Share Code: 1503

Handbook 2019

Annual General Shareholders' Meeting

Shihlin Electric

Date : June 20, 2019 (Thusday)
Place: 2F, No. 63, Section 2, Zhongshan N. Rd.,
Taipei City, Taiwan (R.O.C.)
(International Hall / Ambassador Hotel Taipei)

2019 Annual General Shareholders' Meeting
(Translation)

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Appendix

Shihlin Electric & Engineering Corp.
Procedure & Agenda for the 2019 Annual Meeting of Shareholders

Time: 9:00 am, June 20, 2019 (Thusday)
Place: 2F, No. 63, Section 2, Zhongshan N. Rd., Taipei City, Taiwan (R.O.C.)
(International Hall / Ambassador Hotel Taipei)
Attendance: Shareholders **/** Equity Representatives
Chairman: Mr. HSU YU JUI, Chairman of the Board of Directors

Procedures

I. Call Meeting to Order
II. Chairman's Remarks
III. Agenda

A. Report items

Item 1 The 2018 Business Report and Prospect
Item 2 The 2018 Audit Committee' Report
Item 3 The status of Endorsement and Guarantee
Item 4 The 2018 information on investments in mainland China
Item 5 The 2018 Distribution of Employees' compensation and Directors' Remuneration
Item 6 The status of proposals raised by shareholders

B. Ratification Items

Proposal 1 To approve 2018 business report and financial statements.
(Proposed by the Board of Directors)
Proposal 2 To approve the proposal for distribution of 2018 profits.
(Proposed by the Board of Directors)

C. Discussion Items:

Proposal 1 Discussion of Amendments to Articles of Incorporation
(Proposed by the Board of Directors)
Proposal 2 Discussion of Amendments to Disposition Procedures for the Acquisition or Disposal of Assets
(Proposed by the Board of Directors)
Proposal 3 Discussion of Amendments to Disposition Procedures for Derivative Financial Product Transaction
(Proposed by the Board of Directors)
Proposal 4 To lift non-competition restrictions on Directors Representative of Juridical Persons and their representatives
(Proposed by the Board of Directors)

D. Extemporary motion

IV. Meeting Adjourned

Report Items

Report 1: Business Report of 2018

Shihlin Electric&Engineering Corp
Business Report of 2018

1. Implementation Results of Business Operation Program:

The Company's annual revenue of 2018 is NT$18,795 million, an increase of 13.3% over the same period last year. In terms of operating interests, the net income of 2018 is NT$1,415 million, which is an increase of 6.4% over the same period last year. The basic EPS is NT$2.72.

2. Usage and Efficiency of Budgets

Unit: Million NTD

Items	2018		Ach'd Rates %
	Actual Amounts	Budgeted Amounts	
Revenue	18,795	16,989	110.6
Cost	15,734	14,015	112.3
Gross Profit	3,061	2,974	102.9
Operating Expenses	2,025	2,043	99.2
Operating Income	1,036	931	111.2
Non-operating Income and Expenses	913	824	110.9
Pre-Tax Income	1,949	1,755	111.0

3. Analysis to Financial Balance and Profitability

Unit: Million NTD

Analytical Items \ Years		2018	2017
Financial Balance	Net Operating Revenue	18,795	16,593
	Gross Profit	3,061	2,727
	Profit after Tax	1,415	1,329
Profitability	ROA (%)	4.0	4.0
	ROE (%)	6.3	6.1
	Profit Before Tax to paid-in Capital (%)	37.4	31.7
	Net Profit Margin (%)	7.5	8.0
	EPS(NT$)	2.72	2.55

4. Progress of R&D:

Details of R&D Expenses for the Last Two Years

Unit: Million NTD

Items	2018	2017
Expense of R&D	519	408
Revenue	18,795	16,593
Share(%)	2.8	2.5

5.Guidelines for Business Operation from 2019 to 2020

(1) Fully expand the overseas market shares of own brands.

Expand the export markets for strategic products, enhance the competitiveness and business scale of foreign subsidiaries.

(2) Continue to strengthen partnerships with Japanese brands（JV、TA、SCA）

Actively invest resources and talents for professional services and complementary advantages.

(3) Increase product competitiveness and added values.

Actively conduct differentiation, system integration, and invest in new energy markets (green energy, energy-efficiency)

(4) Promote the development of organizations and human capital and cultivate excellent leaders for all levels.

Accelerate process of organizational vitalization and core talents cultivation.

(5) Perfect the core technical capabilities and promote smart production and quality control testing.

Increase investment to SmartAuto to achieve production and testing of labor-saving, flexible manpower and immediate analysis.

(6) Implementation of legal and ethical compliance.

To enhance risk management, and fulfill corporate social responsibility (CSR).

Shihlin Electric&Engineering Corp.

Chairman: Emmet Hsu

President: Emmet Hsu

Chief Accountant: SHIH, CHIN-YI

Item 2　2018 Audit Committee's Review Report

Audit Committee's Review Report

To the 2019 General Shareholders' Meeting of Shihlin Electric & Engineering Corporation,

The Company's 2018 financial statements have been approved by the Audit Committee and by the Board of Directors. The CPA Zhi-yuan Chen and CPA Qing-zhen Yang, members of the Deloitte & Touche, have completed the audit of the financial statements and issued an audit report relating thereto. In addition, the Board of Directors has prepared and submitted to us the Company's 2018 business report and proposal for distribution of earnings. We, the Audit Committee members, have duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Law and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.

The Convener of the Audit Committee: Shin-I Lin

林信義

14 Mar. 2019

Item 3　The status of Endorsement and Guarantee

Explanatory Note:

The amount of Endorsement / Guarantee Provided was $2,025,125 thousand for the years ended December 31,2018. Table is attached hereto as p.10 (Attachment 1).

Item 4　The 2018 information on investments in mainland China

Explanatory Note:

The accumulated amounts for investment in Mainland China were UAS50, 210 thousand as of December 31,2018. The investment amounts authorized by Investment Commission of the MoEA were UAS65, 813 thousand. Table is attached hereto as p.11~12 (Attachment 2).

Item 5　To report 2018 Distribution of Employees' compensation and Directors' Remuneration

Explanatory Note:

I. Pursuant to the provision of the Article 235-1 of Company Act.

II. In accordance with the Article 24 of Incorporation of the Company, the Company shall appropriate remuneration for directors and employees of that year in case of any profits.

1. The remuneration for Directors may not exceed 4% of the profit,
2. The distribution of employees must be at the range of 1~8% .

However, in the event that the Company has accumulated losses, the Company shall first reserve an amount to offset accumulated losses.

The annual profit for the Company refers to the pre-tax profit before distributing the employees' compensation and directors' remuneration.

III. The 2018 annual profit for the Company was NT$2,098,325,430 before distributing the employees' compensation and directors' remuneration. 2018 Directors' remuneration and employees' compensation were calculated as NT$49,800,000 (2.37%) and NT$99,600,000 (4.74%), respectively. The aforesaid items will be paid in cash.

Item 6　The status of proposals raised by shareholders

Explanatory Note:

Pursuant to the provision of the Article 172-1 of Company Act, the proposal accepting period of 2019 Annual General Shareholders Meeting is from April 2, 2019 to April 12, 2019.
No proposals are raised by shareholders (holding over 1%) during the said accepting period.

Ratification Items

Proposal 1 The Company’s 2018 business report and financial statements are submitted for ratification.

(Proposed by the Board of Directors)

Explanatory Notes:

I. The Company’s 2018 Business Report and financial statements (including consolidated financial statements) has been audited by independent auditors, Mr. Zhi-yuan Chen and Qing-zhen Yang of Deloitte & Touche, and has been reviewed and examined by the Audit Committee and the Audit Committee has issued a Review Report accordingly.

II. The “Business Report for the Year 2018” (page2~3) and “Financial Statements for the Year 2018” (page 13~34) are attached hereto as Attachments 3.

III. Please ratify the aforesaid Business Report and Financial Statements..

Resolution:

Ratification Items

Proposal 2 The 2018 earnings distribution proposal of the Company is submitted for ratification.

(Proposed by the Board of Directors)

Explanatory Notes:

I. In accordance with the 2018 financial statements, the net profit for the year is NT$1,415,140,288, adding the amount of unappropriated earnings of previous years NT$6,191,713,789, and deduct the amount of 10% legal reserve NT$141,514,029, the amount of earnings for the year 2018 available for distribution to shareholders as dividend and bonus is NT$7,465,340,048.

II. Pursuant to the Article of Incorporation of the Company, such amount is proposed to be distributed in the form of cash dividend. Each shareholder will be entitled to receive a cash dividend of NT$1.5 per share. The net distribution amount is NT$781,458,335. Cash dividend shall be distributed and paid to each shareholder, rounded to the nearest NT dollar (truncate the numbers after decimal place). Fractional amounts will be aggregately recognized as other revenue in the accounting book of the Company. The unappropriated retained earnings is NT$6,683,881,713 as of December 31, 2018

III. After being approved at the Annual General Shareholders’ Meeting, the cash dividends to common shareholders will be distributed on a record date to be determined by the Chairman.

IV. The 2018 Earnings Distribution Proposal is attached hereto as Attachments 4 (page 35).

V. Please ratify the aforesaid proposal.

Resolution:

Discussion Items:

Proposal 1: Discussion of amendments to Articles of Incorporation.

(proposed by the Board of Directors)

Explanatory:

I. Adjustment to contents of positions of partial managerial officer of the Company is proposed..

II. Major Contents Amended:

The position "COO of Business Groups" which is responsible for managing affairs regarding operation of each business group is proposed to be added.

III. In relation to Amendments to Articles of Incorporation as detailed in Attachments 5 (pages 36).

IV. Please review and ratify.

Resolution

Discussion Items:

Proposal 2 To ratify the amendments to the "Procedures for Acquisition and Disposition of Assets of Shihlin Electric & Engineering Corporation."

(Proposed by the Board of Directors)

Explanatory Notes:

I. Amendment to the "Procedures for Acquisition or Disposal" is in accordance with the provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the Financial Supervisory Commission.

II. The major revisions are as follows:

1. In accordance with the FSC announced that IFRS 16 "Leases" will take effect, it shall define the scope of right-of-use assets .
2. To set up the qualification of the professional appraiser agency.
3. Update the format of public announcement and the items to be publicly disclosed and standard for public disclosure and report.

III. The Comparison Table Before and After Amendment is attached hereto as Attachment 6 (page 37~45).

IV. Please review and ratify.

Resolution:

Discussion Items:

Proposal 3 Amendments to “Procedures for Conducting Transaction of Derivative Financial Transactions”

(Proposed by the Board of Directors)

Explanatory Notes:

I. Amendments to the “Policies and Procedures for Financial Derivatives Transactions is in accordance with the provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” issued by the Financial Supervisory Commission.

II. The major revisions are as follows:

1. Clarify the scope of derivatives based on IFRS 9’s definition to financial instruments.
2. Clearly include raw materials swap into the defined scope of swap for hedging risks of raw material commodities.

III. The Comparison Table Before and After Amendment is attached hereto as Attachment 7 (page 46).

IV. Please review and ratify.

Resolution:

Discussion Items:

Proposal 4 To lift non-competition restrictions on Directors representative of Juridical Persons and their representatives.

(Proposed by the Board of Directors)

Explanatory Notes:

I. According to Article 209 of the Company Act, any Director conducting business for himself/herself/itself or on another’s behalf, whereby the scope of the business coincides with the scope of the Company’s business, shall explain at the Shareholders’ Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.

II. It is proposed for the shareholders meeting to lift non-competition restrictions on Directors representative of Juridical Persons and their representatives.

III. The list of competition restrictions on Directors representative of Juridical Persons proposed to be release is attached hereto as Annex 8 (pages 48).

IV. Please review and ratify.

Resolution:

Extemporary Motions

Meeting Adjourned

Attachment 1

The Status of Endorsement and Guarantee of Shihlin Electric & Engineering Corp.

Unit: NT$ thousands

Endorsee/Guarantee	Amount of Endorsed/Guaranteed			
	2018	2017	Amount / Increase or decrease	%
Xiamen Shihlin Electric & Engineering Co., Ltd.	229,043	224,105	4,938	2.2%
Suzhou Shihlin Electric & Engineering Co., Ltd.	215,005	208,320	6,685	3.2%
Shihlin Electric (Suzhou) Power Equipment Co., Ltd	261,078	252,960	8,118	3.2%
Kingdom Trading Shanghai Co., Ltd.	180,427	176,127	4,300	2.4%
Changzhou Shihlin Mitsuba Electric & Engineering Co., Ltd.	357,658	359,910	-2,252	-0.6%
Wuxi Shihlin Electric & Engineering Co .,Ltd.	199,648	193,440	6,208	3.2%
Fuzhou Shihlin Electric & Engineering Co., Ltd.	30,715	0	30,715	100.0%
Shihlin Electric Australia Pty., Ltd.	0	89,280	-89,280	-100.0%
Shihlin Electric & Engineering Equipment Vienam Co.,Ltd.	245,720	238,080	7,640	3.2%
Changzhou Shihlin Auto Parts Co., Ltd.	261,078	252,960	8,118	3.2%
Shihlin Technology (Shenzhen) Co., Ltd.	44,753	0	44,753	100.0%
Total	2,025,125	1,995,182	29,943	1.5%
Maximum amounts allowed of endorsement/guarantee is 11,567,422 thousands				

Attachment 2

The Investments in mailand China for the year 2018

unit:U.S. Dollars

Investee Company	Share holding ratio (%)	Investment Amount /Authorized by Investment Commission, MOEA			Actual Investment Amount			Main Businesses and Products
		For the Year Ended December 31 2017	For the Year 2018	Total	For the Year Ended December 31 2017	For the Year 2018	Total	
Changzhou Shihlin Mitsuba Electric & Engineering Co., Ltd	55.0	3,300	0	3,300	1,100	0	1,100	Manufacturing and sales business of motorcycles starter, AC generator, starter switch
Xiamen Shihlin Electric & Engineering Co., Ltd.	100.0	12,100	0	12,100	10,100	0	10,100	All kinds of switches,relays,circuit breakers and other products and components of the production,trafficking technical advice and after sales service.
Suzhou Shihlin Electric & Engineering Co., Ltd.	100.0	13,000	0	13,000	7,800	0	7,800	Manufacturing and sales business of power capacitor, power transformers, electric motors and other electronic components.
Wuxi Shihlin Electric & Engineering Co .,Ltd.	100.0	10,000	0	10,000	9,094	0	9,094	Manufacturing and sales business of magneto and starter motor in locomotive transmission facilities,mobile and starter motors, power generator,and DC motor.
Fuzhou Shihlin Electric & Engineering Co., Ltd.	100.0	3,000	0	3,000	3,000	0	3,000	Manufacturing and sales business of DC motor,rotory pumps for liquids,motor vehiclefuel pumps and other electrical or power equipment.
Changzhou Shihlin Mitsuba Electric & Engineering Co., Ltd.	49.0	2,720	0	2,720	1,299	0	1,299	Manufacturing and sales business of Motorcycle starter motors, magneto, ignition coils and other control or distribution equipment
Suzhou Shihlin Electric & Engineering Co., Ltd.	50.5	2,777	0	2,777	1,717	0	1,717	Manufacturing and sales business of high and low pressure switch, switchgear, digital meters, transformers, capacitors, reactors, bridge and related products
Mitsuba Shihlin Electric (Wuhan) Co., Ltd.	45.0	3,150	0	3,150	3,150	0	3,150	Automotive cooling fans, wiper systems, starter, fuel pump, electronic control systems and other automotive electrical parts and accessory collar manufacturing sales and service business
Kingdom Trading Shanghai Co., Ltd.	100.0	4,000	0	4,000	4,000	0	4,000	All kinds of switches, relays, circuit breakers and other product sales operations
Shihlin Technology (Shenzhen) Co., Ltd.	100.0	1,000	0	1,000	1,000	0	1,000	Electronic products, machinery, mechanical and electrical equipment, industrial electric equipment, plastic products technology development, design, technical advice, technology transfers, wholesale, commission agent, import/export and related business

Investee Company	Share holding ratio (%)	Investment Amount /Authorized by Investment Commission, MOEA			Actual Investment Amount			Main Businesses and Products
		For the Year Ended December 31 2017	For the Year 2018	Total	For the Year Ended December 31 2017	For the Year 2018	Total	
Xiamen Chen-Ieu Transportation Implements Co., Ltd.	100.0	2,816	0	2,816	0	0	0	Manufacturing and motorcycle metal materials, electronic parts, all kinds of punch products parts, machine tools, machine tools, etc.
Mitsubishi Electric Low Voltage Equipment (Xiamen) Co., Ltd.	30.0	1,950	0	1,950	1,950	0	1,950	Low-voltage circuit breakers, magnetic switches of low voltage electrical apparatus and its components, such as research and development, manufacturing and after-sales service and technical advisory services
Changzhou Shihlin Auto Parts Co., Ltd.	100.0	6,000	0	6,000	6,000	0	6,000	Manufacture and Sales of Motorcycles starter motors, magneto, starter switch
Total		65,813	0	65,813	50,210	0	50,210	

Attachment III
Independent Auditors' Report and Financial Statements for the year 2018. (The combined financial statements enclosed.)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Shihlin Electric & Engineering Corp.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The description of the key audit matter in the audit of the Corporation's financial statements for the year ended December 31, 2018 is as follows:

Inventory Evaluation

The Corporation is engaged in the manufacture of heavy electrical equipment and machinery as well as automotive electrical equipment, devices, and related parts. Management's estimation of possible inventory write-downs is based on the current market conditions and the relevant products' sales experience. Refer to Notes 4, 5 and 13 to the financial statements for the related accounting policies, estimation uncertainty and detailed disclosures on inventory evaluation, respectively. As the major accounting estimates and judgments employed in the assessment of the inventory write-downs are subject to management's estimations and judgments, we therefore identified the inventory evaluation as a key audit matter.

The corresponding audit procedures we performed for this key audit matter included sampling the year end inventories to validate the reasonability of valuation method; calculating the value of inventory at the lower of cost or net realizable value in order to verify the appropriateness of the net realizable value of inventories adopted by management; and obtaining the information on obsolete inventories so as to inspect the appropriateness of the inventory write-downs estimated by management.

Other Matter

We did not audit the financial statements of certain investees of the Corporation as of and for the years ended December 31, 2018 and 2017, which were reflected in the accompanying financial statements using the equity method of accounting, but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in the Corporation's financial statements for such investments, are based solely on the reports of other auditors. The aforementioned equity-method investments amounted to NT$5,392,584 thousand and NT$5,206,958 thousand as of December 31, 2018 and 2017, which represented 14.57% and 15.30% of the Corporation's total assets, respectively. The Corporation's share of the profit or loss of such subsidiaries and associates amounted to NT$117,627 thousand and NT$138,571 thousand for the years ended December 31, 2018 and 2017, which represented 6.04% and 8.38% of the Corporation's profit before income tax, respectively. The Corporation's share of the comprehensive income or loss of such subsidiaries and associates amounted to NT$111,862 thousand and NT$163,876 thousand for the years ended December 31, 2018 and 2017, which represented 8.37% and 13.99% of the Corporation's total comprehensive income, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the 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 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 Chih-Yuan Chen and Ching-Cheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 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.

SHIHLIN ELECTRIC & ENGINEERING CORP.

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents	$ 1,818,804	5	$ 644,802	2
Financial assets at fair value through profit or loss - current	22,351	-	12,771	-
Contract assets - current	2,098,817	6	-	-
Debt investments with no active market - current	-	-	369	-
Notes receivable	1,135,671	3	1,085,195	3
Notes receivable from related parties	978	-	4,909	-
Trade receivables	3,262,162	9	3,487,276	10
Trade receivables from related parties	122,514	-	229,854	1
Amounts due from customers for construction contracts	-	-	1,075,545	3
Other receivables	11,525	-	6,242	-
Other receivables from related parties	9,506	-	30,056	-
Inventories	2,883,787	8	2,798,848	8
Other current assets	316,765	1	303,137	1
Total current assets	11,682,880	32	9,679,004	28
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current	541,259	1	24,691	-
Financial assets at fair value through other comprehensive income - non-current	831,177	2	-	-
Available-for-sale financial assets - non-current	-	-	636,606	2
Financial assets measured at cost - non-current	-	-	212,779	1
Investments accounted for using the equity method	11,033,999	30	10,553,291	31
Property, plant and equipment	4,857,134	13	4,830,199	14
Investment properties	7,598,604	20	7,732,201	23
Deferred tax assets	222,420	1	202,428	1
Other non-current assets	241,931	1	158,682	-
Total non-current assets	25,326,524	68	24,350,877	72
TOTAL	$ 37,009,404	100	$ 34,029,881	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ 1,950,000	5	$ 2,650,000	8
Financial liabilities at fair value through profit or loss - current	304	-	8,145	-
Contract liabilities - current	1,737,487	5	-	-
Notes payable	90,471	-	99,133	-
Trade payables	3,824,097	10	2,801,439	8
Trade payables to related parties	623,004	2	312,222	1
Amounts due to customers for construction contracts	-	-	12,055	-
Other payables	1,096,353	3	1,004,879	3
Other payable to related parties	22,178	-	21,219	-
Current tax liabilities	214,786	1	163,755	1
Provisions - current	657,324	2	582,626	2
Other current liabilities	171,798	-	1,034,320	3
Total current liabilities	10,387,802	28	8,689,793	26
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current	-	-	301	-
Long-term borrowings	850,000	2	850,000	2
Provisions - non-current	16,387	-	16,702	-
Deferred tax liabilities	2,109,428	6	1,934,196	6
Net defined benefit liabilities - non-current	410,850	1	515,707	2
Other non-current liabilities	100,093	-	101,588	-
Total non-current liabilities	3,486,758	9	3,418,494	10
Total liabilities	13,874,560	37	12,108,287	36
EQUITY				
Ordinary shares	5,209,722	14	5,209,722	15
Capital surplus	2,616,806	7	2,601,877	8
Retained earnings				
Legal reserve	2,422,109	6	2,289,163	7
Special reserve	5,136,954	14	5,136,954	15
Unappropriated earnings	7,606,855	21	6,863,740	20
Total retained earnings	15,165,918	41	14,289,857	42
Other equity	142,398	1	(179,862)	(1)
Total equity	23,134,844	63	21,921,594	64
TOTAL	$ 37,009,404	100	$ 34,029,881	100

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

SHIHLIN ELECTRIC & ENGINEERING CORP.

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				
Sales	$ 15,524,223	82	$ 14,766,981	89
Rental revenue	509,211	3	513,043	3
Construction revenue	2,761,668	15	1,313,024	8
Total operating revenue	18,795,102	100	16,593,048	100
OPERATING COSTS				
Cost of goods sold	13,119,919	70	12,458,092	75
Rental costs	222,746	1	237,917	1
Construction costs	2,391,466	13	1,170,386	7
Total operating costs	15,734,131	84	13,866,395	83
GROSS PROFIT	3,060,971	16	2,726,653	17
OPERATING EXPENSES				
Selling and marketing expenses	724,989	4	729,963	4
General and administrative expenses	816,087	4	791,446	5
Research and development expenses	518,623	3	407,527	3
Expected credit loss reversed on trade receivables	(34,320)	-	-	-
Total operating expenses	2,025,379	11	1,928,936	12
PROFIT FROM OPERATIONS	1,035,592	5	797,717	5
NON-OPERATING INCOME AND EXPENSES				
Other income	36,709	-	38,096	-
Other gains and losses	123,062	1	21,424	-
Finance costs	(25,946)	-	(29,569)	-
Share of profit or loss of subsidiaries and associates accounted for using the equity method	779,508	4	825,414	5
Total non-operating income	913,333	5	855,365	5
PROFIT BEFORE INCOME TAX	1,948,925	10	1,653,082	10
INCOME TAX EXPENSE	533,785	3	323,623	2
NET PROFIT FOR THE YEAR	1,415,140	7	1,329,459	8

(Continued)

SHIHLIN ELECTRIC & ENGINEERING CORP.

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**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (30,127)	-	$ (63,913)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(24,790)	-	-	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(3,031)	-	873	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	29,529	-	10,865	-
	(28,419)	-	(52,175)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(76,903)	-	(123,772)	(1)
Unrealized gain (loss) on available-for-sale financial assets	-	-	(29,306)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	7,156	-	22,549	-
Income tax relating to items that may be reclassified subsequently to profit or loss	19,017	-	24,283	-
	(50,730)	-	(106,246)	(1)
Other comprehensive loss for the year, net of income tax	(79,149)	-	(158,421)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,335,991	7	$ 1,171,038	7
EARNINGS PER SHARE				
Basic	$ 2.72		$ 2.55	
Diluted	$ 2.70		$ 2.54	

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

(Concluded)

SHIHLIN ELECTRIC & ENGINEERING CORP.

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

			Retained Earnings				Other Equity				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE, JANUARY 1, 2017	$ 5,209,722	$ 2,589,184	$ 2,164,471	$ 5,136,954	$ 6,346,494	$ 13,647,919	$ (26,194)	$ (47,419)	$ -	$ (73,613)	$ 21,373,212
Appropriation of the 2016 earnings											
Legal reserve	-	-	124,692	-	(124,692)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(625,166)	(625,166)	-	-	-	-	(625,166)
Changes in equity from investments in associates accounted for using the equity method	-	12,692	-	-	(10,048)	(10,048)	-	-	-	-	2,644
Adjustments to share of changes in equity of subsidiaries	-	1	-	-	(132)	(132)	-	(3)	-	(3)	(134)
Net profit for the year ended December 31, 2017	-	-	-	-	1,329,459	1,329,459	-	-	-	-	1,329,459
Other comprehensive income (loss) for the year ended December 31, 2017 net of income tax	-	-	-	-	(52,175)	(52,175)	(115,827)	9,581	-	(106,246)	(158,421)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,277,284	1,277,284	(115,827)	9,581	-	(106,246)	1,171,038
BALANCE, DECEMBER 31, 2017	5,209,722	2,601,877	2,289,163	5,136,954	6,863,740	14,289,857	(142,021)	(37,841)	-	(179,862)	21,921,594
Effect of retrospective application	-	-	-	-	162,440	162,440	-	37,841	365,851	403,692	566,132
BALANCE, JANUARY 1, 2018 AS RESTATED	5,209,722	2,601,877	2,289,163	5,136,954	7,026,180	14,452,297	(142,021)	-	365,851	223,830	22,487,726
Appropriation of the 2017 earnings											
Legal reserve	-	-	132,946	-	(132,946)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(677,264)	(677,264)	-	-	-	-	(677,264)
Changes in equity from investments in associates accounted for using the equity method	-	3,870	-	-	(12,956)	(12,956)	-	-	-	-	(9,086)
Actual acquisitions of interests in subsidiaries	-	11,059	-	-	-	-	(13,492)	-	230	(13,262)	(2,203)
Adjustments to share of changes in equity of subsidiaries	-	-	-	-	(320)	(320)	-	-	-	-	(320)
Net profit for year ended December 31, 2018	-	-	-	-	1,415,140	1,415,140	-	-	-	-	1,415,140
Other comprehensive loss for year ended December 31, 2018, net of income tax	-	-	-	-	(495)	(495)	(50,730)	-	(27,924)	(78,654)	(79,149)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,414,645	1,414,645	(50,730)	-	(27,924)	(78,654)	1,335,991
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(10,484)	(10,484)	-	-	10,484	10,484	-
BALANCE, DECEMBER 31, 2018	$ 5,209,722	$ 2,616,806	$ 2,422,109	$ 5,136,954	$ 7,606,855	$ 15,165,918	$ (206,243)	$ -	$ 348,641	$ 142,398	$ 23,134,844

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

SHIHLIN ELECTRIC & ENGINEERING CORP.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,948,925	$ 1,653,082
Adjustments for:		
Depreciation expense	435,549	428,711
Expected credit loss reversed on trade receivables	(34,320)	-
Impairment loss recognized on trade receivables	-	2,296
Gain on fair value change of financial assets and liabilities at fair value through profit or loss	(46,898)	(43,360)
Finance costs	25,946	29,569
Interest income	(8,815)	(4,436)
Dividend income	(15,634)	(21,360)
Share of profit of subsidiaries and associates accounted for using the equity method	(779,508)	(825,414)
Loss (gain) on disposal of property, plant and equipment	14,892	(873)
Loss (gain) on disposal of investments	(631)	1,006
Impairment loss recognized on financial assets	-	12
Changes in operating assets and liabilities		
Financial assets held for trading	-	6,368
Financial assets mandatorily classified as at fair value through profit or loss	65,868	-
Contract assets	(639,506)	-
Notes receivable	(50,476)	70,091
Notes receivable from related parties	3,931	(3,273)
Trade receivables	(124,332)	355,172
Trade receivables from related parties	107,340	(47,108)
Amounts due from customers for construction contracts	-	(484,130)
Other receivables	(5,284)	(4,568)
Other receivables from related parties	20,550	(9,106)
Inventories	(128,158)	(179,806)
Other current assets	(11,305)	35,389
Financial liabilities held for trading	(8,142)	(27,555)
Contract liabilities	766,489	-
Notes payable	(8,662)	42,978
Trade payables	1,022,658	441,488
Trade payables to related parties	310,782	(169,173)
Amounts due to customers for construction contracts	-	(210,549)
Other payables	91,844	92,901
Other payables to related parties	959	3,446
Provisions	128,747	141,030
Other current liabilities	42,085	174,262
Net defined benefit liabilities	(134,984)	(156,021)
Cash generated from operations	2,989,910	1,291,069
Interest received	8,811	4,601
Interest paid	(26,316)	(28,333)
Income tax paid	(278,968)	(80,383)
Net cash generated from operating activities	2,693,437	1,186,954

(Continued)

SHIHLIN ELECTRIC & ENGINEERING CORP.

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (8,610)	$ -
Proceeds from sale of financial assets at fair values through other comprehensive income	165	-
Proceeds from sale of financial assets at amortized cost	369	-
Proceeds from sale of available-for-sale financial assets	-	15,644
Purchase of debt investments with no active market	-	(369)
Purchase of financial assets measured at cost	-	(16,391)
Proceeds from capital reduction and liquidation of financial assets measured at cost	-	2,132
Acquisition of investments accounted for using the equity method	-	(6,000)
Payments for property, plant and equipment	(242,719)	(249,950)
Proceeds from disposal of property, plant and equipment	7,223	17,624
Payments for investment properties	(262)	-
Increase in other financial assets	(11,584)	-
Decrease in other financial assets	-	27,633
Increase in other non-current assets	(138,787)	(82,842)
Dividends received from subsidiaries and associates	372,649	261,791
Other dividends received	15,634	21,360
Net cash used in investing activities	(5,922)	(9,368)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(700,000)	(500,000)
Decrease in other financial liabilities	(1,523)	(340)
Dividends paid	(677,264)	(625,166)
Partial acquisition of interests in subsidiaries	(135,306)	(80,000)
Proceeds from capital reduction of subsidiaries	580	-
Net cash used in financing activities	(1,513,513)	(1,205,506)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,174,002	(27,920)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	644,802	672,722
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,818,804	$ 644,802

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Shihlin Electric & Engineering Corp.

Opinion

We have audited the accompanying consolidated financial statements of Shihlin Electric & Engineering Corp. 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.

In our opinion, based on our audits and the reports 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 reports 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 description of the key audit matter in the audit of the Group’s 2018 consolidated financial statements are stated as follows:

<u>Inventory Evaluation</u>

The Group is engaged in the manufacture of heavy electrical equipment and machinery as well as automotive electrical equipment, devices, and related parts. Management’s estimation of possible inventory write-downs is based on the current market conditions and the relevant products’ sales experience. For accounting policies, estimation uncertainty and detailed disclosures related to inventory evaluation, refer to Notes 4, 5 and 15, respectively. As the major accounting estimates and judgments employed in the assessment of the inventory write-downs are subject to management’s estimations and judgments, we therefore deem the inventory evaluation a key audit matter.

The responsive audit procedures we performed for this key audit matter are sampling from the yearend inventories to verify reasonability of the valuation method; calculating the value of inventory at the lower of cost or net realizable value in order to verify the appropriateness of the net realizable value of inventories which was adopted by management; and obtaining the information on obsolete inventories so as to inspect the appropriateness of the inventory write-downs estimated by management.

Other Matter

We did not audit the financial statements of certain subsidiaries of the Group as of and for the years ended December 31, 2018 and 2017, which were included in the accompanying consolidated financial statements, but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in the Group’s consolidated financial statements for such subsidiaries, is based solely on the reports of other auditors. The total assets of such subsidiaries amounted to NT$240,372 thousand and NT$235,133 thousand as of December 31, 2018 and 2017, respectively, which represented 0.60% and 0.63%, respectively, of the Group’s consolidated total assets. The operating revenue of such subsidiaries amounted to NT$7,711 thousand and NT$13,249 thousand for the years ended December 31, 2018 and 2017, respectively, which represented 0.03% and 0.06%, respectively, of the Group’s consolidated total operating revenue. We did not audit the financial statements of certain associates of the Group as of and for the years ended December 31, 2018 and 2017, which were reflected in the accompanying consolidated financial statements using the equity method of accounting, but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in the Group’s consolidated financial statements for such associates, is based solely on the reports of other auditors. The aforementioned equity-method investments amounted to NT$5,465,076 thousand and NT$5,294,081 thousand as of December 31, 2018 and 2017, respectively, which represented 13.66% and 14.29%, respectively, of the Group’s consolidated total assets. The Group’s share of the profit or loss of such associates amounted to NT$115,643 thousand and NT$144,832 thousand for the years ended December 31, 2018 and 2017, respectively, which represented 5.39% and 7.94%, respectively, of the Group’s consolidated profit before income tax. The Group’s share of the comprehensive income or loss of such associates amounted to NT$109,830 thousand and NT$170,014 thousand for the years ended December 31, 2018 and 2017, respectively, which represented 7.92% and 13.96%, respectively, of the Group’s consolidated total comprehensive income.

We have also audited the parent company only financial statements of Shihlin Electric & Engineering Corp. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with an other matter paragraph.

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 Chih-Yuan Chen and Ching-Cheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

<u>*Notice to Readers*</u>

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.

SHIHLIN ELECTRIC & ENGINEERING CORP. AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents	$ 2,969,922	7	$ 1,645,685	4
Financial assets at fair value through profit or loss - current	22,351	-	12,771	-
Financial assets at amortized cost - current	58,179	-	-	-
Contract assets	2,136,562	5	-	-
Debt investments with no active market - current	-	-	58,845	-
Notes receivable	1,355,117	3	1,278,561	3
Notes receivable from related parties	978	-	4,909	-
Trade receivables	4,601,487	12	5,033,467	14
Trade receivables from related parties	184,290	1	87,568	-
Amounts due from customers for construction contracts	-	-	1,075,545	3
Other receivables	19,788	-	11,573	-
Other receivables from related partie	5,549	-	11,369	-
Inventories	4,651,371	12	4,621,703	13
Other current assets	459,482	1	567,324	2
Total current assets	16,465,076	41	14,409,320	39
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current	721,528	2	24,691	-
Financial assets at fair value through other comprehensive income - non-current	854,089	2	-	-
Available-for-sale financial assets - non-current	-	-	819,510	2
Financial assets measured at cost - non-current	-	-	228,079	1
Investments accounted for using the equity method	7,060,892	18	6,795,931	18
Property, plant and equipment	6,376,135	16	6,195,102	17
Investment properties	7,598,604	19	7,732,201	21
Deferred tax assets	313,873	1	288,739	1
Other non-current assets	623,154	1	559,193	1
Total non-current assets	23,548,275	59	22,643,446	61
TOTAL	$ 40,013,351	100	$ 37,052,766	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ 2,475,658	6	$ 3,179,662	9
Financial liabilities at fair value through profit or loss - current	304	-	8,145	-
Contract liabilities - current	1,806,854	5	-	-
Notes payable	263,915	1	192,094	-
Notes payable to related parties	-	-	1,366	-
Trade payables	5,577,313	14	4,309,919	12
Trade payables to related parties	119,828	-	133,186	-
Amount due to customers for construction contracts	-	-	12,055	-
Other payables	1,401,419	3	1,285,647	3
Other payables to related parties	22,178	-	21,219	-
Current tax liabilities	260,002	1	201,911	1
Provisions - current	766,163	2	698,739	2
Other current liabilities	151,732	-	1,095,171	3
Total current liabilities	12,845,366	32	11,139,114	30
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current	-	-	301	-
Long-term borrowings	850,000	2	850,000	2
Provisions - non-current	16,387	-	16,702	-
Deferred tax liabilities	2,152,747	6	1,972,294	6
Deferred revenue - non-current	52,352	-	54,518	-
Net defined benefit liability - non-current	414,830	1	524,142	2
Other non-current liabilities	100,830	-	102,337	-
Total non-current liabilities	3,587,146	9	3,520,294	10
Total liabilities	16,432,512	41	14,659,408	40
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	5,209,722	13	5,209,722	14
Capital surplus	2,616,806	7	2,601,877	7
Retained earnings				
Legal reserve	2,422,109	6	2,289,163	6
Special reserve	5,136,954	13	5,136,954	14
Unappropriated earnings	7,606,855	19	6,863,740	19
Total retained earnings	15,165,918	38	14,289,857	39
Other equity	142,398	-	(179,862)	(1)
Total equity attributable to owners of the Corporation	23,134,844	58	21,921,594	59
NON-CONTROLLING INTERESTS	445,995	1	471,764	1
Total equity	23,580,839	59	22,393,358	60
TOTAL	$ 40,013,351	100	$ 37,052,766	100

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

SHIHLIN ELECTRIC & ENGINEERING CORP. 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				
Sales	$ 21,705,445	87	$ 20,375,220	92
Rental revenue	509,211	2	513,043	2
Construction revenue	2,761,668	11	1,313,024	6
Other operating revenue	7,500	-	13,000	-
Total operating revenue	24,983,824	100	22,214,287	100
OPERATING COSTS				
Cost of goods sold	17,756,449	71	16,535,651	75
Rental cost	222,746	1	237,917	1
Construction cost	2,391,466	9	1,170,386	5
Other operating cost	8,270	-	12,835	-
Total operating costs	20,378,931	81	17,956,789	81
GROSS PROFIT	4,604,893	19	4,257,498	19
OPERATING EXPENSES				
Selling and marketing expenses	1,144,299	5	1,156,483	5
General and administrative expenses	1,233,855	5	1,223,830	6
Research and development expenses	619,430	2	485,914	2
Expected credit loss reversed on trade receivables	(28,635)	-	-	-
Total operating expenses	2,968,949	12	2,866,227	13
PROFIT FROM OPERATIONS	1,635,944	7	1,391,271	6
NON-OPERATING INCOME AND EXPENSES				
Other income	43,480	-	47,614	-
Other gains and losses	177,804	1	20,256	-
Finance costs	(50,665)	-	(47,107)	-
Share of the profit or loss of associates accounted for using the equity method	338,799	1	410,956	2
Total non-operating income	509,418	2	431,719	2
PROFIT BEFORE INCOME TAX	2,145,362	9	1,822,990	8
INCOME TAX EXPENSE	674,822	3	438,566	2
NET PROFIT FOR THE YEAR	1,470,540	6	1,384,424	6

(Continued)

SHIHLIN ELECTRIC & ENGINEERING CORP. 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**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (30,038)	-	$ (64,225)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(22,812)	-	-	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(5,804)	-	1,020	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	29,886	-	10,918	-
	(28,768)	-	(52,287)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(74,696)	-	(150,778)	(1)
Unrealized gain (loss) on available-for-sale financial assets	-	-	(15,980)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	-	-	24,161	-
Income tax relating to items that may be reclassified subsequently to profit or loss	20,314	-	28,467	-
	(54,382)	-	(114,130)	(1)
Other comprehensive loss for the year, net of income tax	(83,150)	-	(166,417)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,387,390	6	$ 1,218,007	5
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,415,140	6	$ 1,329,459	6
Non-controlling interests	55,400	-	54,965	-
	$ 1,470,540	6	$ 1,384,424	6

(Continued)

SHIHLIN ELECTRIC & ENGINEERING CORP. 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**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,335,991	6	$ 1,171,038	5
Non-controlling interests	51,399	-	46,969	-
	$ 1,387,390	6	$ 1,218,007	5
EARNINGS PER SHARE				
Basic	$ 2.72		$ 2.55	
Diluted	$ 2.70		$ 2.54	

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

(Concluded)

SHIHLIN ELECTRIC & ENGINEERING CORP. 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 Corporation												
			Retained Earnings				Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 5,209,722	$ 2,589,184	$ 2,164,471	$ 5,136,954	$ 6,346,494	$ 13,647,919	$ (26,194)	$ (47,419)	$ -	$ (73,613)	$ 21,373,212	$ 476,930	$ 21,850,142
Appropriation of the 2016 earnings													
Legal reserve	-	-	124,692	-	(124,692)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(625,166)	(625,166)	-	-	-	-	(625,166)	-	(625,166)
Changes in equity from investments in associates accounted for using the equity method	-	12,692	-	-	(10,048)	(10,048)	-	-	-	-	2,644	(207)	2,437
Adjustments to share of changes in equity of subsidiaries	-	1	-	-	(132)	(132)	-	(3)	-	(3)	(134)	134	-
Net profit for the year ended December 31, 2017	-	-	-	-	1,329,459	1,329,459	-	-	-	-	1,329,459	54,965	1,384,424
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(52,175)	(52,175)	(115,827)	9,581	-	(106,246)	(158,421)	(7,996)	(166,417)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,277,284	1,277,284	(115,827)	9,581	-	(106,246)	1,171,038	46,969	1,218,007
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(52,062)	(52,062)
BALANCE, DECEMBER 31, 2017	5,209,722	2,601,877	2,289,163	5,136,954	6,863,740	14,289,857	(142,021)	(37,841)	-	(179,862)	21,921,594	471,764	22,393,358
Effect of retrospective application	-	-	-	-	162,440	162,440	-	37,841	365,851	403,692	566,132	86	566,218
BALANCE AT JANUARY 1, 2018 AS RESTATED	5,209,722	2,601,877	2,289,163	5,136,954	7,026,180	14,452,297	(142,021)	-	365,851	223,830	22,487,726	471,850	22,959,576
Appropriation of the 2017 earnings													
Legal reserve	-	-	132,946	-	(132,946)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(677,264)	(677,264)	-	-	-	-	(677,264)	-	(677,264)
Changes in equity from investments in associates accounted for using the equity method	-	3,870	-	-	(12,956)	(12,956)	-	-	-	-	(9,086)	(411)	(9,497)
Actual acquisition of interests in subsidiaries	-	11,059	-	-	-	-	(13,492)	-	230	(13,262)	(2,203)	(53,103)	(55,306)
Adjustments to share of changes in equity of subsidiaries	-	-	-	-	(320)	(320)	-	-	-	-	(320)	320	-
Net profit for year ended December 31, 2018	-	-	-	-	1,415,140	1,415,140	-	-	-	-	1,415,140	55,400	1,470,540
Other comprehensive income (loss) for year ended December 31, 2018, net of income tax	-	-	-	-	(495)	(495)	(50,730)	-	(27,924)	(78,654)	(79,149)	(4,001)	(83,150)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,414,645	1,414,645	(50,730)	-	(27,924)	(78,654)	1,335,991	51,399	1,387,390
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,060)	(24,060)
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(10,484)	(10,484)	-	-	10,484	10,484	-	-	-
BALANCE, DECEMBER 31, 2018	$ 5,209,722	$ 2,616,806	$ 2,422,109	$ 5,136,954	$ 7,606,855	$ 15,165,918	$ (206,243)	$ -	$ 348,641	$ 142,398	$ 23,134,844	$ 445,995	$ 23,580,839

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

SHIHLIN ELECTRIC & ENGINEERING CORP. AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 2,145,362	$ 1,822,990
Adjustments for:		
Depreciation expenses	614,126	590,059
Amortization expenses	27,732	24,094
Expected credit loss reversed on trade receivables	(28,635)	-
Impairment loss recognized on trade receivables	-	10,166
Gain on fair value change of financial assets and liabilities at fair value through profit or loss	(42,631)	(43,360)
Finance costs	50,665	47,107
Interest income	(23,756)	(22,648)
Dividend income	(16,984)	(22,258)
Share of the profit of associates accounted for using the equity method	(338,799)	(410,956)
Loss (gain) on disposal of property, plant and equipment	(32,860)	1,529
Loss (gain) on disposal of investments	(631)	1,006
Impairment loss recognized on financial assets	-	12
Changes in operating assets and liabilities		
Financial assets held for trading	-	6,368
Financial assets mandatorily classified as at fair value through profit or loss	65,868	-
Contract assets	(635,985)	-
Notes receivable	(76,556)	41,043
Notes receivable from related parties	3,931	(3,273)
Trade receivables	36,143	217,469
Trade receivables from related parties	(96,722)	5,577
Amounts due from customers for construction contracts	-	(484,130)
Other receivables	(8,216)	(820)
Other receivables from related parties	5,820	(5,822)
Inventories	(71,016)	(404,026)
Other current assets	70,485	(56,153)
Financial liabilities held for trading	(8,142)	(27,555)
Contract liabilities	770,753	-
Notes payable	71,821	13,099
Notes payable to related parties	(1,366)	1,366
Trade payables	1,267,394	293,932
Trade payables to related parties	(13,358)	38,705
Amounts due to customers for construction contracts	-	(210,549)
Other payables	116,514	38,161
Other payables to related parties	959	3,446
Provisions	135,982	167,988
Other current liabilities	12,135	228,454

(Continued)

SHIHLIN ELECTRIC & ENGINEERING CORP. 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 defined benefit liabilities	$ (139,350)	$ (156,713)
Deferred revenue	(1,242)	(1,227)
Cash generated from operations	3,859,441	1,703,081
Interest received	23,339	22,813
Interest paid	(51,407)	(44,805)
Income tax paid	(411,212)	(222,570)
Net cash generated from operating activities	3,420,161	1,458,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(8,610)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	165	-
Purchase of financial assets at amortized cost	(151,398)	-
Proceeds from recovery of financial assets at amortized cost at maturity	151,411	-
Proceeds from sale of available-for-sale financial assets	-	15,644
Purchase of debt investments with no active market	-	(462,702)
Proceeds from sale of debt investments with no active market	-	452,764
Purchase of financial assets measured at cost	-	(16,391)
Proceeds from capital reduction and liquidation of financial assets measured at cost	-	2,132
Acquisition of investments accounted for using the equity method	(80,000)	(86,000)
Payments for property, plant and equipment	(618,292)	(532,235)
Proceeds from disposal of property, plant and equipment	82,940	21,405
Payments for investment properties	(262)	-
Increase in other financial assets	-	(3,393)
Decrease in other financial assets	27,767	-
Increase in other non-current assets	(149,547)	(197,357)
Dividends received from associates	129,951	132,579
Other dividends received	16,984	22,258
Net cash used in investing activities	(598,891)	(651,296)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(697,662)	(426,812)
Decrease in other financial liabilities	(1,522)	(354)
Acquisition of subsidiaries	(55,306)	-
Dividends paid	(677,264)	(625,166)
Changes in non-controlling interests	(24,060)	(52,062)
Net cash used in financing activities	(1,455,814)	(1,104,394)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(41,219)	(90,786)

(Continued)

SHIHLIN ELECTRIC & ENGINEERING CORP. 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 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 1,324,237	$ (387,957)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,645,685	2,033,642
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,969,922	$ 1,645,685

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

(Concluded)

Attachment 4 Earnings Distribution Proposal for the Year 2018

Shihlin Electric & Engineering Corp.
Earnings Distribution Proposal for the Year 2018

Unit :NT$

Item	Amount
1.Unappropriated retained earning of previous years	6,053,529,101
Adjustment after retrospective application and restatement	162,440,265
2.Unappropriated earnings after adjustment of previous years	6,215,969,366
Long-term equity investment adjusted to retained earnings	(13,172,794)
Confirmed reevaluated amount of welfare plan for retained earnings	(598,293)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(10,484,490)
3.Unappropriated earnings after adjustment	6,191,713,789
Net income 2018	1,415,140,288
Legal reserve appropriation	(141,514,029)
4.Retained earnings available for distribution	7,465,340,048
Distribution items:	
Shareholders’ dividend **(NT$ 1.50 /share in cash)**	(781,458,335)
5. Unappropriated retained earnings after earnings distribution	6,683,881,713

Attachment 5　Comparison table for the Articles of Incorporation before and after amendment

After amendment	Before amendment	Explanation
Chapter 5　Managerial Officer Article 22 Management Level of the Company shall consist of one General Manager (GM), one Chief of Operation (COO), <u>one COO of Business Groups</u>, and several Deputy COO, GMs of Business Groups, Deputy General Managers, Factory Managers and Branch Managers, whose appointment and dismissal shall enter into effect by resolution of more than half of the Directors present at the meeting where more than half of the entire of the Board of Directors attend.	**Chapter 5　Managerial Officer** Article 22 Management Level of the Company shall consist of one General Manager (GM), one Chief of Operation (COO), and several Deputy COO, GMs of Business Groups, Deputy General Managers, Factory Managers and Branch Managers, whose appointment and dismissal shall enter into effect by resolution of more than half of the Directors present at the meeting where more than half of the entire of the Board of Directors attend.	To add The position “COO of Business Groups”
Chapter 7　Supplementary Provisions Article 29 These Articles of Incorporation were enacted on August 01, 1955, and ……………. ……………. …………….(ignored) The 50st amendment was made on June 20, 2019.	**Chapter 7　Supplementary Provisions** Article 29 These Articles of Incorporation were enacted on August 01, 1955, and ……………. ……………. .(ignored) The 49st amendment was made on June 15, 2017.	Added amendment date

Attachment 6 Comparison table for Disposition Procedures for the Acquisition or Disposal of Assets before and after amendment.

After amendment	Before amendment	Explanation
Article 2 Definitions I. Asset: Referring to long- and short-term investment in securities (including tocks, government bonds, corporate bonds, financial bonds, domestic beneficial certificates, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities), real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment), memberships, intangible assets (patents, copyrights, trademarks, and franchise rights, etc.), <u>right-of-use assets</u>, claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables), derivatives, assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws, and other major assets.	Article 2 Definitions I. Asset: Referring to long- and short-term investment in securities (including tocks, government bonds, corporate bonds, financial bonds, domestic beneficial certificates, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities), real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment), memberships, intangible assets (patents, copyrights, trademarks, and franchise rights, etc.), claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables), derivatives, assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with laws, and other major assets.	In accordance with the FSC announced that IFRS 16 “Leases” will take effect, it shall define the scope of right-of-use assets
II. (Ignored.) III. Professional appraisal institution: Referring any entity specifying activities of providing appraisal to real property and equipment as its business item in the Articles of Incorporation or Certificate of Profit-seeking Enterprise. <u>Such entity and its staff shall also satisfy the following requirements:</u> (1) <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not</u>	II. (Ignored.) III. Professional appraisal institution: Referring any entity specifying activities of providing appraisal to real property and equipment as its business item in the Articles of Incorporation or Certificate of Profit-seeking Enterprise. And the appraisal agency and its appraisers shall have no relationship with the transaction party as set out in the Financial Accounting Standards Bulletin No. 6 or as a material person.	pursuant to the amendment of Article 5 of the "Guidelines for the Acquisition or Disposition of Assets by Public Offering Companies"to set up the qualification of the professional appraiser agency.

<table>
<tr><th>After amendment</th><th>Before amendment</th><th>Explanation</th></tr>
<tr><td>apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
(2) May not be a related party or de facto related party of any party to the transaction.
(3) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.
IV. (Ignored.)
V. (Ignored.)
VI. (Ignored.)
VII. (Ignored.)
VIII. (Ignored.)</td><td>IV. (Ignored.)
V. (Ignored.)
VI. (Ignored.)
VII. (Ignored.)
VIII. (Ignored.)</td><td></td></tr>
<tr><td>Article 3 Division of Authority and Responsibility
I. The division of authority and responsibility of the Regulations is as below:<table><tr><td>Proposal reparation</td><td>Supervisor of the Preparation</td><td>Responsible Person</td></tr><tr><td>Financial Department of Division of Financial Affairs</td><td>The Director of Financial Management Department</td><td>The Top Executive of Division of Financial Affairs</td></tr></table>II. (Ignored.)</td><td>Article 3 Division of Authority and Responsibility
I. The division of authority and responsibility of the Regulations is as below:<table><tr><td>Proposal Preparation</td><td>Supervisor of the Preparation</td><td>Responsible Person</td></tr><tr><td>Financial Department of Division of Financial Affairs</td><td>The Director of Financial Management Department</td><td>The Director of Financial Affairs</td></tr></table>II. (Ignored.)</td><td>to correct the name of position coordinate with the organization's job change</td></tr>
<tr><td>Article 5
The reference basis and determination procedures for terms and conditions of transactions shall be based on the following reference basis and determination procedures for terms and conditions of transactions of acquisition and disposal of assets by the Company (including methods for determination of prices, reference basis and levels of delegation/authorization):
I. (Ignored.)
II. (Ignored.)
III. The final price for acquiring or disposing of real property or right-of-use asset thereof shall be negotiated</td><td>Article 5
The reference basis and determination procedures for terms and conditions of transactions shall be based on the following reference basis and determination procedures for terms and conditions of transactions of acquisition and disposal of assets by the Company (including methods for determination of prices, reference basis and levels of delegation/authorization):
I. (Ignored.)
II. (Ignored.)
III. The final price for acquiring or disposing of real property or right-of-use asset thereof shall be negotiated</td><td>In accordance with the FSC announced that IFRS 16 “Leases” will take effect, it shall incorporate “the scope of right-of-use assets” into the specification</td></tr>
</table>

After amendment	Before amendment	Explanation
and determined by taking reference to the its current value as well as assessed value, and actual transaction price of real property in the vicinity. <u>For the final price to acquire or dispose of equipment or right-of-use asset thereof, such reference basis shall be bids comparison, price negotiation or tenders invitation</u>. Price appraisal provided by a professional appraisal institution would be additionally required for any transaction with the transaction amount as NT$300 million (NT$300,000,000) or more, the certified public accountant is required to express specific opinions to the case where the rate of difference between amounts of appraisal price by the appraisal institution and the transaction amount reaches 20% or more. Price appraisals provided by two or more professional appraisal institutions would be required for any transaction with the transaction amount as NT$1 billion (NT$1,000,000,000) or more, and the certified public accountant is required to express specific opinions to the case where the rate of difference between amounts of appraisal price by each of the two or more appraisal institutions reaches 10% or more of the transaction amount. IV. The certified public accountant is required to express opinions prior to the date of occurrence of the case involving the acquisition or disposal of intangible assets <u>or right-to-use asserts thereof or memberships</u> (transaction with domestic government institutions is excluded) V. (Ignored.)	and determined by taking reference to the its current value as well as assessed value, and actual transaction price of real property in the vicinity. Price appraisal provided by a professional appraisal institution would be additionally required for any transaction with the transaction amount as NT$300 million (NT$300,000,000) or more, the certified public accountant is required to express specific opinions to the case where the rate of difference between amounts of appraisal price by the appraisal institution and the transaction amount reaches 20% or more. Price appraisals provided by two or more professional appraisal institutions would be required for any transaction with the transaction amount as NT$1 billion (NT$1,000,000,000) or more, and the certified public accountant is required to express specific opinions to the case where the rate of difference between amounts of appraisal price by each of the two or more appraisal institutions reaches 10% or more of the transaction amount. IV. Acquisition or disposing of equipment shall be handled by price comparison, bargaining or bidding V. The certified public accountant is required to express opinions prior to the date of occurrence of the case involving the acquisition or disposal of memberships, intangible assets, with government institutions is excluded. In addition to transaction with government agencies VI. (Ignored.)	the item VI deletion is merged into the item III. It is limited to the domestic government agencies, is not yet exempted to deal with foreign government agencies, because its relevant regulations and bargaining mechanism are relatively unclear.
Article 6 Standards for Announcement and Report The Company shall publicly announce and report the relevant information of acquisition or disposal of assets under any	Article 6 Standards for Announcement and Report The Company shall publicly announce and report the relevant information of acquisition or disposal of assets under any	pursuant to the amendment of Article 31 of the "Guidelines for the Acquisition

<table>
<tr><th>After amendment</th><th>Before amendment</th><th>Explanation</th></tr>
<tr><td>of the following circumstances:
I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT$300 million (NT$300,000,000) or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
II. Merger, demerger, acquisition, or transfer of shares.
III. Acquisition or disposal of equipment or right-of-use assets thereof for business operation, and the transaction counterparty is not a related party, and the transaction amount reached NT$500 million (NT$500,000,000) or more.
IV. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT$500 million (NT$500,000,000).
V. The amount of asset transaction other than any of those referred to in the preceding four Subparagraph, or the investment in the mainland China area (which include any of their individual transaction amount, the cumulative</td><td>of the following circumstances:
I. Acquisition or disposal of real property thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT$300 million (NT$300,000,000) or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds.
II. Merger, demerger, acquisition, or transfer of shares.
III. The relevant contract signed by the original transaction has been changed, terminated or cancelled.
IV. Merger, split, acquisition or share transfer is not completed according to the contract schedule.
V. The amount of asset transaction other than any of those referred to in the preceding four Subparagraph, or the financial institutions dispose of claims,or the investment in the mainland China area, the cumulative</td><td>or Disposition of Assets by Public Offering Companies"to adjust the content and presentation of the provisions</td></tr>
</table>

After amendment	Before amendment	Explanation
transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year, the cumulative transaction amount of acquisitions and disposals of real property or right-of-use assets thereof within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals of the same security within the preceding year) reaches 20% or more of paid-in capital or NT$300 million (NT$300,000,000); provided, the preceding regulation shall not apply to the following circumstances: (1) Trading of domestic government bonds. (2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.	transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year, the cumulative transaction amount of acquisitions and disposals of real property or right-of-use assets thereof within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals of the same security within the preceding year) reaches 20% or more of paid-in capital or NT$300 million (NT$300,000,000); provided, the preceding regulation shall not apply to the following circumstances: (1) Trading of government bonds. (2) Trading of securities at domestic or foreign stock exchange markets or OTC markets. However, those who trade securities of parent companies/subsidiaries or or a related company are not limited to this. (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds. (4) Where the kinds of assets is the equipment held for business use are acquired or disposed of, and furthermore the transaction counterparty is not a Related Party, and the transaction amount is less than NT$5 billion. (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the the transaction amount is less than NT$500 million. (bsed on the amount of the Company's estimated investment.)	

After amendment	Before amendment	Explanation
Article 8 Contents of Announcement I. Securities of parent companies/subsidiaries or affiliates traded at domestic or foreign stock exchange markets or OTC markets. Please refer to Attachment 1 for matters that shall be announced and the statutory format. II. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale. Please refer to Attachment 2 for matters that shall be announced and the statutory format. III. Real property, equipment and right-to-use assets thereof (including acquiring or disposing of real property or right-of-use assets thereof from or to a related party). Please refer to Attachment 3 for matters that shall be announced and the statutory format. IV. Trading of securities, intangible assets or right-to-use assets thereof and memberships not conducted at stock exchange market or OTC markets and disposal of receivables by financial institutions. Please refer to Attachment 4 for matters that shall be announced and the statutory format. V. Investment in mainland China. Please refer to Attachment 5 for matters that shall be announced and the statutory format. VI. Merger, demerger, acquisition, or transfer of shares. Please refer to Attachment 6 for matters that shall be announced and the statutory format.	Article 8 Contents of Announcement I. Securities of parent companies/subsidiaries or affiliates traded at domestic or foreign stock exchange markets or OTC markets, should be announced the following matters. (Ignored.) II. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, should be announced the following matters. (Ignored.) III. Real property (including acquiring or disposing of real property) and other fixed assets, should be announced the following matters. (Ignored.) IV. Trading of securities, intangible assets not conducted at stock exchange market or OTC markets and disposal of receivables by financial institutions, should be announced the following matters. (Ignored.) V. Investment in mainland China, should be announced the following matters. (Ignored.) VI. Merger, demerger, acquisition, or transfer of shares, should be announced the following matters. (Ignored.)	pursuant to the amendment of announcement format of the "Guidelines for the Acquisition or Disposition of Assets by Public Offering Companies" to add Annex I-VI, the original format of the notice is deleted In accordance with the FSC announced that IFRS 16 "Leases" will take effect, it shall incorporate "the scope of right-of-use assets" into the specification.
Article 9 Professional Appraisal by Experts I. In acquiring or disposing of real property, equipment, or right-of-use	Article 9 Professional Appraisal by Experts I. In acquiring or disposing of real property or equipment, unless	In accordance with the FSC announced that IFRS 16

After amendment	Before amendment	Explanation
assets thereof, unless transacting with the domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report (please refer to Attachment 7 for statutory items of appraisal report for real property) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Ignored.)	transacting with the government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, shall obtain an appraisal report (please refer to Attachment 1and 2 for statutory items of appraisal report for real property) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Ignored.)	"Leases" will take effect, it shall incorporate "the scope of right-of-use assets" into the specification. It is limited to the domestic government agencies, is not yet exempted to deal with foreign government agencies, because its relevant regulations and bargaining mechanism are relatively unclear. pursuant to the amendment of the attached valuation report shall be added the attachment VII of the "Guidelines for the Acquisition or Disposition of Assets by Public Offering Companies",to add attachment VII,, and the original attachment I and II shall be deleted.
Article 11 Restrictions to Total Amount to Purchasing Non-business Real Property and Right-to-Use Assets Thereof or Securities and Restricted Amount to Investment to Individual Security The total amount of purchase of non-business real property and right-of-use assets thereof or securities shall, in	Article 11 Restrictions to Total Amount to Purchasing Non-business Real Property or Securities and Restricted Amount to Investment to Individual Security The total amount of purchase of non-business real property or securities shall, in principles, not exceed the total amount of	In accordance with the FSC announced that IFRS 16 "Leases" will take effect, it shall incorporate "the scope of right-

<table>
<tr><th>After amendment</th><th>Before amendment</th><th>Explanation</th></tr>
<tr><td>principles, not exceed the total amount of shareholders equities in the financial statement of the Company for the most recent period and certified or reviewed by a certified public accountant. For investment to individual security, the amount shall not exceed 50% of shareholders equities in the financial statement of the Company for the most recent period and certified or reviewed by a certified public accountant.</td><td>shareholders equities in the financial statement of the Company for the most recent period and certified or reviewed by a certified public accountant. For investment to individual security, the amount shall not exceed 50% of shareholders equities in the financial statement of the Company for the most recent period and certified or reviewed by a certified public accountant.</td><td>of-use assets” into the specification.</td></tr>
<tr><td>Article 12 Miscellaneous
I. In acquiring or disposing of real property, equipment <u>or right-of-use assets thereof</u> where the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets or NT$300 million (NT$300,000,000) or more, the Company, unless conducting transaction with a joint construction contract, shall make reporting based on regulations of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” of Securities and Futures Bureau, prepare a report for estimation of cash balance of each month of next year and assess the necessity and rationality of funds utilization. The preceding contract and payment shall only be signed and made after the aforesaid report is submitted to and approved by the Audit Committee, ratified by the Board of Directors, and reported at the next Shareholders’ Meeting.
II. For any of the following transactions conducted between the Company and its parent company<u>,</u> subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital,</u> the Company's Board of Directors may delegate the Chairman of the Board to determine such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:
(1) <u>Acquisition or disposal of</u></td><td>Article 12 Miscellaneous
I. In acquiring or disposing of real property, equipment where the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets or NT$300 million (NT$300,000,000) or more, the Company, unless conducting transaction with a joint construction contract, shall make reporting based on regulations of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” of Securities and Futures Bureau, prepare a report for estimation of cash balance of each month of next year and assess the necessity and rationality of funds utilization. The preceding contract and payment shall only be signed and made after the aforesaid report is submitted to and approved by the Audit Committee, ratified by the Board of Directors, and reported at the next Shareholders’ Meeting.
II. For any of the following transactions conducted between the Company and its parent company<u>,</u> subsidiaries, the Company's Board of Directors may delegate the Chairman of the Board to determine such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.
III. (Ignored.)
IV. (Ignored.)
V. (Ignored.)
VI. (Ignored.)</td><td>In accordance with the FSC announced that IFRS 16 “Leases” will take effect, it shall incorporate “the scope of right-of-use assets” into the specification.

pursuant to the amendment of Article 15 of the "Guidelines for the Acquisition or Disposition of Assets by Public Offering Companies", whereas the transactions between the Company and its subsidiary company or subsidiary company whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company, are lower-risk transaction, therefore such transactions are</td></tr>
</table>

After amendment	Before amendment	Explanation
equipment or right-of-use assets thereof held for business use. (2) Acquisition or disposal of real property right-of-use assets held for business use. III. (Ignored.) IV. (Ignored.) V. (Ignored.) VI. (Ignored.)		exempted from evaluating the fairness of Transaction cost. In addition, allowing the acquisition or disposal of equipments and its right-of–use asset for business operation purposes or real estate and its right-of-use asset for business operation purposes between aforesaid companies may be authorized by Chairman to proceed.
Article 16 Amendment history The Procedures were adopted by the 10th meeting of 9th session Board of Directors on August 16, 1989. The 2st amendment was made on June 29, 1995. The 3st amendment was made on November 19, 1999. The 4st amendment was made on May 27, 2003. The 5st amendment was made on May 26, 2005. The 6st amendment was made on May 30, 2008. The 7st amendment was made on May 25, 2012. The 8st amendment was made on June 20, 2014. The 9st amendment was made on June 15, 2017. The 10st amendment was made on June 20, 2019.	Article 16 Amendment history The Procedures were adopted by the 10th meeting of 9th session Board of Directors on August 16, 1989. The 2st amendment was made on June 29, 1995. The 3st amendment was made on November 19, 1999. The 4st amendment was made on May 27, 2003. The 5st amendment was made on May 26, 2005. The 6st amendment was made on May 30, 2008. The 7st amendment was made on May 25, 2012. The 8st amendment was made on June 20, 2014. The 9st amendment was made on June 15, 2017.	Added amendment date

Attachment 7 Comparison table for Handling Procedures for Conducting Derivative Transactions before and after amendment

After amendment	Before amendment	Explanation
Article 2 Scope I. All and each units affiliated with the Company shall adhere to the Procedures. II The derivatives referred in the Procedures shall be forward contracts, options, futures, swap, hybrid combining the above, or derivative transaction contracts derived from a specified interest rate, financial instrument price, commodity price (including raw materials), foreign exchange rate, index of prices or rates, credit rating or credit index.	Article 2 Scope I. All and each units affiliated with the Company shall adhere to the Procedures. II. The derivatives referred in the Procedures shall be forward contracts, options, futures, swap, hybrid combining the above, or derivative transaction contracts derived from a foreign exchange rate.	Clarify the scope of derivatives based on IFRS 9's definition to financial instruments and to correct the text.
Article 3 Definitions I. (Ignored.) II. (Ignored.) III. Swap: Refers to exchange of financial instruments or financial commodities such as currency swap, interest rates swap, currency interest rates swap and raw materials swap.	Article 3 Definitions I. (Ignored.) II. (Ignored.) III. Swap: Refers to exchange of financial instruments or financial commodities such as currency swap, interest rates swap, currency interest rates swap.	Clearly include raw materials swap into the defined scope of swap for hedging risks of raw material commodities.
Article 10 Internal Auditing System The internal audit personnel shall periodically make a determination of the suitability of internal controls on and conduct the periodic audit to examine how faithfully the trading department adheres to the Procedures, prepare the audit report by analyzing the transaction cycle and then implement it by consolidating the annual audit program of internal audit operation, and report the contents and the improvement and correction to abnormal situations to SFI by the ends of February and May of next year, respectively. If any material violation is discovered, all Independent Supervisors and the Audit Committee shall be notified in written.	Article 10 Internal Auditing System The internal audit personnel shall periodically make a determination of the suitability of internal controls on and conduct the periodic audit to examine how faithfully the trading department adheres to the Procedures, prepare the audit report by analyzing the transaction cycle and then implement it by consolidating the annual audit program of internal audit operation, and report the contents and the improvement and correction to abnormal situations to SFI by the ends of February and May of next year, respectively.	In consideration of the spirit of the Auditing Operation of the treatment Article 15 of the Internal Control system, the Independent Directors and the Audit Committee shall be notified in writing to the discovery of violations of major derivative commodities.

After amendment	Before amendment	Explanation
Article 12 Regulation adopted and amendment history The Regulations were adopted on August 16, 1996. The 1st amendment was made on May 28, 2002. The 2st amendment was made on May 27, 2003. The 3st amendment was made on May 30, 2008. The 4st amendment was made on June 20, 2014. The 5st amendment was made on June 14, 2018. The 6st amendment was made on June 20, 2019.	Article 12 Regulation adopted and amendment history The Regulations were adopted on August 16, 1996. The 1st amendment was made on May 28, 2002. The 2st amendment was made on May 27, 2003. The 3st amendment was made on May 30, 2008. The 4st amendment was made on June 20, 2014. The 5st amendment was made on June 14, 2018.	Added amendment date

Attachment 8 The list of competition restrictions on Directors representative of Juridical Persons proposed to be release

Position / title	Nane/Company /Representative	Current Positions of other Corporation
Managing Director	HANAOKA HISAO / Representative of Mitsubishi Electric Corporation.(Japan)	Chairman / Taiwan Mitsubishi Electric Corporation.. Director / Taiwan Mitsubishi Electric Corporation. Director / Shin Wu Machinery Trading Co., Ltd..
Director	Lin,Po-Fong / Representative of Shin-Po Investment Co., Ltd.	Chairman / Yi Kong Building Management Service Co., Ltd. Chairman / eTech Pro Co., Ltd. Chairman / ShinCluster Electronics Co., Ltd. Chairman / Shin Soft Co., Ltd. Chairman / New Opto Eelectronics Co., Ltd. Chairman / Lian'an Service Co., Ltd. Chairman / New Light International Co., Ltd. Chairman / New Light Investment Co., Ltd. Chairman /Shin-Po Life Care Co., Ltd. Chairman / Shin-Po Transportation Co., Ltd. (SKCar) Chairman / Taiwan Security Co. Ltd. Chairman / Tai-Po Service Technology co., ltd. Chairman / Taiwan Shin Kong Security Co.,Ltd Director / Shin-Si-Yue Co., Ltd. Director / Great Taipei Broadband Co.,Ltd Director / The Ambassador Hotel Co., Ltd. Director / Shin-Gung Optoelectronics Technology Co., Ltd. Director / Taiwan Shin Kong Healthcare Management Co., Ltd. Director / Bofeng Industrial Co., Ltd
Director	Yang,Tsung-Hsien / Representative of Yang Teh Investment co., Ltd.	Director / Mitsubishi Electric Low Voltage Equipment (Xiamen) Co., Ltd.

Appendix I Articles of Incorporation

Chapter 1 General Provisions

Article 1 The Company is incorporated as a company limited by shares under the provisions set forth in the Company Act in the full name of Shihlin Electric & Engineering Corp. (the "Company").

Article 2 The lines of business of the Company shall include the following:

1. CB01010 Mechanical equipment manufacturing.
2. CB01030 Pollution prevention equipment manufacturing
3. CB01990 Other machinery manufacturing
4. CC01010 Power generation, transmission, distribution machinery manufacturing
5. CC01030 Electrical and audio-visual electronics manufacturing
6. CC01040 Lighting Facilities Manufacturing
7. CC01060 Wired communication machinery and equipment manufacturing
8. CC01070 Wireless communication machinery and equipment manufacturing
9. CC01080 Electronic component manufacturing
10. CC01990 Other electrical and electronic machinery manufacturing industries
11. CD01020 Rail vehicle and its parts manufacturing
12. CD01030 Automobile and its parts manufacturing
13. CD01040 Locomotive and its parts manufacturing
14. CE01030 Optical instrument manufacturing
15. D401010 Heat supply industry
16. E601010 Electrical appliance industry
17. E601020 Electrical installation industry
18. E603050 Automatic control equipment engineering
19. E604010 Mechanical installation industry
20. E701010 Telecommunications engineering
21. E701040 Simple telecommunications equipment installation industry
22. F107010 Paint, paint wholesale industry
23. F107170 Industrial additives wholesale
24. F107200 Chemical raw materials wholesale
25. F111090 Building materials wholesale
26. F112040 Petroleum products wholesale
27. F113010 Machinery wholesale industry
28. F113020 Electrical wholesale industry
29. F113050 Computer and transactional machinery wholesale business
30. F113060 Weighing scale wholesale
31. F113070 Telecommunications equipment wholesale industry
32. F113100 Pollution prevention equipment wholesale industry
33. F114030 Automobile and locomotive related parts wholesale
34. F116010 Photographic equipment wholesale industry
35. F119010 Electronic materials wholesale industry
36. F207170 Industrial auxiliaries retail
37. F213010 Electrical retailing
38. F213030 Computer and transactional machinery and equipment retailing
39. F213050 Weighing scale retail

40. F213060 Telecommunications equipment retail
41. F213080 Machinery and equipment retailing
42. F213100 Pollution prevention equipment retailing
43. F214030 Auto and locomotive parts equipment retailing
44. F216010 Photographic equipment retail
45. F219010 Electronic materials retailing
46. F401010 International trade
47. H701010 Residential and building development and rentaling
48. F401010 Specific professional area development
49. H701060 New towns, new community development
50. IG01010 Biotechnology service industry
51. IG03010 Energy technology service industry
52. I301010 Information software service industry
53. I301020 Data processing service
54. I401010 General advertising service industry
55. IZ01010 Photocopying industry
56. JZ99030 Photography industry
57. CE01021 Weighing scale manufacturing
58. F401021 Telecom Control RF Equipment import
59. E103101 Environmental protection engineering professional construction
60. J101060 Waste (sewage) water treatment industry
61. J101990 Other environmental sanitation and pollution prevention services
62. ZZ99999 The lines of business of the Company shall include the above.

All business items that are not prohibited or restricted by law, except those are subject to special approval。

Article 3 Where the Company invests in other companies and becomes a shareholder with limited liability; its total investment may exceed 40% of its paid-up capital.

Article 4 The Company may provide guarantees for third parties.

Article 5 The Company is incorporated in Taipei, the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.

Article 6 The Contents of Announcement is in accordance with the Company Act and relevated regulations.

Chapter 2 Share Capital

Article 7 The Company’s total capital shall be 5.8 Billion New Taiwan Dollar (NT$5,800,000,000) divided into 580,000,000 shares of NT$10 each. The Board of Directors is authorized to issue separately the un-issued shares.

Article 8 The Company may issue shares without printing share certificates, shall be in accordance with the laws and regulations.

Chapter 3 Shareholders’ Meeting

Article 9 Shareholders' meeting shall be of two types, namely the annual and extraordinary general meeting of shareholders, with the former convened by the Board of Directors, in accordance with the law, regularly once a year within six months after the close of each fiscal year, and the later convened, in accordance with the law, when necessary.

Article 10 A shareholder of the Company shall have one vote for each share held. The company owns its own shares according to law, without voting rights.

Article 11 In case a shareholder is unable to attend a shareholders' meeting for any cause, such shareholder may issue a proxy, specifying the scope of authorization for a representative to be present on the shareholder's behalf,.

Article 12 Unless otherwise stipulated by the Company Act, a quorum shall be present at the shareholders' meeting with shareholders representing more than half of the shares issued by the Company and resolutions at the said assembly shall be passed if approved by more than half of the shareholders in attendance. Shareholders of the Company are also able to exercise their voting rights electronically. Shareholders who exercise their voting rights by electronic means are deemed to be present in person, and their related matters are handled in accordance with the law.

Article 13 A shareholders' meeting shall be presided over by the Chairman of the Company. Where the Chairman has taken leave or is unable to perform his duties for any reasons, the Vice Chairman shall act in his place. Where the Vice Chairman is also unavailable, the Chairman shall appoint a Mamanaging Director to act on his behalf, failing which the Board of Mamanaging Directors shall nominate from among them a person to act on behalf of the meeting.

Chapter 4 Board of Directors and Audit Committee

Article 14 The Company shall have 15 to19 directors whom shall be elected by shareholders through candidate nomination system from the list of nominees. The directors are eligible for re-election.

The number of independent directors shall not be less than three and shall not be less than one fifth of the seats in the Board of Directors.

The election of Independent, Non-Independent Directors should be held together, yet with the elected calculated separately. The professional qualifications, shareholding, restrictions on concurrent positions held, method of nomination and election, and other compliance matters with respect to independent directors shall be conducted in accordance with the Securities and Exchange Act, applicable laws and regulations.

Article 15 The Board of Directors of the Company shall comprise the Directors. Directors of the Board shall elect 5 directors among themselves to.organize the Board of Mamanaging Directors. A Chairman and a Vice Chairman shall be elected from among the Mamanaging Directors. The Chairman shall externally have the authority to represent the Company. Where the Chairman has taken leave or is unable to perform his duties for any reasons, the Vice Chairman shall act in his place. Where the Vice Chairman is also unavailable, the Chairman shall appoint a Mamanaging Director to act on his behalf, failing which the Board of Mamanaging Directors shall nominate from among them a person to act on behalf of the Chairman of the Company. Where the Board of Directors adjourns, the meeting of the Board of Mamanaging Directors shall assist the Chairman in the execution of the company's business

Article 16 Except for the first Directors’ Meeting of each term, which will be called by the Director who received a ballot representing the largest number of votes at the election, rest of the following Board of Directors’ Meetings will be convened and presided by Chairman. Where the Chairman has taken leave or is unable to perform his duties for any reasons, the Vice Chairman shall act in his place. Where the Vice Chairman is also unavailable, the Chairman shall appoint a Mamanaging Director to act on his behalf, failing which the Board of Mamanaging Directors shall nominate from among them a person to act on behalf of the Chairman of the Company.

Article 17 The duty and power of the Board of Directors are specified as below:

1. Inspection of the important rules and stipulations
2. The business guideline establishment
3. Inspection of the budget and final account
4. To determine the distribution of earnings proposal
5. Formulation of capital increase and decrease
6. The transaction of Real estate
7. To appoint, dismiss of managerial officers
8. To adjust any important internal body of the Company and to formulate the important matters
9. Inspection of the annual financial statement
10. To exercise other duties and powers granted in accordance with Company Act and regulations and by the shareholders' meetings

Article 18 Regular meetings of the Board of Directors shall be convened four times a year, at least once a quarter, in case of an urgent circumstances, an interim Board meeting may be held at any time, shall be convened by the chairman, the afore-mentioned meeting notice may be sent by email. Directors shall attend the meetings of the Board of Directors in person. A director, when unavailable to attend the meeting in person, may issue a proxy specifying the scope of authorization with respect to the subject of the meeting to authorize another director to attend the meeting on his or her behalf. Nevertheless, a director is limited to receive such authorization from only one other director each time. Where the Board of Directors adjourns, the Chairman and the Mamanaging Directors shall exercise all powers of the Board of Directors. The organization regulations of the Board of Directors was enacted.

Article 19 Unless otherwise stipulated by the Company Act, the resolutions of the Board of Directors shall be attended by more than half of the directors, and with the consent of more than half of the directors present, the resolutions shall be signed and sealed by the Chairman.

Article 20 The Company shall pay the Directors (including Indepentent Directors) remunerations for their services for the Company. The aforesaid remunerations of all the Directors shall be determined based on the extent of their participation in the Company's operation and their contribution, at the same time with reference to the general level in the industry, by the Company's Remuneration Committee and submitted to the Board of Directors for discussion and approval.

Article 20 The Company shall pay the Directors (including Indepentent Directors) remunerations for their services for the Company. The aforesaid remunerations of all the Directors shall be determined based on the extent of their participation in the Company's operation and their contribution, at the same time with reference to

the general level in the industry, by the Company's Remuneration Committee and submitted to the Board of Directors for discussion and approval.

Article 21 Pursuant to Article of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of all the Independent Directors, is responsible of executing powers relegated to supervisors by the Company Act, Securities and Exchange Act and other laws and regulations.

The term of office for the Audit Committee, the exercise of authorities, rules of procedure, and other binding matters are processed in accordance with the governing law or the organizational regulations.

Chapter 5 Managerial Officer

Article 22 Managerial Officer of the Company shall consist of one General Manager (GM), one Chief of Operation (COO), and several Deputy COO, GMs of Business Groups, Deputy General Managers, Factory Managers and Branch Managers, whose appointment and dismissal shall enter into effect by resolution of more than half of the Directors present at the meeting where more than half of the entire of the Board of Directors attend.

Chapter 6 Accounting

Article 23 The Company's fiscal year shall commence on the January 01 of each year, and ends on the December 31 of the same year. The final accounts are settled at the end of the Company's fiscal year. The Board of Directors shall in accordance with law furnish various documents and statements and submit to the General Shareholders' Meeting for approval.

Article 24 The Company, if profitable in the current year, should be distributed as follows:

1. not more than 4% of profit should be distributed as Directors’ remuneration
2. 1% to 8% of profit of the current year should be distributed as employees’ compensation

However, the Company's accumulated losses shall have been covered.

The afore-mentioned profit of the year refers to the earnings before tax excluding the deduction of compensations for the employees and remunerations for the directors.

Article 25 The Company's earnings of the year, if any, shall be allocated to pay taxes and offset the accumulated losses from previous years first, setting aside 10% of the remaining profit as a legal reserve, setting aside a special reserve in accordance with the laws and regulations, and then allowing for other special reserves and a distribution of dividends to be recommended by the board of directors.

The above relevant information is announced in the http://mops.twse.com.tw according to the regulations.

The distribution of shareholders’ dividend shall take into consideration the funding requirement for future operational plan and changes in industry environment of the Company. The Corporation’s Articles also prescribe that 1) not less than 5% of the sum of the remaining annual net income and the previous year's accumulated undistributed earnings shall be appropriated as dividends and 2) of the dividends, not less than 20% shall be paid in cash.

The actual distribution ratio or method of dividend distribution is subjected to the operating situation as determined by the Corporation's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends to shareholders.

Chapter 7 Supplementary Articles

Article 26 The Company's internal organizational charter and other chapters shall be prescribed separately.

Article 27 With respect to the matters not provided herein, the Company Act and other applicable laws and regulations shall govern.

Article 28 Where the Company's shareholder service affairs shall be dealt with in accordance with relevant laws and regulations, except as otherwise provided by the Securities and Exchange Act or other applicable laws and regulations.

Article 29 These Articles of Incorporation were enacted on August 01, 1955, and

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(Ignored)

The 49st amendment was made on June 15, 2017.

Appendix II The Rules of Procedures for Shareholders' Meeting

Article 1 To establish a strong governance system and sound supervisory. capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best Practice Principles for Taiwan Stock Exchange Corp ("TWSE")/ Taipei Exchange ("TPEx") Listed Companies.

Article 2 The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.

Article 3 Unless otherwise provided by law or regulation, the Company's Shareholders' Meetings shall be convened by the Board of Directors.

The Company shall prepare electronic versions of a shareholders' meeting notice and proxy forms, and causes of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, in the form of a public announcement on the MOPS of the TWSE. no later than 30 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. To convene a shareholders' meeting, the Company shall prepare a meeting handbook. The Company shall prepare electronic versions of a shareholders' meeting handbook and supplemental meeting materials and upload them to the MOPS no later than 21 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. In addition, the Company shall also have prepared a shareholders' meeting handbook and supplemental meeting materials and made them available for review by shareholders at any time no later than 15 days prior to the scheduled Shareholders' Meeting date. The Meeting Agenda and supplemental materials shall also be displayed the Company and at the professional shareholder services agent engaged by the Company as well as being distributed on-site at the meeting place.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or supervisors, amendments to the Articles of Incorporation, the dissolution, merger, or demerger of the corporation, or any matter under paragraph 1 of Article 185 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act shall be set out in the causes in the notice to convene the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at an annual shareholders' meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the Meeting Agenda.

In addition, when the circumstances of any subparagraph of paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the Agenda.

Prior to the book closure date before an annual shareholders' meeting is held, the

Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the Annual Shareholders’ Meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders’ meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the Shareholders’ Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 4 For each shareholders’ meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the power authorized to the proxy.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders’ meeting, and shall deliver the proxy form to the Company no later than 5 days prior to the Shareholders’ Meeting date. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to revoke the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or by way of electronic transmission, a written notice of proxy rescission shall be submitted to the Company no later than 2 days prior to the meeting date. If the rescission notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 The venue for a shareholders’ meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders’ meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 6 The company shall have a signature book for the shareholders or their proxies (hereinafter referred to as the shareholders) entrusted to sign in, or the attending shareholders provode the sign-in card to sign on behalf of the shareholder.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

Shareholders shall attend shareholders’ meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders’ meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7 If a shareholders’ meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Vice Chairman shall act in place of the Chairman; if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason unable to exercise the powers of the Vice Chairman, the Chairman shall appoint one of the Managing Directors to act as chairman, or, if there are no Managing Directors, one of the Directors shall be appointed to act as chair. Where the Chairman does not make such a designation, the Managing Directors or the Directors shall select from among themselves one person to serve as chairman.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman, that a majority of the Directors attend in person. If a shareholders' meeting is convened by a party having the convening right but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Article 8 The Company shall video-tape or audio-tape the entire proceeding of a shareholders' meeting, and the recording shall be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 Quorum at shareholders' meetings shall be calculated based on numbers of shares. The quorum shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised in writing or by way of electronic transmission.

The Chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the Chairman shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to paragraph 1 of Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10 If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders’ meeting convened by a party having the convening right that is not the Board of Directors.

The Chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders’ meeting. If the Chairman declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chairman in accordance with statutory procedures, by a majority of the votes represented by the attending shareholders, and then continue the meeting.

The Chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chairman may announce the discussion closed and call for a vote.

Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chairman.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the Chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chairman may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chairman and the shareholder that has the floor; the Chairman shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders’ meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the Chairman may respond in person or direct relevant personnel to respond.

Article 12 Voting at a shareholders’ meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders’ meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraphs shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a stock agency approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of voting shares, otherwise, the portion of excessive voting rights shall not be counted.

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under paragraph 2 of Article 179 of the Company Act.

When the Company holds a shareholders’ meeting, it should allow the shareholders to exercise voting rights in writing or by way of electronic transmission. When voting rights are exercised in writing or by way of electronic transmission, the method for exercising the voting rights shall be specified in the shareholders’ meeting notice. A shareholder exercising voting rights in writing or by way of electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights in writing or by way of electronic transmission under the preceding paragraph shall deliver a written declaration of intent to the Company no later than 2 days prior to the scheduled shareholders’ meeting date. When duplicate declarations of intent are delivered, the one received earliest by the Company shall prevail, except when a declaration is made to revoke the earlier declaration of intention.

After a shareholder has exercised voting rights in writing or by way of electronic transmission, in the event the shareholder intends to attend the shareholders’ meeting in person, a written declaration of intent to rescind the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, no later than 2 days prior to the scheduled shareholders’ meeting date. If the notice of rescission is submitted after that time, the voting rights already exercised in writing or by way of electronic transmission shall prevail. When a shareholder has exercised voting rights both in writing or by way of electronic transmission and by appointing a proxy to attend a shareholders’ meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the Chairman or a person designated by the Chairman shall announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the Chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chairman, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14 The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15 Matters relating to the resolutions of a shareholders' meeting shall be ecorded in the meeting minutes. The meeting minutes shall be signed or sealed by the Chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the Chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

Article 16 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under TWSE regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The Chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chairman may prevent the shareholder from so doing. When a shareholder violates the rules of procedure and defies the Chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the Chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18 When a meeting is in progress, the Chairman may announce a break based on time considerations. If a force majeure event occurs, the Chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to postpone or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 19 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

Article 20 These Rules were enacted on April 27, 1984, and

amended on April 23, 1998 for the first time,

amended on May 28, 2002 for the second time,

amended on May 30, 2008 for the third time,

amended on June 05, 2013 for the forth time,

amended on June 12, 2015 for the fifth time,

amended on June 15, 2017 for the sixth time,

Appendix III Current Shareholdings of Directors

Shihlin Electric & Engineering Corp.
Current Shareholdings of Directors

I. The minimum number shareholding of directors of the company as of the date to discontinue share transfer registration,

Title	The minimum number Of shareholding shall be	No.of shareholding On the Book closure date:April 22, 2019
All Directors	20,838,889	136,597,466

II. The actual collective shareholding of directors was shown as below:

Position / title	Name	Number of shareholding when elected	Number of shareholding currently
Chairman / General manager	Yang Teh Investment co., Ltd. Representative / Emmet Hsu	25,556,494	25,556,494
Managing Director	Mitsubishi Electric Corporation (Japan) Representative / Hanaoka Hisao	110,242,966	110,242,966
Managing Director	Yang Teh Investment co., Ltd. Representative/ Hsieh,Han-Chang	25,556,494	25,556,494
Managing Director	Yang Teh Investment co., Ltd. Representative/ Lo,Chun-Tien	25,556,494	25,556,494
Director	Chanching co., Ltd. Representative / Kan Chin Yu	557,000	557,000
Director	Mitsubishi Electric Corporation (Japan) Representative / Mori Ittetsu	110,242,966	110,242,966
Director	Mitsubishi Electric Corporation (Japan) Representative / Takazawa Noriyuki	110,242,966	110,242,966
Director	Mitsubishi Electric Corporation (Japan) Representative / Sugiyama Shinya	110,242,966	110,242,966
Director	Yang Teh Investment co., Ltd. Representative / Yang,Tsun-Ching	25,556,494	25,556,494
Director	Yang Teh Investment co., Ltd. Representative / Yang, Tsung-Hsien	25,556,494	25,556,494
Director	Shin-Po Investment Co., Ltd. Representative：Lin, Po-Fong	131,000	131,000
Director	Yang Teh Investment co., Ltd. Representative / Bryant Hsu	25,556,494	25,556,494
Managing & Independent Director	Lin Hsin I	0	0
Independent Director	Yan Cherng Jau	0	0
Independent Director	Hu Chao Fong	110,006	110,006
Total		136,597,466	136,597,466

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Changes For The Better, Create The Future

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