at least one year, provided that where there is litigation brought by the Shareholder pursuant to Article 189 of the Company Act, these ballots shall be kept until the litigation ends.

**Article 14 (Minutes of Shareholders' Meetings and Signatures)**

Resolutions adopted at shareholders' meetings shall be made into minutes, which shall be signed by or affixed with seal of the chairman of the shareholders' meetings and distributed to all of the Shareholders within 20 days after the shareholders' meetings. The distribution of the shareholders' meetings minutes may be done by way of electronic transmission.

The Company may distribute the shareholders' meetings minutes under the preceding paragraph by public announcement on the MOPS website.

Minutes of the shareholders' meetings shall record the date and place of the shareholders' meetings, name of the chairman, and the method for adopting resolutions, as well as summaries and results of proceedings. Minutes of the shareholders' meetings shall be kept indefinitely for as long as the Company is in

existence.

**Article 15 (External Announcement)**

The number of shares solicited by solicitors and represented by proxies shall be expressly disclosed, in the form of statistical tables in compliance with relevant rules, in the shareholders' meeting room by the Company on the shareholders' meeting date. In the event that the resolutions adopted at the shareholders' meeting are material information under relevant laws or the rules provided by the Taiwan Stock Exchange, the Company shall submit the content of such resolutions to the MOPS website within the specified time period.

**Article 16 (Maintenance of Order during Shareholders' Meeting)**

The meeting staff handling shareholders' meeting affairs shall wear an identification card or arm-band.

The chairman may direct the picket staff or security personnel to help maintain order at shareholders' meetings. When helping maintain order, the picket staff or security personnel shall wear arm-bands with the words "picket staff" on them or identification cards.

Where there is sound amplifying equipment provided in the shareholders' meeting, the chairman may stop any shareholder who is not speaking with the sound amplifying equipment provided by the Company.

In the event that the shareholder is in violation of the Rules and Procedures, disobeys the corrections by the chairman, interrupts the process of the shareholders' meeting and refuses to stop such actions after being told to stop, the chairman may direct the picket staff or security personnel to ask such shareholder to leave the shareholders' meeting room.

**Article 17 (Intermission and Continuance of Shareholders' Meeting)**

The chairman may, at his or her discretion, set time for recess during the shareholders' meeting. In the event of any uncontrollable matters, the chairman may decide to adjourn the meeting tentatively, and announce the time to continue the meeting depending on the circumstances.

In the event that the shareholders' meeting place cannot be perused but the items to be discussed on the scheduled agenda (including ad hoc motions) have not all been resolved, the Shareholders may resolve to continue the shareholders' meeting in



another place.

The Shareholders may adopt a resolution to postpone or continue the shareholders' meeting within five days in accordance with Article 182 of the Company Act.

**Article 18 (Approval Level)**

These Rules and Procedures and any amendments shall become effective upon resolution at a shareholders' meeting.

Appendix 4

**POU CHEN CORPORATION**  
**Procedures for Acquisition and Disposal of Assets**

Adopted by shareholders' meeting on June 15, 2017

**Article 1 Purpose**

This Procedure is stipulated for the purposes of securing assets and implementing information disclosure.

**Article 2 Legal Basis**

This Procedure is stipulated in accordance with Article 36-1 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

**Article 3 Scope of Assets**

1. Securities: including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real estate (including land, houses and buildings, investment property, rights-of-use land, and construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible Assets: including Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law.
8. Other major assets.

**Article 4 Definitions**

1. Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or



- long-term purchase (sale) agreements.
2. Assets acquired or disposed through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: refers to assets acquired or disposed through mergers, spin-offs, 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 the issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
  3. Related party or subsidiary: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
  4. Professional appraiser: refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.
  5. Date of occurrence: refers to the earlier date of contract signing, date of payment, date of consignment trade, date of transfer, date of board of Directors resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction; however, in the event where investments require the approval of the competent authority, the earlier of the aforementioned dates or the date of receiving approval by the competent authority shall apply.
  6. Mainland China area investment: refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
  7. The term "within one year" means the year preceding the date of acquisition or disposal. Items that have been announced or declared will not be counted towards the calculation.
  8. The term "most recent financial statement" means the financial statement that has been certified or examined by a certified public accountant prior to the Company's acquisition or disposal of asset and has been published in accordance with laws and regulations.
  8. The term "most recent financial statement" means the financial statement that has been certified or examined by a certified public accountant prior to the Company's acquisition or disposal of asset and has been published in accordance with laws and regulations.

**Article 5 Amount of the investment in real estate for non-business use and the investment in securities**

The amount of the aforementioned assets acquired by the Company and each of its subsidiaries are as follows:

1. The acquisition amount of real estate for non-business use shall not exceed 100% of the Company's paid-in capital.
2. The amount of investment in securities (including the Company and its subsidiary's investment in securities) shall not exceed 150% of the net worth of the investment's occupancy of the debt-to-equity ratio. However, this limit shall not apply in the event where the invested business is related to the Company's operations, and the proof of such an investment is not considered by the Company to be materially abnormal, or where, according to the most recent financial statement, there are no additional stock investments.
3. The amount of investment in each of the securities shall not exceed 40% of the Company's net worth.

**Article 6** Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports, certified public accountants opinions, attorney's opinions, or underwriter's opinions, shall not be a related party of any party to the transaction.

**Article 7 Procedures for Acquisition or Disposal of Real Estate or Equipment**

1. Assessment and Operating Procedures The Company's acquisition or disposal of real estate or equipment shall abide by the revolving procedures of real estate, factories and facilities in the Company's internal control system.
2. Decision Procedures for Transaction Terms and Authorized Amount
  - (1) In the event of acquisition or disposal of real estate, the terms of transaction and the transaction price shall be determined by referring to the announced current value, appraised value and actual transaction price of neighboring real estate, and an analysis report shall be submitted to the Company's president. If the transaction price is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction price exceeds NT\$ 100 million but is less than NT\$ 300 million, the transaction shall be approved by the Company's chairman, who is authorized to approve transactions; if the transaction price amount is NT\$ 300 million or more,



the transaction shall be approved by the board of Directors.

- (2) The acquisition or disposal of equipment shall be conducted by means of price inquiry, price comparison, price negotiation or bidding. In the event where the amount is NT\$ 10 million or less, the transaction shall be approved in accordance with the Company's levels of authorization; in the event where the amount exceeds NT\$ 10 million but is less than NT\$ 100 million, the transaction shall be approved by the president; in the event where the amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.

### 3. Implementation unit

The Company's acquisition or disposal of real estate or equipment shall be approved in accordance with the levels of authorization specified in the preceding paragraph and shall be implemented by the department (or management department) which intends to use the real estate or the equipment.

### 4. Appraisal report on real estate or equipment

In the event of the Company's acquisition or disposal of real estate or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, except for transactions with governments, engaging others to build on their land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the date of occurrence and shall comply with the following provisions:

- (1) In the event where, due to special circumstances, the transaction price shall refer to a limited price, a specified price or a special price that is necessary in serving as reference, such a transaction shall be submitted for the board of Directors' prior approval, and the same procedure shall apply if there are future changes to the terms and conditions of the transaction.
- (2) In the event where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) In the event where the appraisal results of the professional appraisers encounter any of the following circumstances, except for all of the appraisal results of the assets to be acquired exceeding the transaction amount, or all of the appraisal results of the assets to be disposed of that are less 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 to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- A. Where the discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - B. Where the discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) The time period between the date of the appraisal report issued by a professional appraiser and the execution date of the agreement shall not exceed three months. However, in the event where the announced current value is used within the same time period and has not exceeded six months, the original professional appraiser may issue an opinion.
- (5) In the event where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may serve as a substitute for an appraisal report or a certified public accountant’s opinion.
- (6) The transaction amount shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14, and the items, which have been included in the appraisal report issued by a professional appraiser or a certified public accountant’s opinion in accordance with the relevant provisions, shall not be counted towards the calculation.

**Article 8      Procedures for Acquisition or Disposal of Securities**

1. Assessment and Operating Procedures For the Company’s acquisition or disposal of securities, the Company shall abide by the revolving investment procedures in the Company’s internal control system.
2. Deciding Procedures Concerning The Terms of Transaction and Authorized Amount
  - (1) The Company’s acquisition or disposal of securities in Taiwan Stock Exchange or Taipei Exchange shall be decided by the responsible unit based on market circumstances. In the event where the accumulated transaction amount of a certain security within one year since the date of the first transaction has not reached NT\$ 1 billion, the transactions shall be approved by the financial officer; in the event



where the accumulated transaction amount has not reached 10% (including 10%) of the Company's paid-in capital, the transactions shall be approved by the president; in the event where the accumulated transaction amount exceeds 10% of the Company's paid-in capital, the transactions may not be conducted until the board of Directors approves the transactions.

(2) In the event where the Company's acquisition or disposal of securities is not conducted in the Taiwan Stock Exchange or Taipei Exchange, the Company shall obtain the most recent financial statement of the target prior to the date of occurrence, which has been audited and reviewed by a certified public accountant, as a reference to the evaluation of the transaction price. During the evaluation of the transaction price, the Company shall take earnings per share, profitability and future prospect into consideration. In the event where the transaction amount has not reached at least 3% (including 3%) of the Company's capital, the transaction shall be approved by the president; in the event where the transaction amount exceeds 3% of the Company's capital, then the transaction may not be conducted until the board of Directors approves the transaction.

(3) The financial officer is authorized to decide the transaction amount of government bonds, bonds under repurchase and resale agreements, or bond funds.

3. Implementation Unit The Company's investment in securities shall be approved in accordance with the levels of authorization specified in the preceding paragraph and shall be implemented by the Finance and Accounting unit.

#### 4. Obtaining Professional Opinion

(1) In the event of the Company's acquisition or disposal of securities, if the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, the Company shall obtain an opinion concerning the reasonableness of the transaction price from a certified public accountant prior to the date of occurrence. If the certified public accountant needs to use the report of an expert, he/she shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. However, this requirement does not apply to publicly quoted prices of securities that have an active market, or where otherwise provided by the regulations announced by the Financial Supervisory Commission ("FSC").

- (2) In the event where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may serve as a substitute for an appraisal report or a certified public accountant's opinion.
- (3) The transaction amount shall be calculated in accordance with subparagraph (6), paragraph 4 of Article 7 of this Procedure.

**Article 9 Procedures for Acquisition or Disposal of Assets with a Related Party**

1. In the event where the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions are adopted and that the reasonableness of the term of the transaction has been evaluated in accordance with this Procedure, if the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a certified public accountants opinion in accordance with Article 7 of this Procedure. The aforementioned transaction amount shall be calculated in accordance with subparagraph (6), paragraph 4 of Article 7 of this Procedure. When determining whether a trading counterparty is a related party, in addition to the legal formalities, the substance of the relationship shall also be considered.

2. Assessment and Operating Procedures

In the event where the Company engages in any acquisition or disposal of real estate from or to a related party, or engages in any acquisition or disposal of assets other than real estate from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$ 300 million or more, except for the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the following matters have been approved by the board of Directors and the audit committee:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reasons for choosing the related party as a trading counterparty.
- (3) In the event where the Company acquires real estate from a related party, information concerning the evaluation of the reasonableness of the preliminary terms of the transaction in accordance with from subparagraphs (1) to (4),



paragraph 3 of this Article.

- (4) The date and price at which the related party originally acquired the real estate, its original trading counterparty, and the counterparty's relationship to the Company and the related party.
- (5) Monthly cash flow forecasts for the coming year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the utilization of the funds.
- (6) The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding paragraph.
- (7) The restrictive terms of this transaction and other important agreements in connection with the transaction.

The transaction amount under this paragraph shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14. The term "within one year" as used herein means the year preceding the date of occurrence of this transaction. Items that have been approved by the board of Directors and the audit committee will not be counted towards the calculation.

With respect to the acquisition or disposal of equipment for business use between the Company and its subsidiary, if the transaction amount is within NT\$ 500 million, the chairman is authorized to approve the transaction. The chairman's approval shall subsequently be submitted to and ratified by the next board of Directors' meeting.

In the event where matters are submitted to the board of Directors for discussion pursuant to this Article, the board of Directors shall take each independent Director's opinion into consideration. If an independent Directors' objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of Directors' meeting.

### 3. Assessment of the Reasonableness of Transaction Costs

- (1) In the event where the Company acquires real estate from a related party, the reasonableness of the transaction costs shall be assessed by the following means:
  - A. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; however, it may not be higher than

the maximum non-financial industry lending rate announced by the Ministry of Finance.

- B. In the event where the related party previously mortgaged the real estate as security for a loan to a financial institution, the total loan value evaluation shall be made by the financial institution towards the real estate; however, the actual cumulative amount loaned by the financial institution shall reach 70% or more of the financial institution's evaluated loan value of the real estate, and the period of the loan shall have exceeded one year or more. This shall not apply if the financial institution is a related party to one of the trading counterparties.
- (2) In the event that land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs of the land and building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph.
- (3) In the event where the Company acquires real estate from a related party, the Company shall evaluate the costs of the real estate in accordance with paragraph 3, subparagraphs (1) and (2) of this Article, and shall engage a certified public accountant to review the evaluation and render a specific opinion.
- (4) In the event where the Company acquires real estate from a related party, and the results of the evaluation conducted in accordance with paragraph 3, subparagraphs (1) and (2) of this Article are uniformly lower than the transaction price, paragraph 3, subparagraph (5) of this Article shall apply. However, this restriction shall not apply in the event that the following events exist, objective evidence has been submitted and specific opinions on their reasonableness from a professional real estate appraiser and a certified public accountant have been obtained:
- A. In the event where the related party acquires undeveloped land or leases land for development, it may submit proof of compliance with one of the following conditions:
- (a) Where undeveloped lands are evaluated in accordance with paragraph 3 of this Article, and buildings according to the related party's construction cost plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "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.

(b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

(c) Completed leasing transactions by unrelated parties for other floors of the same property within the preceding year, where the transaction terms are similar, after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

B. In the event where the Company acquires real estate from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.

The aforementioned “transactions completed for the acquisition of neighboring land” refers to parcels on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the announced value of the land is close to that of the subject matter; the term “similar size” refers to transactions completed by unrelated parties where the land area is no less than 50% of the land area of the transaction’s subject matter. The aforementioned term “within one year” refers to the year preceding the date of the acquisition of the real estate.

(5) In the event where the Company acquires real estate from a related party, and the results of the evaluation conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this Article are uniformly lower than the transaction price, the following actions shall be taken:

A. A special reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real estate transaction price and the evaluated cost, and may not be distributed or used for capital increase or issuance of bonus shares. In the event where a

public company uses the equity method to account for its investment in the Company, the special reserve under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set side pro rata in a proportion consistent with the public company's equity stake in the Company.

B. Independent Directors of the audit committee shall comply with Article 218 of the Company Act.

C. Actions that are taken in accordance with items 1 and 2 of subparagraph (5) in paragraph 3 of this Article shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual (and any other) prospectus.

In the event where the Company has set aside a special reserve in accordance with the preceding paragraph, the Company may not utilize the special reserve until it has recognized a loss on due to decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or status quo ante has been restored, or there is other evidence confirming that the transaction was not unreasonable, and which the FSC has approved.

(6) In the event where the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Assessment and Operating Procedures under paragraph 2 of this Article, and paragraph 3, subparagraphs (1), (2) and (3) of this Article shall not apply:

A. Where the related party acquired the real estate by virtue of inheritance or as a gift.

B. Where more than 5 years has lapsed between the time the related party executed the agreement to acquire the real estate and the execution date of the current transaction.

C. Where the real estate is acquired through executing a joint development agreement with a related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.

(7) In the event where the Company acquires real estate from a related party, it shall also comply with paragraph 3, subparagraph (5) of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.



**Article 10 Procedures for Acquisition or Disposal of Memberships or Intangible Assets**

1. Assessment and Operating Procedures

In the event of the Company's acquisition or disposal of memberships or intangible assets, the Company shall abide by the revolving investment procedures in the Company's internal control system.

2. Decision Procedures for Transaction Terms and Authorized Amount

(1) In the event of the Company's acquisition or disposal of memberships, the terms and price of transaction shall be determined by referring to the fair price in the market, and an analysis report shall be submitted to the Company's president. If the transaction amount is 1% or less of the Company's paid-in capital or NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.

(2) In the event of the Company's acquisition or disposal of intangible assets, the terms and price of the transaction shall be determined by referring to an appraisal report issued by an expert or by referring to the fair price in the market, and an analysis report shall be submitted to the board of Directors. If the transaction amount is 1% or less of the Company's paid-in capital or NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.

3. Implementation Unit

The Company's acquisition or disposal of memberships or intangible assets shall be approved in accordance with the preceding paragraph and shall be implemented by the department which intends to use the memberships or intangible assets and the finance department, or the administration department.

4. Appraisal Report on Memberships and Intangible Assets

(1) In the event that the transaction amount of the Company's acquisition or disposal of memberships reaches 1% or more of the Company's paid-in capital or NT\$ 100 million or more, the Company shall obtain an expert's appraisal report.

(2) In the event that the transaction amount of the Company's acquisition or disposal of intangible assets reaches 1% or more of the Company's paid-in capital or NT\$ 100 million or more, the Company shall obtain an expert's appraisal report.

- (3) In the event where the transaction amount of the Company's acquisition or disposal of memberships or intangible assets reaches 20% or more of the Company's paid-in capital or NT\$ 300 million or more, except for trading with governments, the Company shall engage a certified public accountant to issue an opinion on the reasonableness of the transaction price prior to the date of occurrence. The certified public accountant shall issue his/her opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

**Article 11 Procedures for Acquisition or Disposal of Receivables by a Financial Institution**

In principle, the Company will not engage in transactions concerning the acquisition or disposal of receivables by a financial institution. In the event where the Company intends to engage in the acquisition or disposal of receivables by a financial institution in the future, the Company may not establish assessment and operation procedures until the transaction is approved by the board of Directors.

**Article 12 Procedures for Acquisition or Disposal of Derivatives**

1. Trading Principles and Strategies

(1) Types of Derivatives

- A. The derivatives engaged by the Company refer to transaction agreements, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests (such as forward contracts, options, futures, interest or foreign exchange rates, swaps, and compound contracts combining the products mentioned above).
- B. The provisions under this Procedure shall apply to the transactions of bond margin trading. However, this Procedure may not apply to bonds under repurchase agreements.

(2) Operation (Hedge) Strategies

The Company's engagement in derivatives transactions shall be for the purpose of hedging. The types of derivatives which the Company engages in shall be mainly for the avoidance of risks resulting from the Company's business operations. The types of foreign currencies held by the Company shall be consistent with the Company's actual demands for the foreign currencies which the Company uses in the import/export transactions and shall be at the position which the Company may internally square itself (meaning the incomes and the outgoings of the foreign



currencies). The purposes of the strategy mentioned herein shall be to lower the Company's overall foreign exchange risk and to reduce the operating costs of foreign currencies. In the event of transactions for other specific purposes, such transactions shall be prudently assessed and may not be engaged in until the transactions are approved in accordance with levels of authority.

(3) Segregation of Duties

A. Finance and Accounting Department

(a) Transaction Personnel

- a. Shall be responsible for making the strategies of the Company's all derivatives transactions.
- b. Shall calculate positions every two weeks, collect market information, determine trends and evaluate risks and make operation strategies. The strategies shall serve as the basis for transactions after being approved in accordance with levels of authority.
- c. Shall conduct transactions in accordance with levels of authority and the approved strategies.
- d. Shall in the event where there are material changes to the financial market and where the approved strategies shall not apply after the transaction personnel's determination, deliver evaluation reports at any time and make new strategies. The new strategies shall serve as the basis for transactions after being approved in accordance with levels of authority.

(b) Accounting Personnel

- a. Shall confirm the completeness of transaction certificates and shall attend to the accounting.
- b. Shall determine whether each transaction was conducted in accordance with levels of authority and the approved strategies.
- c. Shall conduct monthly evaluations and make announcements and reports in accordance with the regulations of the FSC.

(c) Closing Personnel: Shall be responsible for the closing.

(d) Levels of Authority for Derivatives

a. The levels of authority for each hedging transaction are as follows:

Authorization Personnel	Limit on Transaction Amount of Cumulative Net Positions
Chairman	US\$ 100 million or more
President	From US\$ 3 million to less than US\$ 100 million
Financial Officer	Less than US\$ 3 million

b. The levels of authority for each transaction other than hedge are as follows:

- I. In the event of options transactions undertaken for the purpose of exporting accounts receivable, transactions whose amount are US\$ 50 million or less shall be approved by the president. For transactions whose cumulative net position exceeds US\$ 50 million, the transaction may not be conducted until being approved by the board of Directors.
- II. In the event of transactions for other purposes, transactions whose amounts are US\$ 10 million or less, shall be approved by the president. For transactions whose cumulative net position exceeds US\$ 10 million, the transaction may not be conducted until being approved by the board of Directors.

#### B. Audit Department

The Audit Department shall be responsible for understanding the appropriateness of internal controls concerning derivatives transactions, auditing the transaction department's compliance with the operating procedures, analyzing the transaction cycle, preparing audit reports. In the event of any material breach or the Company is likely to suffer material loss, such personnel shall immediately prepare a report and notify the audit committee.

#### C. Performance Evaluation

##### (a) Hedge transactions

- a. Performance shall be evaluated based on the profits and losses incurred from the currency costs on the Company's books and the derivatives transactions which the Company engaged in.
- b. In order to control and disclose the risk assessment of the transaction, and the Company shall evaluate the profits and losses monthly.
- c. The finance department shall provide the evaluations of foreign exchange



positions, trends of foreign exchange markets and market analysis to the president for the reference of its management and instructions.

- (b) Transactions other than hedge transactions Performance shall be evaluated based on actual incurred profits and losses, and the accounting personnel shall periodically provide positions reports to management for their reference.

D. Total Amount of Agreements and Caps on Damages

(a) Total Amount of Agreements

a. Amount of Hedge Transactions

I. Foreign Exchange Positions

The finance department shall control the Company's overall positions in order to avoid transaction risks. The amount of hedge transactions shall not exceed the net balance between the Company's accounts receivables and payables or offsetting the Company's total assets and total liabilities within the next year.

II. Interest Rates and Others

The total transaction amount of agreements shall not exceed the total amount or total number of units of relevant positions which the Company holds. In the event of avoiding risks arisen from overseas shareholdings, issuance of overseas and domestic bonds or the prices, exchange rates or interest rates of long term loans from banks, the transaction amount shall be limited to the total amount of outstanding balance.

- b. Amount of Transactions other than hedge transactions In order to predict the market fluctuations, the finance department may make strategies based on necessity and the transactions may not be conducted until being approved in accordance with the levels of authority. The total amount of unclosed agreements of the Company's transactions other than hedge shall not exceed, at any time, 50% of the Company's net value.

(b) Caps on Damages

a. Hedge Transactions

- I. Individual Agreements: The cap shall be 20% of the individual agreement's amount.

- II. All Agreements: The caps shall be 20% of total amount of all agreements.
- b. Transactions other than hedge transactions
  - I. Individual Agreements: The cap shall be 10% of the individual agreement's amount.
  - II. All Agreements: The caps shall be 10% of total amount of all agreements.
- c. In the event where damages exceed the aforementioned caps, the president and board of Directors shall be reported to for discussion on necessary appropriate measures.

## 2. Risk Management

### (1) Credit Risk Management

Due to the fact that Market fluctuations are triggered by various factors, which may easily cause operational risks for derivatives, market risk management will be conducted based on the following:

- A. Transaction Counterparty: Transactions shall be conducted primarily with reputable domestic and foreign financial institutions.
- B. Products: Products shall be limited to those provided by reputable domestic and foreign financial institutions.
- C. Transaction Amount: Except for the president's approval, the transaction amount of the same transaction counterparty without write-off shall not exceed 10% of the authorized total amount.

### (2) Market Risk Management

Transactions shall be conducted primarily in public foreign exchange transaction markets provided by banks, and the futures market shall not be considered at the current stage. The Company shall manage the relevant risks by specifying the "Agreements' Total Amount" and "Caps on Damages" and shall at any time monitor and control the risks of price fluctuations caused by interests rates, changes of exchange rates or other factors.

### (3) Liquidity Risk Management

In order to ensure the liquidity of the market, the Company shall engage in derivatives transactions with higher liquidity (which means the derivatives may be



squared off at any time in the market). The financial institution which the Company engages shall possess sufficient information and have the capacity to conduct transactions in any market at any time.

(4) Cash Flow Risk Management

In order to ensure stable turnover of the Company's working capital, the Company shall engage in derivatives transactions with its own capital and the Company shall take the demands for the revenues and expenses within the next year into consideration.

(5) Operation Risk Management

A. In order to avoid operation risks, the Company shall fully comply with its authorized amount and operation procedures and shall include the matters regarding derivatives transactions into internal audit.

B. Transaction personnel responsible for the Company's engagement in derivatives transactions shall not serve concurrently in other operations such as confirmation and settlement.

C. The personnel responsible for measuring, monitoring and controlling risks shall not be in the same department as the personnel mentioned in the preceding provision and shall report to the board of Directors or top-tier officers who are not responsible for the decision of transactions or positions.

D. The positions of derivatives transactions shall be evaluated at least once a week; however, the positions for hedge transactions shall be evaluated at least twice a month, and the evaluation report shall be submitted to the senior management authorized by the board of Directors.

(6) Products Risk Management

In order to avoid the risks from financial products, internal transaction personnel shall possess complete and correct professional knowledge on financial products and shall request banks to fully disclose the relevant risks.

(7) Legal Risk Management

In order to avoid legal risks, documents with financial institutions shall not be executed until being reviewed by foreign exchange specialists, and paralegals or legal consultants.

### 3. Internal Audit System

- (1) Internal audit personnel shall periodically review the appropriateness of internal controls concerning derivatives transactions and shall monthly audit the transaction department's compliance with the operating procedures, analyze the transaction cycle and prepare audit reports. In the event where any of the internal audit personnel discovers material breach, such personnel shall notify the audit committee in writing.
- (2) Internal audit personnel shall report the annual internal audit status before the end of next February and the improvements on any irregular situations before the end of next May to the website designated by the FSC.

### 4. Periodic Evaluation Method

- (1) The board of Directors shall authorize senior management officers to periodically monitor and evaluate whether derivatives transactions have fully complied with transaction procedures stipulated by the Company and whether the assumed risks are within the approved scope. In the event where there are irregular situations in the market price evaluation report (e.g. the held positions exceed the cap on damages), the board of Directors shall be notified immediately, and adopt appropriate measures.
- (2) The positions of derivatives transactions shall be evaluated at least once a week; however, the positions for hedge transactions shall be evaluated at least twice a month, and the evaluation report shall be submitted to senior management authorized by the board of Directors.

### 5. Monitoring and Management Principles of the Board of Directors when Engaging in Derivatives Transactions

- (1) The board of Directors shall appoint senior management to pay continuous attention to monitoring and controlling derivatives transaction risks. The principles are as follows:
  - A. Periodically evaluate whether the risk management measures currently employed are appropriate and comply with laws and regulations, and this Procedure.
  - B. If any irregular situation is discovered in the course of monitoring the transactions and the profits and losses, necessary appropriate measures shall



be undertaken, and a report shall be made immediately to the board of Directors, and independent Directors shall be present and express their opinions at the board of Directors' meeting.

- (2) Periodically evaluate whether the performance of the derivatives transactions is consistent with established operational strategy and whether the risk undertaken is within the Company's accepted scope of exposure to risk.
- (3) The Company shall report to the next board of Directors' meeting after it authorizes relevant personnel to handle the derivatives transactions in accordance with this Procedure.
- (4) When engaging in derivatives transactions, the Company shall establish a log book, which shall record in detail the types, amounts, the board of Directors' approval dates and the matters required to be carefully evaluated under subparagraph (2), paragraph 4, and subparagraphs (1) and (2), paragraph 5 of this article.

**Article 13 Procedure for mergers, spin-offs, acquisitions or transfers of shares**

**1. Assessment and Operating Procedures**

- (1) When the Company participates in a merger, spin-offs, acquisition or transfer of shares, it shall engage attorneys, certified public accountants or underwriters to collaboratively propose the timeframe(s) in accordance with the procedure(s) specified in the laws and regulations and shall organize a committee to conduct relevant transactions in accordance with statutory procedure(s). The Company shall, prior to convening the board of Directors to resolve the relevant matters, engage certified public accountants, attorneys or underwriters to provide 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 resolution. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or paid-in capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or paid-in capital.

(2) In the event that the Company participates in a merger, spin-offs, acquisition or transfer of shares, the Company shall prepare a public report to shareholders detailing important contractual contents and matters relevant to the merger, spin-off, acquisition or transfer of shares prior to the shareholders' meeting. The above public report, together with the notice of shareholders' meeting and the professional opinion prepared in accordance with subparagraph (1), paragraph 1 of this article, shall be submitted to the shareholders for the reference of the resolution of the merge, spin-off or acquisition. However, if a provision of other laws and/or regulations exempts the Company from convening a shareholders' meeting to approve the merger, spin-off or acquisition, the above restriction shall not apply. Furthermore, where the shareholders' meeting of any one of the companies participating in a merger, spin-off 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, spin-off or acquisition shall immediately publicly explain the reason, the follow-up measures and the date of the next shareholders' meeting.

## 2. Other matters

### (1) Date of board of Directors' meeting:

Unless otherwise provided by law or being approved by Financial Supervisory Commission in advance, when a company is participating in a merger, spin-off or acquisition, its board of Directors' meeting and the shareholders' meeting shall be held on the same day to resolve the matters relating to the merger, spin-off or acquisition. Unless otherwise provided by law or approved by the Financial Supervisory Commission in advance, other companies participating in the transfer of shares shall hold their board of Directors' meetings on the same day.

### (2) Confidentiality:

Persons who participate in or know of the Company's merger, spin-off, acquisition or transfer of shares, shall, prior to the public disclosure of information, provide undertakings of confidentiality in writing and shall not disclose the contents of the relevant information and not trade, in their own names nor under the name of another person, in any stock or other equity security of any company related to the



merger, spin-off, acquisition, or transfer of shares.

- (3) Principles for establishing and changing the share exchange ratio or acquisition price:

The companies who participate in a merger, spin-off, acquisition or transfer of shares shall, prior to both parties' board of Directors' meetings, engage certified public accountants, attorneys or underwriters to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders. Such an opinion shall be submitted to the shareholders' meeting. The share exchange ratio or acquisition price shall, in principle, not be arbitrarily changed. However, this restriction shall not apply when the conditions for change have been provided in the contract and such conditions have been publicly disclosed. Conditions for changing the share exchange ratio or acquisition price are as follows:

- A. Increase of cash capital, issuance of convertible corporate bonds, issuance of bonus shares, issuance corporate bonds with stock warrants, preferred stock with stock warrants, stock options and other equity securities.
  - B. An action, such as a disposal of major assets, that affects the Company's financial operations.
  - C. An event, such as major disasters or major changes in technology, that affects shareholders' equity or the price of securities.
  - D. An adjustment where any of the companies, who participates in the merger, spin-off, 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, spin-off, acquisition or transfer of shares.
  - F. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (4) Required contents of contracts: In addition to Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract for participation by companies in mergers, spin-offs, acquisitions or transfer of shares shall include the following items:
- A. Handling of breach of contract.

- B. Principles for the processing of previously issued equity securities or purchased treasury shares of a company that is extinguished in a merger or that is spun-off.
  - C. The amount and the principle of the purchase of treasury shares in accordance with the laws after the date of the participating companies' calculation of the share exchange ratio.
  - D. Procedure for handling the increase or decrease in the number of participating companies.
  - E. The estimated progress of the plan and estimated completion date.
  - F. If the plan is not completed within the scheduled timeframe, the scheduled date for convening the legally mandated shareholders meeting and the relevant procedures.
- (5) Changing in the number of companies participating in the merger, spin-off, acquisition or transfer of shares:
- After public disclosure of the information, if any company participating in the merger, spin-off, acquisition or share transfer intends further to carry out a merger, spin-off, 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, spin-off, acquisition or share transfer; except that where the number of participating companies decreases and a participating company's shareholders meeting has adopted a resolution authorizing the board of Director to alter the authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.
- (6) When participating in a merger, spin-off, acquisition or transfer of another company's shares, a company that is listed on Taiwan Stock Exchange or has its shares traded on the OTC market shall prepare a full written record including the following information and preserve the report for 5 years for reference and shall, within 2 days counting inclusively from the date of a resolution by the board of Directors, report (in the prescribed format and via the internet-based information system) the information set out in A and B of the following subparagraphs to the Financial Supervisory Commission:



- A. Basic identification data for personnel: shall include the occupational titles, names and ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the plan or implementation of any merger, spin-off, acquisition or transfer of another company's shares prior to the public disclosure of the information.
  - B. Dates of material events: shall include the dates of signing any letter of intent or memorandum of understanding, engaging a financial or legal advisor, signing a contract and the convening a board of Directors meeting.
  - C. Important documents and minutes: shall include the plans of a merger, spin-off, acquisition or share transfer, any letter of intent or memorandum of understanding, material contracts, and the minutes of board of Directors meeting.
- (7) Where any of the companies participating in the merger, spin-off, acquisitions or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and the subparagraph (1) "Date of Board of Directors' meeting", subparagraph (2) "Confidentiality, subparagraph (5) "Changing in the number of companies participating in the merger, spin-off, acquisition or transfer of shares and subparagraph (6) of paragraph 2 of this Article shall apply.

**Article 14 Procedures of public disclosure**

1. Items and standards for public announcement and report
  - (1) Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets or NT\$ 300 million or more; provided that this shall not apply to the trade of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  - (2) Mergers, spin-offs, acquisitions or transfers of shares.
  - (3) Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in the procedures adopted by the Company.

- (4) Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion.
- (5) Acquisition or disposal by the Company in the construction business of real estate for construction use, where the counterparty is not a related party, and the transaction amount reaches NT\$ 500 million.
- (6) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and the Company's estimated investment amount in the transaction reaches NT\$ 500 million.
- (7) Where an asset transaction other than any of those referred to in the preceding six provisions or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT \$300 million; provided that this shall not apply to any of the following circumstances:
  - A. Trading government bonds.
  - B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (8) The amount of the transactions referred to in the above subparagraphs (1) to (7) of this paragraph shall be calculated as follows. The term "Within the preceding year" as used in the paragraph below refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the relevant regulations shall not be counted towards the transaction amount.
  - A. The amount of each individual transaction.
  - B. The cumulative transaction amount of the acquisitions and disposals of the same type of assets with the same counterparty within the preceding year.
  - C. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within the preceding year.
  - D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the



preceding year.

2. The time required for public announcement and report In the event of the Company's acquisitions and disposals of assets, if any transaction details matches the items to be publicly announced in accordance with paragraph 1 of this Article and the transaction amount reaches the threshold set in this Article, a public report of relevant information shall be made within 2 days counting inclusively from the date of occurrence of the event.
3. The procedures for public announcement and report
  - (1) The public announcement and report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission.
  - (2) The Company shall compile monthly reports on the status of derivative transactions engaged in up to the end of the preceding month by itself and the subsidiaries which are not domestic public companies and upload the information in the prescribed format, by the 10th day of each month, into the information reporting website designated by the Financial Supervisory Commission.
  - (3) When the Company at the time of public announcement makes an error or omission in an item required by the regulations to be publicly announced and is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days counting inclusively from the date of knowing of such error or omission.
  - (4) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions issued by certified public accountants, attorneys or underwriters at the Company's headquarters. Except as otherwise provided by other laws or regulations, such documents shall be preserved for at least 5 years.
  - (5) Where any of the following circumstances occur with respect to a transaction that the Company has already publicly announced and reported in accordance with this Article, a public report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission within 2 days counting inclusively from the date of occurrence of the event:

- A. Changes, termination or rescission of a contract regarding the original transaction.
- B. The merger, spin-off, acquisition or transfer of shares is not completed by the scheduled date set forth in the contract.
- C. Changes to the information originally publicly announced and reported.

**Article 15 Procedures complied with by the Company's subsidiaries**

1. Each of the Company's subsidiaries (the "Subsidiary" hereinafter) shall establish its "Procedures for Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". The Subsidiary's "Procedures for Acquisition and Disposal of Assets" shall be approved by its board of Directors or shareholders' meeting, and this procedure shall also apply to the amendments thereafter.
2. Any of the Subsidiary's acquisition or disposal of assets shall abide by the relevant regulations of the Company.
3. In the event where the Subsidiary is a non-public company, and where its acquisition or disposal of assets has reached the announcement standard stipulated by "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Company shall announce and report the relevant matters on behalf of the Subsidiary.
4. In the event of the subsidiary's, The term "reaches 20% of the Company's paid-in capital or 10% of the Company's total assets" stipulated in the Subsidiary's announcement and report standards refers to the Company's paid-in capital or total assets.

**Article 16 Penalties**

Any of the Company's employees who deal with any acquisition and disposal of the assets and violates this Procedure shall be evaluated according to the "Personnel Regulations and the Personnel Reward and Penalty Regulations" of the Company and shall be penalized appropriately in accordance with the level of the violation.

**Article 17 Implementation and amendment**

After the Procedure has been approved by the board of Directors, the Procedure shall be submitted to the audit committee and then to a shareholders' meeting for approval. The same procedure shall apply to any amendment to this Procedure thereafter. If an



independent Director objects to or expresses reservations about any matter during discussion of the board of Directors, such as objection or reservations shall be recorded in the minutes of the board of Directors' meeting. During discussion of the audit committee in accordance with the preceding paragraph, in the absence of approval by more than half of all members of the audit committee, the approval of more than two thirds of all members of the board of Directors shall apply, and such resolution of the audit committee shall be recorded in the board of Directors' meeting minutes. All members of the audit committee and all members of the board of Directors referred to by the preceding paragraph shall count in the incumbent ones.

**Article 18      Supplementary Provision**

The relevant laws and regulations shall apply to matters not provided for under this Procedure.

## **POU CHEN CORPORATION**

### **Operational Procedures for Loaning of Company Funds**

Adopted by shareholders' meeting on June 15, 2016

#### **Article 1 Purpose**

If due to business requirements, Pou Chen Corporation (the "Company") needs to loan funds to another corporation (the "Borrower"), it shall do so in accordance with this Procedure. Matters not provided for under this Procedure shall be dealt with in accordance with relevant laws and regulations.

#### **Article 2 Recipients of Loaned Funds**

In accordance with Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other recipients except under the following circumstances:

1. To companies or firms that engage in business with the Company.
2. To companies or firms that require short-term financing from the Company. The term "short-term" shall mean the longer of one year or one operating cycle period of the Company. The reasons and necessary circumstances of loaning funds to recipients shall be limited to the following circumstances:
  - (1) To recipients engaging in business with the Company and require short-term financing.
  - (2) To subsidiaries of the Company, whom due to operational turnover and other business requirements, require short-term financing.
  - (3) To other recipients whom the Company's board of Directors approves fund loaning to.

#### **Article 3 Total Loan Amount and Loan Limits of each Recipient**

##### **1. Total Loan Amount:**

The total amount of funds loaned by the Company shall not exceed 30% of the Company's net value, amongst which:

- (1) For companies or firms engaging in business with the Company, the total amount of funds loaned shall not exceed 10% of the Company's net value.



- (2) For companies or firms with short-term financing requirements from the Company, the total amount of funds loaned shall not exceed 30% of the Company's net value.
2. Loan Limits to each Recipient:
  - (1) For companies or firms engaging in business with the Company, the loan limit to each recipient shall not exceed the monetary amount of the business dealings between the parties. The term "monetary amount of the business dealings" refers to the higher of the most recent year's or the estimate of the year ahead's actual monetary amount of purchase/sales between the two parties, but not exceeding 10% of the Company's net value.
  - (2) For companies or firms with short-term financing requirements from the Company, the loan limit to each recipient shall not exceed 10% of the Company's net value.
3. Between foreign companies that require fund loaning for financing, which the Company directly or indirectly holds 100% of voting shares, the monetary amount limitations in the preceding two paragraphs shall not apply. However, the loaning company shall nonetheless stipulate the loan amount and term in its fund lending procedures.

#### **Article 4 Application Procedure**

1. The Borrower shall provide basic information and financial information, and fill out an application form detailing the purpose of the intended use of the loaned funds, the loan term, and amount. The application form shall then be submitted to the Company's finance department.
2. If the fund lending is due to business dealings, the in-charge personnel of the Company's finance department shall assess whether the monetary amount of the funds loaned is proportionate to the monetary amount of business dealings. For recipients requiring short-term financing, the reasons and circumstances of fund lending shall be listed and subjected to credit investigation. After the relevant information and the drafted fund lending terms and conditions have been reported to the head of the finance department and the President, the matter shall be submitted to the board of Directors for resolution.
3. The Company shall fully consider the opinions of the independent Directors when loaning funds to recipients, and record in the minutes of the board of Director's meeting the independent Directors' opinions (specifically, their consent or dissent,

and any reasons for any dissent).

4. Any fund lending of material nature shall than half of the Audit Committee and submitted for approval by a resolution of the board of Directors; provided, however, the Company may act without the approval of the Audit Committee if a resolution of at least two thirds of the board of Directors is obtained; the decision of the Audit Committee shall be recorded in the minutes of the board of Directors meeting.

**Article 5 Credit Investigation**

1. For a first-time Borrower, the Borrower shall provide basic information and financial information to enable the conducting of credit investigation.
2. For a recurring Borrower, credit investigation shall, in principle, be conducted once a year. For material cases, credit investigation shall be conducted every six months, as required. If the case is urgent, credit investigation may be conducted, as required, at any time.
3. For Borrower in good financial standing, and whose annual financial statements have been audited by a certified public accountant for the purpose of financing, the fund lending may be granted based on an investigation report made over one year but not over two years ago, and a refer to a certified accounting report made by a certified public accountant.
4. When the Company conducts a credit investigation on the Borrower, the Company shall review the necessity and reasonableness of fund lending, and shall assess the risks and operational risks to the Company, the effects on the Company's financial status and shareholder interests, and whether or not collateral should be obtained.

**Article 6 Approval of Fund Lending and Notices to Borrowers**

1. Approval of Fund Lending
  - (1) After credit investigation and assessment, if fund lending is declined due to the Borrower having bad credit, or by board of Directors resolution, the in-charge personnel of the finance department shall promptly reply to the Borrower with the reasons for the decline.
  - (2) For cases where after credit investigation, the Borrower has good credit and the purpose of the loan is proper, the in-charge personnel of the finance department shall fill out the credit investigation report and his/her opinion, draft the terms and conditions of the loan, and in the proper order, report to the head of the finance



department and acquire approval from the President, and process the fund lending after the passing of resolution by the board of Directors.

2. Notices to Borrowers

After the fund lending is approved, the in-charge personnel shall promptly notify the Borrower in writing or by telephone, and provide a detailed description of the Company's terms and conditions of loaning, including the loan amount, term, interest rate, collateral, guarantor, and other terms and conditions, and request the Borrower to execute a contract within the provided time period, complete the pledge/mortgage of collaterals and secure guarantors, then accordingly appropriate the loan funds.

**Article 7 Verification for Contract Execution**

1. The fund-loaning provisions shall be drafted by the in-charge personnel, and after review by the department head, obtain approval of the contract by legal consultants (or the legal department of the Company) prior to execution.
2. The contents of the fund lending contract shall be consistent with the approved terms and conditions of loaning. After the Borrower and the joint guarantor have executed the contract, the in-charge personnel shall undertake the verification process.

**Article 8 Valuation of Collateral and Establishing Rights**

If the fund lending involves collateral, the Borrower shall provide the collateral, and complete the process for establishing pledge or mortgage rights. The Company shall assess the value of the collateral in order to confirm its creditor rights.

**Article 9 Insurance**

1. Collateral shall be insured under fire insurance and other relevant insurance, except for land and securities. Boats, ships and vehicles shall be subject to all risk insurance, and the insurance amount shall in principle not be lower than the pledged collateral. The insurance policies shall list the Company as the beneficiary. The name of the insured contents, number, location of storage, insurance conditions, and insurance endorsements written on the insurance policies shall be consistent with the loaning terms and conditions approved by the Company. If a building number has not been assigned to a building upon its mortgage, its address shall be marked by the land mark or land number.

2. The in-charge personnel shall note and notify the Borrower to continue to be insured prior to the expiration date of the insurance period.

**Article 10 Appropriation of Loaned Funds**

Once fund lending has been approved, the Borrower has executed a contract and deposited a promissory note (or multiple promissory notes), and completed registration for the pledge or mortgage of collateral, the Company may, upon verification of the above mentioned procedures, appropriate the funds.

**Article 11 Interest**

1. Daily interest: the amount of daily interest is calculated by the total of loan balances each day (total aggregate number) multiplied by its annual interest rate, then divided by the customary number of days that financial institutions use to calculate the interest of the currency of the loan.
2. The calculation of loan interest, unless otherwise provided for, shall in principle be collected once per month, and the Borrower shall be notified to pay the interest within one week of the agreed payment date.

**Article 12 Repayment of Loaned Funds**

1. After the loan has been appropriated, the financial, business, credit, and other statuses of the Borrower and guarantor shall be noted on a regular basis. For recipients who have provided collateral, circumstances where any changes to collateral value shall be noted. The Borrower shall be notified to pay off the principal and interest on the expiration date of the loan or extend its loan term, two months prior the expiration of the loan term.
2. When the Borrower makes repayment upon expiration of the loan term, the required interest shall first be calculated and then paid off together with the principal, before any promissory notes, IOUs and other debt certificates may be revoked and returned to the Borrower.
3. If the Borrower applies for cancellation of mortgage, the Company shall first check whether there are any outstanding loan balances, before determining whether or not to cancel the mortgage.



**Article 13 Subsequent Control Measures Concerning the Loaned Amount and Procedures for Processing Overdue Claims**

1. Once fund-lending to another person has been approved by resolution of the board of Directors, the financial unit shall, based on the requirements of the loan's circumstances, appropriate the funds in a one-time or multiple installments. The Borrower shall also make repayments in a one-time or multiple installments, provided that the amount of loan balance shall not exceed the maximum loan amount approved by the board of Directors.
2. Processing overdue claims: extensions to each repayment period shall be limited to two months, and application of such extension is limited to once. In case of violation, the Company shall in accordance with relevant laws dispose and recover collateral provided by the Borrower.

**Article 14 Case Registration & Safekeeping**

1. The Company shall create a record book for reference for fund lending matters, which shall include the recipient of the loan, the monetary amount, the date resolution was passed by the board of Directors, the date of the release of the loan, and detail matters that require prudent assessment in accordance with this Procedure.
2. After the funds have been appropriated, the in-charge personnel shall place the contract, promissory notes and other debt certificates, and certification documents of the collateral, insurance policy, and correspondence documentation, into the safekeeping package in an organized manner, and shall mark on the safekeeping package the contents and the name of the customer, and submit it to the management for examination. The package shall be sealed if no errors are found after the examination, and the seams of the package shall be stamped by the in-charge personnel and management's seal. The package shall then be safe kept after it has been registered on the safekeeping registration record book.

**Article 15 Matters that Require Attention when Processing Fund Lending to Recipients**

1. Prior to lending funds to recipients, the Company shall prudently assess whether doing so is consistent with this Procedure, and the fund lending proposal shall be provided to the board of Directors for resolution together with the assessment results. No other party shall be authorized to make such resolution.

2. Fund lending between the Company and its subsidiary, or between the Company's subsidiaries, shall be submitted for board of Directors resolution in accordance with the preceding paragraph. The Chairman of the Company, with respect to the same loan recipient, shall be authorized to appropriate the funds in installments or by revolving loans within a certain amount approved by the board of Directors and within a period not exceeding one year.
  3. The term "certain amount" in the preceding paragraph shall mean, aside from satisfying paragraph 3 of Article 3, the authorized loan amount loaned by the Company or its subsidiary to a single corporation, which shall not exceed 10% of the net value of the most recent financial statement of the Company or its subsidiary.
  4. The internal audit personnel of the Company shall, at the minimum, audit the fund lending procedures and their execution quarterly and produce a written record. If any material breach is discovered, the Audit Committee shall be immediately notified in writing.
  5. When due to changes in circumstances, the recipient of the loan no longer meets the requirements of the provisions in this Procedure or the loan balance exceeds its limit, the auditing unit shall urge the finance department to stipulate a specific period for the purpose of withdrawing the loans that exceed the limit, deliver relevant improvement plans to the Audit Committee, and complete the improvements according to the plans.
  6. The in-charge personnel shall prepare a detailed list concerning the fund lending to other companies over the past month before the 10th day of each month, and in the proper order, submit the detailed list for approval.
  7. The term "subsidiary" as referred to in this Procedure shall be determined by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- The term "net value" as referred in this Procedure shall mean the recent balance sheet equity attributable to the owners of the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article 16 Procedures for Controlling Fund Lending of Subsidiaries**

1. If the Company's subsidiary plans to loan funds to recipients, the subsidiary shall also stipulate this Procedure and do so in accordance with this Procedure; however, the net value shall be calculated based on the subsidiary's net value. The subsidiary



shall prepare a detailed list of its fund lending to other companies over the past month before the 10th (excluding the 10th) day of each month, and provide the detailed list to the Company for review.

2. The internal auditing personnel of the subsidiary shall, at the minimum, audit the procedures for its fund lending to recipients and their execution quarterly, and prepare a written record. When the internal audit personnel discover any material breach, they shall immediately notify the Company's auditing unit in writing, and the Company's auditing unit shall deliver the written information to the Audit Committee.
3. When the Company's auditing personnel perform examinations on its subsidiary in accordance with its annual auditing plan, the personnel shall also familiarize themselves with the subsidiary's fund lending procedures and the status of their execution. If the personnel discover any deficiencies, they shall keep track of circumstances for its improvement, and prepare tracking reports for the board of Directors.

**Article 16-1     The Company shall abide by this Procedure concerning its fund lending to its subsidiaries, except credit investigation and pledge or mortgage of collateral are not required. The loan amount and other terms and conditions shall be the equivalent to that for other recipient companies.**

**Article 17     Disclosure of Information**

1. The Company shall disclose the amount of balance loan of itself and its subsidiary on the Market Observation Post System before the 10th day of each month.
2. The Company shall report and make an announcement within two days from the date of occurrence when its fund lending reaches the following criteria:
  - (1) The balance of the funds loaned by the Company and its subsidiary to recipients reaches 20% or more of the net value of the Company's most recent financial statement.
  - (2) The balance of the funds loaned by the Company and its subsidiary to a single corporation reaches 10% or more of the net value of the Company's most recent financial statement.
  - (3) The Company or its subsidiary increases its fund lending amount to TWD 10,000,000 or above, and reaches 2% or more of the net value of the Company's

most recent financial statement.

3. If the Company's subsidiary is not a public company in Taiwan, the reporting and announcement duties of the subsidiary as provided for under the preceding paragraph shall be carried out by the Company.
4. The Company shall assess the status of fund lending and provide sufficient allowance for bad debts, and shall disclose relevant information in its financial report, and provide relevant information to certified public accountants for the execution of necessary auditing procedures.
5. The term "date of occurrence" under this Procedure shall mean the earlier of the date of execution of a transaction, date of payment, date of board of Directors' resolution, or any other dates that can confirm the transaction's counterpart and amount.

**Article 18**      **Penalty**

When the Company's officer and/or in-charge personnel violate this Procedure, their actions shall be evaluated in accordance with the Company's personnel regulations and the rewards and punishment guidelines for employees, and be appropriately penalized depending on the seriousness of the violation.

**Article 19**      **Implementation and Amendment**

This Procedure is passed by the Audit Committee and the board of Directors and submitted for approval by a shareholders' resolution prior to implementation. The board of Directors in its discussion, shall fully consider the opinions of independent Directors and include in the minutes of the board of Directors meeting, record the opinion of the independent Director (specifically, their consent or dissent, and the reasons of his/her dissent). If any Director expresses his/her dissent and whose dissent is recorded or represented in writing, the Company shall deliver such dissent to the shareholders' meeting for discussion. The same shall apply for amendments of this Procedure.



**POU CHEN CORPORATION  
Operational Procedures for Making  
Endorsements and Guarantees**

Adopted by shareholders' meeting on June 15, 2016

**Article 1**    **The Procedures for Making Endorsements and Guarantees (the “Procedures”) are hereby enacted for the Pou Chen Corporation (the “Company”) to abide by when making endorsements or guarantees. Matters not specified in the Procedures shall be other governed by relevant laws and regulations.**

**Article 2**    **The following matters shall fall within the scope of the Procedures :**

- I. Financing endorsements and guarantees, including:
  - i. Discounted bill financing.
  - ii. Endorsements and guarantees made for the purposes of another company's financing needs.
  - iii. Issuance of another negotiable instrument to a non-financial enterprise as security for the purposes of the Company's financing needs.
- II. Customs duty endorsements and guarantees, which shall mean the endorsements and guarantees, made for the Company itself or other companies in connection with customs duty matters.
- III. Other endorsements and guarantees, which shall mean the endorsements and guarantees made in connection with matters beyond the scope of the preceding two paragraphs.
- IV. The Company's creation of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also comply with the Procedures.

**Article 3**    **The Company may make endorsements and guarantees for the following parties:**

- I. The company that the Company is doing business with.
- II. The company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares.
- III. The company that holds, directly or indirectly, more than fifty percent (50%) of the Company's voting shares.
- IV. The companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements or guarantees for each

other, and the amount of such endorsements or guarantees may not exceed ten percent (10%) of the net worth of the Company, provided that this restriction shall not apply to endorsements or guarantees made between companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.

- V. Where the Company provides mutual guarantees in accordance with the contract for another company in the same industry or for joint constructors to meet the demand under a construction project, or where all shareholders making Capital Contribution to a jointly invested company make endorsements and guarantees for such company in proportion to their shareholding ratio, such endorsements and guarantees may be made free of the restrictions under the preceding Subparagraph I to Subparagraph IV. The “Capital Contribution” under Subparagraph V refers to direct capital contribution by the Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the shares.

**Article 4 Maximum amount of endorsements and guarantees**

- I. The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for other companies shall not exceed two hundred percent (200%) of the Company's net worth.
- II. The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for a single enterprise shall not exceed one hundred percent (100%) of the Company's net worth.
- III. In the event that the endorsements and guarantees are made for business reasons, the amount of such endorsements and guarantees shall not exceed the total transaction amount between that company and the Company in the prior year (the higher of purchasing amount or selling amount).
- IV. The “net worth” referred to in the Procedures shall mean the equity attributable to the owners of the Company in the balance sheet under the Regulations Preparation of Financial Reports by Securities Issuers.
- V. The term “subsidiary” referred to in the Procedures shall be determined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.



**Article 5 Decision making and authorization level**

The Company may not make endorsements and guarantees without prior approval of the board of Directors and shall take into full account each independent Director's opinions when making such decision, and the independent Directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting; provided that, for the purpose of efficiency, the board of Directors may authorize the chairman to make endorsement and guarantee decisions within NT\$500 million, and report such endorsement and guarantee to the board of Directors for ratification afterwards.

**Article 6 Procedures for making endorsements and guarantees**

- I. Where a company intends to use an endorsement and guarantee within its amount, this company shall provide its basic information and financial information and fill out the application form to file an application with the Company's financial department. The Company's financial department shall carefully assess the application and conduct credit investigation. The items to be assessed shall include necessity and reasonableness, whether the amount of endorsement and guarantee is equal to or less than the transaction amount (where the endorsement and guarantee is made on business), the influence on the Company's operational risks, financial conditions and shareholders' rights and interests, whether collateral is required and the appraisal of the collateral.
- II. The personnel at the Company's financial department shall compile relevant information provided in the preceding paragraph and the results of assessment, and process the application in accordance with the preceding article.
- III. The endorsement and guarantee records kept by the Company's financial department shall list, in detail, the party that has received the endorsement and guarantee and the amount, the date the endorsement and guarantee is approved by the board of Directors or the Chairman, the date of the endorsement and guarantee, items to be carefully assessed under the Procedures, the content of the collateral, the collateral's appraised value, and the conditions and the date when the Company is released from the obligations of endorsement and guarantee.
- IV. The Company's financial department shall evaluate or record the contingent loss arising from the endorsement and guarantee, and properly disclose the information of

such endorsement and guarantee in the financial report. The Company's financial department shall also provide relevant information for the certified public accountant to conduct necessary auditing procedures.

V. The Company's subsidiaries in which the Company holds, directly and indirectly, ninety percent (90%) or more of the voting shares, shall not make any endorsement and guarantee with each other in accordance with Article 3 Subparagraph VI before such endorsement and guarantee is approved by the Company's board of Directors, provided that this restriction shall not apply to endorsements and guarantees made between the Company's subsidiaries in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.

VI. Where the endorsement and guarantee is made for the Company's subsidiary with its net worth less than fifty percent (50%) of its paid-in capital, the Company's financial department shall assess quarterly such subsidiary's operational risks, financial conditions and the appropriateness of continuing the endorsement and guarantee, and submit relevant information to the board of Directors. Where such subsidiary's share has no par value or has any par value other than NT\$ 10, the paid-in capital shall be calculated as the value of its capital stock plus the capital reserve and minus the issuance premium.

VII. The Company's decision to provide endorsements and guarantees of a material nature shall be approved by no less than half of the members of the Audit Committee and submitted for approval by a resolution of the board of Directors; provided however, the Company may act without the approval of the Audit Committee if a resolution of at least two thirds of the board of Directors is obtained. The decision of the Audit Committee shall be recorded in the minutes of the board of Directors' meeting.

**Article 7 Safekeeping of and procedures for the Company's chop**

I. The corporate endorsement and guarantee chop is the corporate chop with which the Company files registration with the Ministry of Economic Affairs. The corporate endorsement and guarantee chop and the negotiable instrument shall be safe-kept by personnel approved by the board of Directors, and the designation, removal and change of such personnel shall also be approved by the board of Directors. The corporate endorsement and guarantee chop or signature to make endorsement and



guarantee shall be affixed pursuant to the operating procedures provided by the Company.

- II. When the Company makes guarantee for a foreign company, the guarantee letter issued by the Company shall be executed by the person authorized by the board of Directors.

**Article 8      Announcement and reporting procedures**

- I. The Company shall announce on the Market Observation Post System by the 10th day of each month the previous month's balance of endorsements and guarantees made by the Company and the companies in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares.
- II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two days from the Date of Occurrence:
  - i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its latest financial statement.
  - ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.
  - iii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements and guarantees for, investment of a long-term nature in, and balance of loans to such enterprise reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement
  - iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its latest financial statement.
- III. The Company shall announce and report on behalf of any of its subsidiaries that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Subparagraph iv. of the preceding paragraph.

- IV. The Company shall evaluate or record the contingent loss arising from the endorsement and guarantee, and properly disclose the information of such endorsement and guarantee in the financial report. The Company shall also provide relevant information for the certified public accountant to conduct necessary auditing procedures.
- V. The “Date of Occurrence” in the Procedures refers to the earlier of: execution date of the transaction, date of payment, date of the boards of Directors’ resolution, or other date when the counterparty and the amount of the transaction can be confirmed.

**Article 9 Guidelines for conducting endorsements and guarantees**

- I. The Company's internal auditors shall audit, at least quarterly, the Procedures and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered there from, the internal auditors shall promptly notify the Audit Committee in writing.
- II. In the event of any change of condition resulting in violation of Article 3 of the Procedures, which was in compliance with the Procedures at the time of endorsement and guarantee, or violation under Article 4 of the Procedures (exceeding the amount) due to change of calculation basis based on which the maximum amount of endorsement and guarantee is calculated, the auditing unit shall urge the financial department to eliminate the entire endorsement and guarantee amount or the amount exceeding the maximum amount for such party when the contract expires or within a specified period of time. The auditing unit shall also submit relevant rectification plans to the Audit Committee and report such plans at the board of Directors’ meeting, and the rectification plans shall be implemented in accordance with the planned timeline.
- III. Where the Company needs to make endorsement and guarantee that exceeds the maximum amount specified in the Procedures to satisfy its business demands, and where such endorsement and guarantee is in compliance with the conditions set out in the Procedures, the Company shall obtain approval from the board of Directors, and at least half of the Directors shall act as joint guarantors for any loss that may be caused to the Company by the endorsement and guarantee exceeding the maximum amount. The Company shall also amend the Procedures accordingly and submit the same to the shareholders' meeting for ratification. If such proposal is not adopted at the shareholders' meeting, the Company shall enact a plan to eliminate the excess amount



within a specified period of time. When the Company makes the aforementioned endorsements and guarantees, it shall take into full consideration the opinions of each independent Director, and the independent Directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting.

**Article 10 Procedures for controlling and managing endorsements and guarantees by companies in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares**

- I. Where a company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares intends to make endorsement and guarantee for others, such company shall also enact the procedures for making endorsements and guarantees and comply with these procedures, provided that the “net worth” therein shall mean such company’s net worth.
- II. The company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares shall prepare by the 10th day (non-inclusive) of every month a detailed list of endorsements and guarantees made for others in the prior month, and deliver such list to the Company.
- III. The internal auditors of the company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares shall audit, at least quarterly, its procedures for making endorsements and guarantees and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered there from, the internal auditors shall promptly notify the Company’s auditing unit in writing, and the Company’s auditing unit shall deliver the written information to the Audit Committee.
- IV. When the Company’s auditors conduct auditing in accordance with the annual auditing plan in the company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares, the auditors shall also look into the implementation status of such company’s procedures for making endorsements and guarantees for others. In the event of any violations discovered there from, the auditors shall keep track of the rectification process, and prepare a tracking report to submit to the board of Directors.

**Article 11 Penalty**

Where the Company's officers or personnel in charge violate the Procedures, the Company may assess such officer or personnel's performance in accordance with the Company's human resource regulations and the regulations governing the employees' rewards and penalties, and give proper penalties according to the seriousness of the violation.

**Article 12 Enactment and amendment**

After adoption of the Procedures by the Audit Committee and the board of Directors, the Procedures shall be submitted to the shareholders' meeting for approval and take effect. The board of Directors shall fully consider the opinions of each independent Director in their discussion, and the independent Directors' opinions expressly stating assent or dissent as well as the reasons for dissent shall be recorded in the minutes of the board of Directors' meeting. Where any Director expresses dissent and such dissent is recorded in the minutes or stated in a written statement, the Company shall submit the dissenting opinions to the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.

**POU CHEN CORPORATION**

## Shareholdings of All Directors

Effective Date: April 15, 2019

Title	Name	Registered shares in Shareholders Roster	Shareholding (%)
Chairman	PC Brothers Corporation (Representative: Chan, Lu-Min)	213,280,710	7.24%
Director	Tsai, Pei-Chun	4,177,779	0.14%
Director	Tzong Ming Investments Co., Ltd. (Representative: Tsai, Min-Chieh)	6,340,933	0.22%
Director	Ever Green Investments Corporation (Representative: Lu, Chin-Chu)	23,216,045	0.79%
Director	Sheachang Enterprise Corporation (Representative: Tsai, Ming-Lun)	4,413,010	0.15%
Director	Lai Chia Investments Co., Ltd. (Representative: Ho, Yue-Ming)	2,677,700	0.09%
Independent Director	Chen, Bor-Liang	3,374	0.00%
Independent Director	Chiu, Tien-I	0	0.00%
Independent Director	Chen, Huan-Chung	0	0.00%
Shareholdings of all Directors (excluding Independent Directors)		254,106,177	8.62%

(1) The Company's paid-in capital (as of April 15, 2019) is NT\$29,467,872,130. The number of outstanding shares is 2,946,787,213.

(2) The statutory minimum shareholding requirement for all Directors: 70,722,893 shares.