

Stock No.: 1722

Taiwan Fertilizer Co., Ltd.



2019 General Shareholders' Meeting Meeting Handbook

June 20, 2019

Venue: Armed Forces Officer's Club
(No.142, Yanping S. Rd., Taipei City)

Table of Contents

Agenda	1
Report Items.....	2
(1) 2018 Business Report	2
(2) Review Report of 2018 Final Accounts of Taiwan Fertilizer by Audit Committee	4
(3) Report on the Remuneration for Directors, Supervisors, and Employees for 2018	5
Acceptance Items	6
(1) Adoption of the Business Report and the Financial Results for 2018	6
(2) Approval of the proposal for distribution of 2018 earnings	25
Discussion Items.....	28
(1) The amendments to “Procedure for Acquisition or Disposition of Assets” in part.....	28
(2) The amendments to “Procedure for Loaning of Fund and Making of Endorsements/Guarantees” in part.....	53
Motions	
Appendix	58
1. Rules of Procedure for Shareholders’ Meeting	59
2. Articles of Incorporation	65
3. Procedure for Acquisition or Disposal of Assets	75
4. Procedure for Loaning of Fund and Making of Endorsements/Guarantees	99
5. Status of Share Ownership by Directors (Independent Directors).....	112
6. Effect of the gratuitous allotment of shares on operation performance, earnings per share and return rate on investment for shareholders.....	113

Taiwan Fertilizer Co., Ltd.

2019 General Shareholders' Meeting Agenda

Date: June 20, 2019, 9:00AM (Thursday)

Venue: Armed Forces Officer's Club (No.142, Yanping S. Rd., Taipei City)

Agenda:

- I. Meeting called to order: Report the number of shares represented by the shareholders present
- II. Speech given by the chairperson
- III. Reported Items
- IV. Acceptance Items
- V. Discussion Items
- VI. Motions
- VII. Dismissal of the Meeting

Report No. 1

Cause: 2018 Business Report

Business Report

I. Foreword:

Looking back on 2018, the growth of the global economy slumped. Our management team worked on cost reduction and profit improvement. The consolidated operating income has increased 4.77% compared to 2017. The consolidated gross operating profit and net operating profit also increased respectively by 5.81% and 4.77% compared to 2017. In addition the revenue from the reinvestment in Al Jubail Fertilizer rises, and is recognized as the gain on disposal of investment-type real estate, contributing in the consolidated net nonoperating profit by 174.39%. The final consolidated net profit of the current period is NT\$ 2,281,319,000, increasing by 40.90% compared to 2017.

II. Overview of Business:

(I) Production and marketing:

In 2018, the actual production of fertilizer products was 635,436 tons, 5.73% less than in 2017, and 165,974 tons for chemical engineering products, 4.69% more than in 2017. The actual sales of fertilizer products were 741,174 tons, 2.42% less than in 2017, and chemical engineering products were 216,750 tons, 6.43% more than in 2017.

(II) Operating revenue and profit:

1. Separate financial statement

The operating income of 2018 is NT\$11,928,000,000, increased by 5.13% when compared to the operating income of 2017, NT\$11,346,419,000. The net operating profit is NT\$1,292,341,000, increased by 1.29% when compared to 2017. The net nonoperating profit is NT\$1,656,253,000, increased by 204.98% when compared to 2017. The net profit of the current period is NT\$2,281,319,000, increased by 40.90% when compared to 2017.

2. Consolidated financial statement

The operating income of 2018 is NT\$12,215,092,000, increased by 4.77% when compared to the operating income of 2017, NT\$11,658,986,000. The net operating profit is NT\$1,286,502,000, increased by 4.77% when compared to 2017. The net nonoperating profit is NT\$1,663,118,000, increased by 174.39% when compared to 2017. The net profit of the current period is NT\$2,281,319,000, increased by 40.90% when compared to 2017.

(III) Financial structure:

1. Separate financial statement

The Company had solid financial structure. Until December 31, 2018, the Company has had the assets totaled NT\$ 76,329,362 thousand, and liabilities totaled NT\$ 25,546,416 thousand. The liability ratio was 33.47%. The equity amounted to NT\$ 50,782,946 thousand, and EPS NT\$ 51.82.

2. Consolidated financial statement

The Company had solid financial structure. Until December 31, 2018, the Company has had the assets totaled NT\$ 76,399,717 thousand, and liabilities totaled NT\$ 25,616,771 thousand. The liability ratio was 33.53%. The equity amounted to NT\$ 50,782,946 thousand, and EPS NT\$ 51.82.

(IV)Investment plan:

In our primary business of fertilizers and chemical products, we increase the production and sales of the niche products, and evolve our fundamental business based on the rule of friendly agriculture. To increase the profits of electronic chemical products, we conduct the plant construction project at the pier West 10 in the Port of Taichung, expand the overseas sales of fertilizers, develop the technology of organic fertilizers made of biogas residue, improve and promote the technology of producing organic fertilizers with straw decomposition bacteria, and manufacture a new, environmentally friendly drying agent for red bean plants; maintain the environmental substantiality, develop the production process of cyclopentanone, and the construction plan for the production line of electronic-grade arginine.

As for our business in real estate, we follow the principles of revenue stabilization and operational sustainability. Our projects of commercial offices, hotels and residential housing are conducted in the models of self-construction and self-operation, joint construction, or lease and sale. Current development projects include the hotel and commercial building construction at Nanggang, Taipei, commercial building operation and construction in the science-commerce area in Hsinchu City, and the entire land development planning at the special trade area in Kaohsiung.

III. Prospective:

The international economic prospect is affected by the political disputes due to geography, and the China-US trade friction. It is expected that the export will be affected under the impact on the domestic economy by the uncertainty of the global economic growth. However, the investment and the consumption for internal demand show an increasing tendency. The Directorate General of Budget, Accounting and Statistics estimate that the economic growth of 2019 will be 2.27%, less than the annual growth of 2.63% in 2018.

Looking forward into 2019, we will uphold our business philosophies, strong core, rooted foundation, innovation, and sustainability, transform and upgrade while facing the rapid change of the domestic and international industrial and economic environment. Our continuing strategic goals are profit growth, optimized competitiveness, and sustainable operation, which construe the two major development routes in “fertilizer chemicals” and “real estate and investment” for achieving the Company’s objective of the substantial management and development.

Chairman of Board:
Hsinhong Kang



General Manager:
Yaohsing Huang



Chief Accountant:
Meiling Huang



Report No. 2

Cause: Review Report of 2018 Final Accounts of Taiwan Fertilizer by Audit Committee

Audit Committee Review Report

The Company's 2018 business report, financial statements and statement of earnings distribution were submitted by the Company's Board of Directors. The financial statements were already audited by Kuo-Yang Tseng, CPA and Heng-Sheng Lin of KPMG, who also issued the auditor report accordingly.

The supervisor, after completing the audit of said business report, financial statements and statement of earnings distribution, believes that they are free of material misstatement, and thus produces this report according to Article 219 of the Company Act.

Please review accordingly.

To:

2019 General Shareholders' Meeting of the Company

Horng-Chang Lin
Chairman of Audit Committee
Taiwan Fertilizer Co., Ltd.

Handwritten signature in Chinese characters, reading "林鴻昌" (Lin Hongchang), followed by a period.

March 28, 2019

Report No. 3

Cause: Report on the Remuneration for Directors, Supervisors, and Employees for 2018

Submitted by the Board of Directors

Remark:

- I. With reference to Article 25 of the Company's Bylaws.
- II. The profit sought by the Company in 2018 based on the financial statements as audited by KMPG (the income before earnings before tax less remuneration to employees, directors and supervisors) totaled NT\$ 3,071,451,653.
- III. The remuneration payable to directors, supervisors and employees pursuant to the Company's Articles of Incorporation is stated as following:
 - (I) Remuneration to directors/supervisors, NT\$ 49,143,226, in cash:
Meet the requirement about 1.6% of the profit, NT\$ 3,071,451,653, in 2018.
 - (II) Remuneration to employees, NT\$ 73,714,840, in cash:
Meet the requirement about 2.4% of the profit, NT\$ 3,071,451,653, in 2018.

Acceptance No. 1

Cause: Adoption of the Business Report and the Financial Results for 2018

Submitted by the Board of Directors

Remark:

- I. The Company's 2018 financial statements and its subsidiaries' consolidated financial statements have already reviewed and approved at 8st meeting of the 34rd Board of Directors on March 28, 2019, for which the audit report was issued by the external auditors upon completion of the audit thereon.Said financial statements, together with the business report approved at the same meeting (please see Pages 2~3 of the Handbook), were also reviewed by the supervisor accordingly.
- II. Enclosed please find the Company's 2018 Independent Auditor's Report and Financial Statements (see Attachment).

Resolution:

Independent Auditors' Report

To the Board of Directors of TAIWAN FERTILIZER CO., LTD.:

Opinion

We have audited the financial statements of TAIWAN FERTILIZER CO., LTD. ("the Company"), which comprise the Balance Sheets as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed 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 Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

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 key audit matters that, in our professional judgment, should be communicated are as follows:

1. Impairment assessment of investments in equity method (including goodwill and intangible assets with an indefinite useful life)

Please refer to notes 4(h), 5 and 6(i) of the notes to the recognition of impairment assessment of investments accounted for by the equity method, assumptions used and uncertainties considered in determining investments accounted for by the equity method, investments for impairment loss and obsolescence and balances of impairment loss and obsolescence, respectively.

Key audit matters:

As described in Note 6(i) of the accompanying financial statements, the Company acquired control over Taiwan Yes Deep Ocean Water Co., Ltd. (“ Taiwan Yes”) on January 7, 2013, which was accounted for as acquisition using the equity method (including the goodwill and trademark with indefinite useful lives). In accordance with IAS 36 “Impairment of Assets”, goodwill and intangible assets with indefinite useful lives should be tested for impairment annually; and based on the estimated future cash flows of Taiwan Yes (the cash-generating unit), the recoverable amount was evaluated in order to determine whether there is any impairment of the aforementioned investment accounted for by using the equity method (including the goodwill and intangible assets with indefinite useful lives). Since the estimated future cash flows requires management’s forecasting of the industry overview and the future operating performance of Taiwan Yes, should the situation change, the recoverable amount will be affected and an impairment loss will be incurred. Therefore, the impairment assessment of equity-method investments has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included confirming whether the management have properly assessed the recoverability of goodwill based on the forecasted cash flows within the following 5 years, wherein the assessment have been reviewed by the competent authority; and verifying whether the management has disclosed the impairment of goodwill in the financial statements on a timely manner after identifying such circumstance. In addition, we also assessed the adequacy of the forecasting methods and the discount rate used by the management, and compared the discount rate with external information; verified the management’s assumptions with external relevant information, and evaluated the major assumptions (including the forecast revenue growth rate, discount rate and forecast margin).

Other Matter

We did not audit the financial statements as of and for the years ended December 31, 2018 and 2017, of certain investees in equity method. Those 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 these investees, is based solely on the reports of the other auditors. As of December 31, 2018 and 2017, the investments in the aforementioned investees are 13.16% and 12.70% (\$10,048,780 thousand and \$9,538,520 thousand), of the Corporation’s total assets. For the years ended December 31, 2018 and 2017, the investment income on the above said investees are 37.08% and 34.24% (\$1,093,334 thousand and \$622,846 thousand) of the Corporation’s income before income tax.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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 of the current period 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 Kuo-Yang Tseng and LIN/HENGSHEN.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the partial English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017				December 31, 2018		December 31, 2017	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a) and (w))	\$ 2,213,249	3	1,755,104	2	2130	Current contract liabilities (note 6(w))	\$ 167,130	-	-	-
1110	Total current financial assets at fair value through profit or loss (note 6(b) and (w))	1,806,574	2	-	-	2150	Total notes payable (note 6 (w) and 7)	-	-	436	-
1120	Total current financial assets at fair value through other comprehensive income (note 6(c) and (w))	100,764	-	-	-	2170	Total accounts payable (note 6(s) and 7)	765,828	1	1,203,719	2
1125	Current available-for-sale financial assets, net (note 6(e) and (w))	-	-	2,182,015	3	2200	Total other payables (note 6(w))	635,057	1	540,793	1
1150	Notes receivable, net (note 6(f) and (w))	181,767	-	30,270	-	2230	Current tax liabilities	292,001	-	125,813	-
1170	Accounts receivable, net (note 6(f) 、(w) and 7)	1,092,070	1	1,524,398	2	2310	Total advance receipts	4,089	-	240,980	-
1220	Total current tax assets (note 6(g) and 7)	-	-	-	-	2399	Other current liabilities, others	51,244	-	51,276	-
1200	Other receivables, net (note 6(g) and 7)	7,821	-	25,210	-			1,915,349	2	2,163,017	3
130X	Total inventories (note 6(h))	2,763,061	4	1,790,020	3	Non-Current liabilities:					
1410	Total prepayments (note 7)	530,123	1	362,384	-	2550	Total non-current provisions (note 6(p))	223,648	-	223,648	-
1476	Other current financial assets (note 6(a) and (w))	3,280,364	4	5,918,160	8	2570	Total deferred tax liabilities (note 6(l))	7,218,478	10	7,014,086	9
1470	Total other current assets	1,475	-	25,251	-	2630	Long-term deferred revenue (note 6(o))	15,799,704	21	16,173,803	22
		11,977,268	15	13,612,812	18	2640	Net defined benefit liability, non-current(note)	114,247	-	112,063	-
						2645	Guarantee deposits received	274,990	-	309,813	-
							Total liabilities	25,546,416	33	25,996,430	34
Non-current assets:						Equity (note 6(q)):					
1517	Total non-current financial assets at fair value through other comprehensive income (note 6(c) and (w))	1,764,692	2	-	-	3100	Total capital stock	9,800,000	13	9,800,000	13
1523	Non-current available-for-sale financial assets, net (note 6(e) and (w))	-	-	29,531	-	3200	Total capital surplus	2,243,635	3	2,232,791	3
1535	Non-current financial assets at amortised cost, net (note 6(d) and (w))	30,729	-	-	-	Retained earnings:					
1543	Non-current financial assets at cost, net (note 6(e) and (w))	-	-	546,899	1	3310	Legal reserve	2,963,022	4	3,683,109	5
1550	Investments accounted for using equity method, net (note 6(i) and (j))	12,478,435	16	10,515,078	14	3320	Special reserve	31,234,687	41	31,449,960	42
1600	Total property, plant and equipment (note 6(k))	13,419,677	18	13,640,123	18	3350	Total unappropriated retained earnings (accumulated deficit)	3,228,945	4	1,961,271	3
1760	Investment property, net (note 6(l))	35,145,424	47	34,920,398	47	3400	Total other equity interest	1,312,657	2	(34,679)	-
1780	Total intangible assets	22,679	-	28,922	-		Total equity	50,782,946	67	49,092,452	66
1840	Deferred tax assets (note 6(p))	153,317	-	168,705	-						
1930	Long-term notes and accounts receivable, net (note 6(f) and (w))	207,880	-	313,860	-						
1980	Total other non-current financial assets (note 6(q) 、(w) and 8)	9,000	-	13,500	-						
1985	Long-term prepaid rents (note 6(m))	1,108,012	2	1,180,739	2						
1990	Total other non-current assets, others	12,249	-	118,315	-						
		64,352,094	85	61,476,070	82						
Total assets		\$ 76,329,362	100	75,088,882	100	Total liabilities and equity		\$ 76,329,362	100	75,088,882	100

See accompanying notes to parent company only financial statements.

Chairman of Board: Hsinhong Kang



General Manager: Yaohsing Huang



Chief Accountant: Meiling Huang



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD.
Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (note 6(l) 、(s) and (t))	\$ 11,928,000	100	11,346,419	100
5000	Operating costs (note 6(h) 、7 and (2))	(9,226,156)	(77)	(8,802,286)	(78)
5900	Gross profit (loss) from operations	2,701,844	23	2,544,133	22
	Operating expenses (note 6(o) 、(u) and 12):				
6100	Selling expenses	(239,434)	(2)	(194,857)	(2)
6200	Administrative expenses	(1,092,592)	(9)	(991,134)	(9)
6300	Research and development expenses	(77,477)	(1)	(82,267)	(1)
		(1,409,503)	(12)	(1,268,258)	(12)
6900	Operating income	1,292,341	11	1,275,875	10
7010	Total other income (note 6(v))	151,201	1	193,867	2
7020	Other gains and losses, net (note 6(c) 、(v) and 12)	506,679	5	(173,163)	(2)
7050	Finance costs, net (note 6(v))	-	-	(4)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	998,373	8	522,375	5
	Total non-operating income and expenses	1,656,253	14	543,075	5
7900	Profit (loss) from continuing operations before tax	2,948,594	25	1,818,950	15
	Less: Tax income (expense) (note 6(p))				
7950		667,275	6	199,824	2
	Profit (loss)	2,281,319	19	1,619,126	13
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(5,185)	-	(39,159)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	257,300	2	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	4,735	-	6,282	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	4,385	-	6,658	-
		261,235	2	(26,219)	-
8360	Other components of other comprehensive income that will not be reclassified to profit or loss				
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	49,729	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	329,715	3	(818,037)	(7)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(73,324)	(1)	138,575	1
	Components of other comprehensive income that will be reclassified to profit or loss	256,391	2	(629,733)	(6)
8300	Other comprehensive income, net	517,626	4	(655,952)	(6)
	Total comprehensive income	<u>\$ 2,798,945</u>	<u>23</u>	<u>963,174</u>	<u>7</u>
	Basic earnings per share (note 6(r))				
	Basic earnings per share	\$	2.33		1.65
	Diluted earnings per share	\$	2.32		1.65

See accompanying notes to parent company only financial statements.

Chairman of Board:
Hsinhong Kang



General Manager:
Yaohsing Huang



Chief Accountant:
Meiling Huang



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriate d retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-s ale financial assets	Total other equity interest	Total equity
Balance at January 1, 2017	\$ 9,800,000	2,232,791	3,683,109	33,590,309	286,015	37,559,433	532,135	-	62,919	595,054	50,187,278
Profit (loss)	-	-	-	-	1,619,126	1,619,126	-	-	-	-	1,619,126
Other comprehensive income	-	-	-	-	(26,219)	(26,219)	(679,462)	-	49,729	(629,733)	(655,952)
Total comprehensive income	-	-	-	-	1,592,907	1,592,907	(679,462)	-	49,729	(629,733)	963,174
Appropriation and distribution of retained earnings:											
Cash dividends of ordinary share	-	-	-	-	(2,058,000)	(2,058,000)	-	-	-	-	(2,058,000)
Special reserve used to offset accumulated deficits	-	-	-	(2,030,304)	2,030,304	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(110,045)	110,045	-	-	-	-	-	-
Balance at December 31, 2017	9,800,000	2,232,791	3,683,109	31,449,960	1,961,271	37,094,340	(147,327)	-	112,648	(34,679)	49,092,452
Effects of retrospective application	-	-	-	-	105,060	105,060	-	946,293	(112,648)	833,645	938,705
Equity at beginning of period after adjustments	9,800,000	2,232,791	3,683,109	31,449,960	2,066,331	37,199,400	(147,327)	946,293	-	798,966	50,031,157
Profit (loss)	-	-	-	-	2,281,319	2,281,319	-	-	-	-	2,281,319
Other comprehensive income	-	-	-	-	3,935	3,935	256,391	257,300	-	513,691	517,626
Total comprehensive income	-	-	-	-	2,285,254	2,285,254	256,391	257,300	-	513,691	2,798,945
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	161,913	-	(161,913)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	(882,000)	-	(1,176,000)	(2,058,000)	-	-	-	-	(2,058,000)
Reversal of special reserve	-	-	-	(215,273)	215,273	-	-	-	-	-	-
Other changes in capital surplus	-	10,844	-	-	-	-	-	-	-	-	10,844
Balance at December 31, 2018	\$ 9,800,000	2,243,635	2,963,022	31,234,687	3,228,945	37,426,654	109,064	1,203,593	-	1,312,657	50,782,946

See accompanying notes to parent company only financial statements.

Chairman of Board: Hsinhong Kang



General Manager: Yaohsing Huang



Chief Accountant: Meiling Huang



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,948,594	1,818,950
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	807,736	721,182
Amortization expense	83,470	84,514
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	32,071	-
Interest expense	-	4
Interest income	(79,568)	(80,169)
Dividend income	(51,483)	(43,562)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(998,373)	(522,375)
Loss (gain) on disposal of property, plan and equipment	1,880	(101,610)
Property, plan and equipment transferred to expenses	11,506	8,731
Loss (gain) on disposal of investment properties	(754,449)	24,569
Loss (gain) on disposal of investments	-	(21,788)
Loss (gain) on disposal of investments accounted for using equity method	-	(24,562)
Unrealized foreign exchange loss (gain)	(424)	-
	-	861
	<u>231,880</u>	<u>241,381</u>
Total adjustments to reconcile profit (loss)	<u>(715,754)</u>	<u>287,176</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	(151,497)	334,853
Decrease (increase) in accounts receivable	432,328	(229,837)
Decrease (increase) in other receivable	16,859	(13,322)
Decrease (increase) in inventories	(236,290)	(63,693)
Decrease (increase) in prepayments	(167,739)	(128,696)
Decrease (increase) in other current assets	(13,472)	-
Decrease (increase) in other financial assets	-	(19,858)
Decrease (increase) in deferred debits	105,980	71,630
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	(49,536)	-
Increase (decrease) in notes payable	(436)	(6,454)
Increase (decrease) in accounts payable	(437,891)	323,415
Increase (decrease) in other payable	121,542	71,515
Increase (decrease) in receipts in advance	(20,225)	61,715
Increase (decrease) in other current liabilities	(32)	16,729
Increase (decrease) in net defined benefit liability	(3,001)	(21,449)
Increase (decrease) in deferred credits	(374,099)	(410,848)
Total changes in operating liabilities	<u>(763,678)</u>	<u>34,623</u>
Total changes in operating assets and liabilities	<u>(777,509)</u>	<u>(14,300)</u>
Total adjustments	<u>(1,493,263)</u>	<u>272,876</u>
Cash inflow (outflow) generated from operations	1,455,331	2,091,826
Interest received	80,098	78,976
Dividends received	739,069	474,037
Interest paid	-	(4)
Income taxes refund (paid)	(350,246)	(67,282)
Net cash flows from (used in) operating activities	<u>1,924,252</u>	<u>2,577,553</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD.

Statements of Cash Flows (CONT' D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	17,927	-
Acquisition of financial assets at amortised cost	-	(150,000)
Acquisition of financial assets designated at fair value through profit or loss	(5,010,000)	-
Proceeds from disposal of financial assets designated at fair value through profit or loss	5,212,116	-
Acquisition of available-for-sale financial assets	-	(2,205,305)
Proceeds from disposal of available-for-sale financial assets	-	3,311,788
Proceeds from capital reduction of financial assets at cost	-	52,683
Acquisition of investments accounted for using equity method	(1,550,000)	(408,260)
Acquisition of property, plant and equipment	(502,490)	(404,867)
Proceeds from disposal of property, plant and equipment	392	132,263
Decrease in refundable deposits	103,987	(95,198)
Acquisition of intangible assets	(4,500)	-
Acquisition of investment properties	(1,555,200)	(1,293,562)
Proceeds from disposal of investment properties	1,270,109	68,471
Decrease in other financial assets	2,642,296	1,287,140
Decrease in other non-current assets	2,079	-
Net cash flows from (used in) investing activities	<u>626,716</u>	<u>295,153</u>
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	(34,823)	(7,376)
Cash dividends paid	(2,058,000)	(2,058,000)
Net cash flows from (used in) financing activities	<u>(2,092,823)</u>	<u>(2,065,376)</u>
Net increase (decrease) in cash and cash equivalents	458,145	807,330
Cash and cash equivalents at beginning of period	1,755,104	947,774
Cash and cash equivalents at end of period	<u><u>\$ 2,213,249</u></u>	<u><u>1,755,104</u></u>

See accompanying notes to parent company only financial statements.

Chairman of Board:
Hsinhong Kang



General Manager:
Yaohsing Huang



Chief Accountant:
Meiling Huang



Independent Auditors' Report

To the Board of Directors of TAIWAN FERTILIZER CO., LTD.:

Opinion

We have audited the consolidated financial statements of TAIWAN FERTILIZER CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated Balance Sheets as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed 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 Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

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 key audit matters that, in our professional judgment, should be communicated are as follows:

1. Impairment assessment of intangible assets

For the accounting policy of impairment assessment of intangible assets, please refer to note 4 (m) "Intangible assets" of the consolidated financial statements. For the accounting estimate and uncertainty assumption of impairment assessment of intangible assets, please refer to note 5 of the consolidated financial statements. For the impairment assessment of intangible assets, please refer to 6(m) of the consolidated financial statements.

Key audit matters:

As described in Note 6(m) of the consolidated financial statements, the Group acquired control over Taiwan Yes Deep Ocean Water Co., Ltd. (“Taiwan Yes”) on January 7, 2013, which was accounted for as acquisition using the equity method (including the goodwill and trademark with indefinite useful lives). In accordance with IAS 36 “Impairment of Assets”, goodwill and intangible assets with indefinite useful lives should be tested for impairment annually; and based on the estimated future cash flows of Taiwan Yes (the cash-generating unit), the recoverable amount was evaluated in order to determine whether there is any impairment of the aforementioned investment accounted for by using the equity method (including the goodwill and intangible assets with indefinite useful lives). Since the estimated future cash flows requires management’s forecasting of the industry overview and the future operating performance of Taiwan Yes, should the situation change, the recoverable amount will be affected and an impairment loss will be incurred. Therefore, the impairment assessment of equity-method investments has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included confirming whether the management has properly assessed the recoverability of goodwill based on the forecasted cash flows within the following 5 years, wherein the assessment has been reviewed by the competent authority; and verifying whether the management has disclosed the impairment of goodwill in the financial statements on a timely manner after identifying such circumstance. In addition, we also assessed the adequacy of the forecasting methods and the discount rate used by the management, and compared the discount rate with external information; verified the management’s assumptions with external relevant information, and evaluated the major assumptions (including the forecast revenue growth rate, discount rate and forecast margin).

Other Matter

We did not audit the consolidated financial statements as of and for the years ended December 31, 2018 and 2017 of the certain investees in equity method. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the corporation’s financial statements for these investees, is based solely on the report of other auditors. As of December 31, 2018 and 2017, the investments in the aforementioned investees are 13.15% (NT\$10,048,780 thousand) and 12.69% (NT\$9,538,520 thousand) of consolidated total assets. For the years ended December 31, 2018 and 2017, the investment income on the above said investees are 36.91% (NT\$1,093,334 thousand) and 33.96% (NT\$622,846 thousand) of the Company’s income before income tax.

TAIWAN FERTILIZER CO., LTD. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 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 auditor's 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 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 of the current period 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 Kuo-Yang Tseng and LIN/HENGSHEN.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017				December 31, 2018		December 31, 2017	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents(note 6(a) and (x))	\$ 3,441,058	5	2,266,220	3	2100	Total short-term borrowings(note 6(x))	\$ 32,000	-	35,000	-
1110	Total current financial assets at fair value through profit or loss(note 6(b) and (x))	1,806,574	2	-	-	2130	Contract liability-current(note 6(h) and (t))	167,607	-	-	-
1120	Total current financial assets at fair value through other comprehensive income(note 6(c) and (x))	100,764	-	-	-	2150	Total notes payable(note 6(x))	1,932	-	458	-
1125	Current available-for-sale financial assets, net(note 6(e) and (x))	-	-	2,182,015	3	2170	Total accounts payable(note 6(x) and 7)	777,368	1	1,218,032	2
1150	Notes receivable, net(note 6(f) and (x))	189,152	-	31,848	-	2200	Total other payables(note 6(r) and (x))	651,039	1	556,010	1
1170	Accounts receivable, net(note 6(f), (t) and (x))	1,098,678	1	1,533,348	2	2230	Current tax liabilities	292,588	-	127,276	-
1220	Total current tax assets	6	-	6	-	2310	Total advance receipts	4,482	-	241,964	-
1200	Other receivables, net(note 6(g) and (x))	13,733	-	31,373	-	2399	Other current liabilities, others	53,280	-	53,126	-
130X	Total inventories(note 6(h))	2,815,863	4	1,839,122	2			1,980,296	2	2,231,866	3
1410	Total prepayments	538,666	1	364,416	-	Non-Current liabilities:					
1476	Other current financial assets(note 6(a) and (x))	3,742,192	6	5,918,160	8	2550	Total non-current provisions	223,648	-	223,648	-
1479	Other current assets, others	2,498	-	26,315	-	2570	Total deferred tax liabilities(note 6(q))	7,218,478	10	7,014,086	9
		13,749,184	19	14,192,823	18	2630	Long-term deferred revenue(note 6(l))	15,799,704	21	16,173,803	22
						2640	Net defined benefit liability, non-current	114,247	-	112,063	-
						2645	Guarantee deposits received	280,398	-	308,973	-
Non-current assets:								23,636,475	31	23,832,573	31
1517	Total non-current financial assets at fair value through other comprehensive income(note 6(c) and (x))	1,764,692	2	-	-			25,616,771	33	26,064,439	34
1523	Non-current available-for-sale financial assets, net(note 6(e) and (x))	-	-	29,531	-	Total liabilities					
1535	Non-current financial assets at amortised cost, net(note 6(e) and (x))	30,729	-	-	-	Equity attributable to owners of parent(note 6(r):					
1543	Non-current financial assets at cost, net(note 6(e) and (x))	-	-	546,899	1	Share capital:					
1550	Investments accounted for using equity method, net(note 6(i))	10,157,635	13	9,612,678	13	3100	Total capital stock	9,800,000	13	9,800,000	13
1600	Total property, plant and equipment(note 6(k))	13,823,376	18	13,744,278	19	Capital surplus:					
1760	Investment property, net(note 6(l))	35,155,383	47	34,920,398	47	3200	Total capital surplus	2,243,635	3	2,232,791	3
1780	Total intangible assets(note 6(m))	146,486	-	234,595	-	Retained earnings:					
1840	Deferred tax assets(note 6(q))	193,630	-	209,017	-	3310	Legal reserve	2,963,022	4	3,683,109	5
1930	Long-term notes and accounts receivable, net(note 6(f), (t) and (x))	207,880	-	313,860	-	3320	Special reserve	31,234,687	41	31,449,960	42
1980	Total other non-current financial assets(note 6(a), (x) and 8)	49,625	-	52,382	-	3350	Total unappropriated retained earnings (accumulated deficit)	3,228,945	4	1,961,271	3
1985	Long-term prepaid rents(note 6(n))	1,108,012	1	1,180,739	2			37,426,654	49	37,094,340	50
1990	Total other non-current assets, others	13,085	-	119,691	-	Other equity interest:					
		62,650,533	81	60,964,068	82	3400	Total other equity interest	1,312,657	2	(34,679)	-
								1,312,657	2	(34,679)	-
Total assets		\$ 76,399,717	100	75,156,891	100	Total equity		50,782,946	67	49,092,452	66
						Total liabilities and equity		\$ 76,399,717	100	75,156,891	100

See accompanying notes to consolidated financial statements.

Chairman of Board: Hsinhong Kang



General Manager: Yaohsing Huang



Chief Accountant: Meiling Huang



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue(note 6(l), (o), (t) and (v))	\$ 12,215,092	100	11,658,986	100
5000	Operating costs(note 6(h), (p), 7 and 12)	(9,462,743)	(77)	(9,057,761)	(78)
5900	Gross profit (loss) from operations	<u>2,752,349</u>	<u>23</u>	<u>2,601,225</u>	<u>22</u>
	Operating expenses(note 6(p), (v) and 12):				
6100	Selling expenses(note)	282,248	2	269,381	2
6200	Administrative expenses(note)	1,103,590	9	1,021,639	9
6300	Research and development expenses(note)	80,009	1	82,267	1
	Total operating expenses	<u>1,465,847</u>	<u>12</u>	<u>1,373,287</u>	<u>12</u>
6900		<u>1,286,502</u>	<u>11</u>	<u>1,227,938</u>	<u>10</u>
7010	Total other income(note 6 (w))	156,797	1	198,553	2
7020	Other gains and losses, net(note 6(b), (e), (j), (w) and 12)	428,707	3	(208,886)	(2)
7050	Finance costs, net(note 6(w))	(417)	-	(555)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	<u>1,078,031</u>	<u>9</u>	<u>617,003</u>	<u>6</u>
	Total non-operating income and expenses	<u>1,663,118</u>	<u>13</u>	<u>606,115</u>	<u>6</u>
7900	Profit (loss) from continuing operations before tax	<u>2,949,620</u>	<u>24</u>	<u>1,834,053</u>	<u>16</u>
	Less: Tax income (expense)(note 6(q))				
7950		<u>668,301</u>	<u>5</u>	<u>214,927</u>	<u>2</u>
	Profit (loss)	<u>2,281,319</u>	<u>19</u>	<u>1,619,126</u>	<u>14</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(5,185)	-	(39,159)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	257,300	2	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	4,735	-	6,282	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>4,385</u>	<u>-</u>	<u>6,658</u>	<u>-</u>
		<u>261,235</u>	<u>2</u>	<u>(26,219)</u>	<u>-</u>
8360	Other components of other comprehensive income that will not be reclassified to profit or loss				
8361	Exchange differences on translation	(1,942)	-	(5,522)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	49,729	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	331,657	3	(812,515)	(7)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(73,324)</u>	<u>(1)</u>	<u>138,575</u>	<u>1</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>256,391</u>	<u>2</u>	<u>(629,733)</u>	<u>(6)</u>
8300	Other comprehensive income, net	<u>517,626</u>	<u>4</u>	<u>(655,952)</u>	<u>(6)</u>
	Total comprehensive income	<u>\$ 2,798,945</u>	<u>23</u>	<u>963,174</u>	<u>8</u>
	Profit (loss), attributable to:				
	Profit (loss), attributable to owners of parent	<u>\$ 2,281,319</u>	<u>19</u>	<u>1,619,126</u>	<u>14</u>
	Comprehensive income attributable to:				
	Comprehensive income, attributable to owners of parent	<u>\$ 2,798,945</u>	<u>23</u>	<u>963,174</u>	<u>8</u>
	Basic earnings per share(note 6(s))				
	Basic earnings per share	<u>\$ 2.33</u>		<u>1.65</u>	
	Diluted earnings per share	<u>\$ 2.32</u>		<u>1.65</u>	

See accompanying notes to consolidated financial statements.

Chairman of Board:
Hsinhong Kang



General Manager:
Yaohsing Huang



Chief Accountant:
Meiling Huang



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital	Retained earnings					Total other equity interest				
							Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest
Balance at January 1, 2017	\$ 9,800,000	2,232,791	3,683,109	33,590,309	286,015	37,559,433	532,135	-	62,919	595,054	50,187,278
Profit (loss)	-	-	-	-	1,619,126	1,619,126	-	-	-	-	1,619,126
Other comprehensive income	-	-	-	-	(26,219)	(26,219)	(679,462)	-	49,729	(629,733)	(655,952)
Total comprehensive income	-	-	-	-	1,592,907	1,592,907	(679,462)	-	49,729	(629,733)	963,174
Appropriation and distribution of retained earnings:											
Cash dividends of ordinary share	-	-	-	-	(2,058,000)	(2,058,000)	-	-	-	-	(2,058,000)
Special reserve used to offset accumulated deficits	-	-	-	(2,030,304)	2,030,304	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(110,045)	110,045	-	-	-	-	-	-
Balance at December 31, 2017	9,800,000	2,232,791	3,683,109	31,449,960	1,961,271	37,094,340	(147,327)	-	112,648	(34,679)	49,092,452
Effects of retrospective application	-	-	-	-	105,060	105,060	-	946,293	(112,648)	833,645	938,705
Equity at beginning of period after adjustments	9,800,000	2,232,791	3,683,109	31,449,960	2,066,331	37,199,400	(147,327)	946,293	-	798,966	50,031,157
Profit (loss)	-	-	-	-	2,281,319	2,281,319	-	-	-	-	2,281,319
Other comprehensive income	-	-	-	-	3,935	3,935	256,391	257,300	-	513,691	517,626
Total comprehensive income	-	-	-	-	2,285,254	2,285,254	256,391	257,300	-	513,691	2,798,945
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	161,913	-	(161,913)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	(882,000)	-	(1,176,000)	(2,058,000)	-	-	-	-	(2,058,000)
Reversal of special reserve	-	-	-	(215,273)	215,273	-	-	-	-	-	-
Other changes in capital surplus	-	10,844	-	-	-	-	-	-	-	-	10,844
Balance at December 31, 2018	\$ 9,800,000	2,243,635	2,963,022	31,234,687	3,228,945	37,426,654	109,064	1,203,593	-	1,312,657	50,782,946

See accompanying notes to consolidated financial statements.

Chairman of Board: Hsinhong Kang



General Manager: Yaohsing Huang



Chief Accountant: Meiling Huang



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,949,620	1,834,053
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	813,442	732,513
Amortization expense	83,469	84,560
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	32,071	-
Interest expense	417	555
Interest income	(83,109)	(83,575)
Dividend income	(51,483)	(43,562)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(1,078,031)	(617,004)
Loss (gain) on disposal of property, plan and equipment	1,815	(79,371)
Property, plan and equipment transferred to expenses	11,508	8,731
Loss (gain) on disposal of investment properties	(754,449)	24,569
Loss (gain) on disposal of investments	-	(21,788)
Impairment loss on non-financial assets	81,867	31,715
Unrealized foreign exchange loss (gain)	(25,424)	26,625
	-	861
	-	(24,562)
	231,880	241,381
Total adjustments to reconcile profit (loss)	(736,027)	281,648
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	(157,304)	334,476
Decrease (increase) in accounts receivable	434,670	(227,467)
Decrease (increase) in other receivable	17,110	(18,966)
Decrease (increase) in inventories	(239,990)	(37,523)
Decrease (increase) in prepayments	(174,250)	(117,981)
Decrease (increase) in other current assets	(13,431)	(23,246)
Decrease (increase) in deferred debits	105,980	71,630
Increase (decrease) in contract liabilities	(49,059)	-
Increase (decrease) in notes payable	1,474	(6,466)
Increase (decrease) in accounts payable	(440,664)	320,198
Increase (decrease) in other payable	108,676	54,004
Increase (decrease) in receipts in advance	(20,816)	61,201
Increase (decrease) in other current liabilities	154	17,189
Increase (decrease) in net defined benefit liability	(3,001)	(21,449)
Increase (decrease) in deferred credits	(374,099)	(410,848)
Total changes in operating liabilities	(777,335)	13,829
Total changes in operating assets and liabilities	(804,550)	(5,248)
Total adjustments	(1,540,577)	276,400
Cash inflow (outflow) generated from operations	1,409,043	2,110,453
Interest received	83,639	83,124
Dividends received	739,069	474,035
Interest paid	(417)	(555)
Income taxes refund (paid)	(352,149)	(67,701)
Net cash flows from (used in) operating activities	1,879,185	2,599,356

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAIWAN FERTILIZER CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(5,010,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,212,116	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	17,927	-
Acquisition of available-for-sale financial assets	-	(2,205,306)
Proceeds from disposal of available-for-sale financial assets	-	3,311,788
Acquisition of financial assets at cost	-	(150,000)
Proceeds from capital reduction of financial assets at cost	-	52,683
Acquisition of investments accounted for using equity method	(50,000)	-
Acquisition of property, plant and equipment	(784,088)	(449,306)
Proceeds from disposal of property, plant and equipment	392	132,266
Increase in refundable deposits	104,528	(96,048)
Acquisition of intangible assets	(4,500)	-
Acquisition of investment properties	(1,575,117)	(1,293,562)
Proceeds from disposal of investment properties	1,270,109	68,471
Increase in other financial assets	2,178,725	1,333,156
Increase in other non-current assets	2,078	-
Other investing activities	-	(40,100)
Net cash flows from (used in) investing activities	<u>1,362,170</u>	<u>664,042</u>
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(3,000)	(11,000)
Decrease in guarantee deposits received	(28,575)	(7,151)
Cash dividends paid	(2,058,000)	(2,058,000)
Net cash flows from (used in) financing activities	<u>(2,089,575)</u>	<u>(2,076,151)</u>
Effect of exchange rate changes on cash and cash equivalents	23,058	(5,862)
Net increase (decrease) in cash and cash equivalents	1,174,838	1,181,385
Cash and cash equivalents at beginning of period	2,266,220	1,084,835
Cash and cash equivalents at end of period	<u><u>\$ 3,441,058</u></u>	<u><u>2,266,220</u></u>

See accompanying notes to consolidated financial statements.

Chairman of Board:
Hsinhong Kang



General Manager:
Yaohsing Huang



Chief Accountant:
Meiling Huang



Acceptance No.2

Cause: Approval of the proposal for distribution of 2018 earnings.

Submitted by the Board of Directors

Remark:

- I. The Company's financial statements from January 1, 2018 to December 31, 2018 have been audited by the CPA. The Company's net income after tax was stated as NT\$2,281,318,544.
- II. The Company's earnings after tax and unallocated earnings upon annual final accounting in 2018 are scheduled to be allocated in the following manner:
 - (1) 10% set aside as legal reserve:
10% of the earnings after tax, NT\$2,281,318,544, upon annual final accounting in 2018 was set aside as legal reserve, i.e., NT\$228,131,854.
 - (2) Distribution of bonus:
Based on the earnings after tax upon annual final accounting in 2018, plus adjusted unallocated earnings, NT\$947,626,556, and less legal reserve, NT\$228,131,854, and the balance of unallocated earnings, NT\$844,813,246, at the end of the year, NT\$2,156,000,000, the bonus allocable to shareholders should be NT\$2.2 per share in cash.
- III. The motion has been reviewed and approved at 8st meeting of the Company's Board of Directors of 34rd term on March 28, 2019 and submitted to the supervisors for audit. Upon resolution by the general shareholders' meeting, the Board of Directors will be authorized by the shareholders' meeting to schedule the ex-dividend date. Where the Company repurchases the Company's shares or assigns or transfers of treasury stock or cancels the total outstanding shares in accordance with Article 28-2 of the Securities and Exchange Act and thereby results in some variance in the dividend yield to shareholders before the base date of allocation of shareholders' bonus in cash, the Board of Directors will deal with it with full power.
- IV. The summarization about subjects and amount of the allocation of remuneration to employees 2017 was disclosed in the Company's annual report and on the MOPS.
- V. Effect upon business performance, earnings per share and ROE by the Company's stock dividend distributed as bonus shares: Not applicable, as the Company did not prepare the financial forecast or distribute new stock as bonus shares.

VI. The Company's earnings allocation statement 2018 is enclosed herewith
(see Attachment).

Resolution:

Attachment

Approval of the proposal for distribution of 2018 earnings

Unit: NTD

Unit: NT\$

Item	Amount	Remark
I. Amount to be allocated:		
Unallocated earnings, beginning	623,358,482	
Retrospective Adjustments	105,059,641	
Reversal of special reserve provided upon the first-time adoption of TIFRS	215,273,145	
Actuarial profit (loss) stated into retained earnings	3,935,288	
Unallocated earnings after adjustment	947,626,556	
Net profit in the current period	2,281,318,544	
Provision of legal reserve (10%)	(228,131,854)	Note 1
Allocable earnings in the current period	3,000,813,246	
II. Items:		
Shareholders' bonus-cash (NT\$2.2 per share x 980,000,000 shares)	(2,156,000,000)	Note 2
Unallocated earnings, ending	844,813,246	

Notes:

(1) The earnings 2018 are allocated as the first priority.

(2) The total of the cash dividend less than NT\$1 for odd shares is stated into the Company's other revenue.

Note 1: Paragraph 1 of Article 237 of the Company Law

A company, when allocating its earnings after having paid all taxes and dues, shall first set aside ten percent of said earnings as legal reserve. Where such legal reserve amounts to the total authorized capital, this provision shall not apply.

Note 2: Paragraph 3, Article 25 of the Company's Articles of Incorporation

If the Company retains earnings upon final accounting, after paying taxes pursuant to laws and covering losses for the previous year, the Company shall set aside 10% of the remainder, if any, as legal reserve, and then set aside or reverse special reserve pursuant to laws, and the remainder, if any, plus accumulated unallocated earnings of the previous year shall be the allocable earnings. Notwithstanding, the Company may consider retaining or providing the special reserve, subject to its business need. Then, the shareholders' bonus shall be distributed upon resolution of a shareholders' meeting on the motion for allocation proposed by the Board of Directors.

Discussion Item 1

Case : The amendments to “Procedure for Acquisition or Disposition of Assets” in part

Proposed by the Board of Directors

Explanation:

1. The case is administered in accordance with the letters from the Taiwan Stock Exchange respectively dated November 27, 2018 under reference Tai-Zheng-Shang-1-Zi No. 1070023202 and December 22, 2018 under reference Tai-Zheng-shang-1-Zi No. 1070025080.
2. This amendments are made mainly for the following objectives:
 - (1) The relevant provisions are revised to ensure compliance with the newly-implemented IFRS requirements.
 - (2) The amendment is made to improve the quality of information disclosure. The disclosure requirements on part of the transactions have been relaxed in the meantime.
 - (3) The accountabilities of external experts have been clearly defined.
 - (4) Others.
3. The case has been reviewed and approved by the Audit Committee, and further submitted to and resolved in the 9th meeting of the 34th board of directors on April 30, 2019.
4. Attached please find a comparison table on the amendment of the “Taiwan Fertilizer Co., Ltd. Procedures Governing the Acquisition and Disposal of Assets” (Please refer to the appendices).

Resolution:

Taiwan Fertilizer Co., Ltd.
Comparison Table of Amended Clauses of the
“Procedure for Acquisition or Disposal of Assets”

Amended Clause	Existing Clause	Remarks
Chapter 1 General Article 1 This Procedure is adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act. Unless otherwise provided by law, the Company shall handle the acquisition or disposal of assets in compliance with this Procedure.	Chapter 1 General Article 1 This Procedure is adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act <u>and the letter from the Securities and Futures Commission, Ministry of Finance Tai-Cai-Zheng-Yi-Zi No. 0910006105 dated December 10, 2002.</u> Unless otherwise provided by law, the Company shall handle the acquisition or disposal of assets in compliance with this Procedure.	In accordance with the letter from the Taiwan Stock Exchange Corporation Tai-Zheng-Shang-Yi-Zi No. 1070023203 dated November 29, 2018, enclosing a letter forwarded by the Financial Supervisory Commission abolishing a former order by the Securities and Futures commission, Ministry of Finance Tai-Cai-Zheng-Yi-Zi No. 0920001151 dated March 21, 2003. The abolished regulations included the order by the Securities and Futures commission, Ministry of Finance Tai-Cai-Zheng-Yi-Zi No. 0910006105 dated December 10, 2002.
Article 2 The term “Assets” as used in these Regulations includes the following: 1. Investments in stocks, government bonds, corporate bonds, financial bonds, <u>securities representing interest in a fund</u> , depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. <u>5. Right-of-use assets.</u> <u>6.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). <u>7.</u> Derivatives. <u>8.</u> Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. <u>9.</u> Other major assets.	Article 2 The term “Assets” as used in these Regulations includes the following: 1. <u>Long and short-term investments</u> in stocks, government bonds, corporate bonds, financial bonds, <u>domestic beneficiary certificates, overseas mutual funds,</u> depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, <u>land right-of use</u> and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. <u>5.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). <u>6.</u> Derivatives. <u>7.</u> Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. <u>8.</u> Other major assets.	1. Subparagraph 5 is added in accordance with International Financial Reporting Standards No. 16 on “Lease” to enlarge the scope to right-of-use assets. Land right-of-use under existing Subparagraph 2 is moved to Subparagraph 5. 2. Current Subparagraphs 5 to 8 moved to Subparagraphs 6 to 9. 3. Minor wording changes in compliance with legislation.
Article 3 Terms used in these Regulations are defined as follows:	Article 3 Terms used in these Regulations are defined as follows:	1. Subparagraph 1 on the scope of derivatives under

1. Derivatives: Forward contracts, options contracts, <u>futures contracts, leverage contracts</u>, or swap contracts, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives</u>. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. 2. Assets Acquired or Disposed of Through Mergers, Demergers, Acquisitions, or Transfer of Shares in Accordance With Law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts, or transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act. 3. Related Party or Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. 4. Professional Appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment. 5. Date of Occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority	1. Derivatives: <u>Transaction contracts such as forward contracts, options contracts, or swap contracts whose value is derived from products such as interest rate or foreign exchange rate, or hybrid contracts combining the above product combinations</u>. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. 2. Assets Acquired or Disposed of Through Mergers, Demergers, Acquisitions, or Transfer of Shares in Accordance With Law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156, <u>Paragraph 8</u> of the Company Act. 3. Related Party or Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. 4. Professional Appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment. 5. Date of Occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority	this Procedure is amended in accordance with International Financial Reporting Standards No. 9 on the definition of financial instruments, with minor wording changes. 2. The amended clauses of the Company Act published on August 1, 2018 were implemented on November 1, 2018. In accordance with the change of article numbers, reference to “Article 156, Paragraph 8” in Subparagraph 2 is amended to “Article 156-3”.
---	---	---

shall apply. 6. Mainland China Area Investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.	shall apply. 6. Mainland China Area Investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.	
Article 4 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall meet the following requirements:</u> 1. <u>May not have previously received a final and unappealable sentence of imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u> 2. <u>May not be a related party or de facto related party of any party to the transaction.</u> 3. <u>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.</u> <u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u> 1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u> 2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for</u>	Article 4 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall not be related parties to the transaction parties.</u>	1. To simplify legislation, the order by the Securities and Futures Commission, Ministry of Finance Tai-Cai-Zheng-Yi-Zi No. 0920001151 dated March 21, 2003 with supplemental provisions under Paragraph 4 about publicly listed companies and their experts such as appraisers, accountants, attorneys, or securities dealers are included in this Procedure. Also in reference to Subparagraph 4, Article 53 of the Securities and Exchange Act about negative qualifications of directors, supervisors, and managers and Subparagraph 15, Paragraph 1, Article 8 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers about ethics principles for issuers and their representatives, Subparagraphs 1 to 3 are added to Paragraph 1 to stipulate negative qualifications of relevant experts and to abolish the above order. 2. Specify responsibilities of external experts. In reference to Article 9 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers on relevant evaluation, audit, and statement of the accountant's opinion on the reasonableness of the appraisal report in relation to investment in real

<u>issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u> 3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u> 4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u>		property, Paragraph 2 is added to stipulate the evaluation, audit, and statement about the issuance of appraisal report or opinion by relevant experts under this Procedure.
Chapter 2 Procedure for Acquisition or Disposal of Real Property, Equipment, <u>or Right-of Use Assets thereof</u> Article 6 Evaluation and Procedure 1. The evaluation procedure for the acquisition or disposal of real property, equipment, <u>or the right-of use assets thereof</u> shall be carried out in accordance with Articles 7 and 9. 2. The organizing department shall <u>perform evaluation on</u> the reason of contemplated acquisition or disposal, target, transaction counterparty, transfer price, conditions for payment collection, <u>and price reference, and then submit</u> to the responsible unit for decision. 3. The relevant procedure shall be in accordance with the internal control system of the Company and applicable provisions of this Procedure.	Chapter 2 Procedure for Acquisition or Disposal of Real Property <u>or</u> Equipment Article 6 Evaluation and Procedure 1. The evaluation procedure for the acquisition or disposal of real property <u>or</u> equipment shall be carried out in accordance with Articles 7 and 9. 2. The organizing department shall <u>submit</u> the reason of contemplated acquisition or disposal, target, transaction counterparty, transfer price, conditions for payment collection, <u>and</u> price reference to the responsible unit for decision. 3. The relevant procedure shall be in accordance with the internal control system of the Company and applicable provisions of this Procedure.	In accordance with International Financial Reporting Standards No. 16 on “Lease”, amendment is made to include right-of-use assets under this article.
Article 7 Decision Process for Transaction Terms and Authorized Amount 1. To acquire real property, equipment, <u>or right-of-assets thereof</u>, the Company shall acquire prior approval from the Board of Directors, and have the transaction ratified after the fact or file a report for records. Matters governed by Article 185 of the Company Act shall be subject to prior approval by the Shareholders Meeting. 2. To acquire or dispose of real	Article 7 Decision Process for Transaction Terms and Authorized Amount 1. To acquire real property <u>or</u> equipment, the Company shall acquire prior approval from the Board of Directors, and have the transaction ratified after the fact or file a report for records. Matters governed by Article 185 of the Company Act shall be subject to prior approval by the Shareholders Meeting. 2. To acquire or dispose of real	In accordance with International Financial Reporting Standards No. 16 on “Lease”, amendment is made to include right-of-use assets under this Procedure.

property, equipment, <u>or right-of-use assets thereof</u>, the Company's decision process and reference basis for the transaction terms shall be in accordance with the following: (1) For the acquisition or disposal of real property <u>or right-of-use assets thereof</u>, reference shall be made to the published current value, appraised value, actual transaction price of real property in the vicinity, and price appraisal report issued by professional <u>appraisers</u> hired in accordance with Article 9 to determine the transaction terms and transaction price. An analysis report shall be prepared and approvals by level shall be acquired in accordance with the "Division of Duties for Board of Directors and Managers", "Levels of Authorities", and "Division of Duties for General Administration Department and Each Plant" of the Company. The Company may also acquire or dispose of real property through price comparison, price negotiation, or tender. (2) Equipment <u>or right-of-use assets thereof</u> shall be acquired or disposed of through price comparison, price negotiation, or tender. If the requirements are met, reference shall be made to the price appraisal report issued by a professional <u>appraiser</u>.	property <u>or</u> equipment, the Company's decision process and reference basis for the transaction terms shall be in accordance with the following: (1) For the acquisition or disposal of real property, reference shall be made to the published current value, appraised value, actual transaction price of real property in the vicinity, and price appraisal report issued by a professional <u>appraisal institution</u> hired in accordance with Article 9 to determine the transaction terms and transaction price. An analysis report shall be prepared and approvals by levels shall be acquired in accordance with the "Division of Duties for Board of Directors and Managers", "Levels of Authorities", and "Division of Duties for General Administration Department and Each Plant" of the Company. The Company may also acquire or dispose of real property through price comparison, price negotiation, or tender. (2) Equipment shall be acquired or disposed of through price comparison, price negotiation, or tender. If the requirements are met, reference shall be made to the price appraisal report issued by a professional <u>appraisal institution</u>.	
Article 8 Execution Unit 1. Real Property <u>or Right-of-use Assets Thereof</u>: The business organizing department is responsible for execution. 2. Equipment <u>or Right-of-use Assets Thereof</u>: The business organizing department is responsible for execution.	Article 8 Execution Unit 1. Real Property: The business organizing department is responsible for execution. 2. Equipment: The business organizing department is responsible for execution.	In accordance with International Financial Reporting Standards No. 16 on "Lease", amendment is made to include right-of-use assets under this Procedure.
Article 9 Scope of Application Where Experts Should be Hired to Issue a Price Appraisal Report In acquiring or disposing of real property, equipment, <u>or right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an	Article 9 Scope of Application Where Experts Should be Hired to Issue a Price Appraisal Report In acquiring or disposing of real property <u>or</u> equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government 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 (the matters to be specified in the appraisal report are	1. "Government authority" in Paragraph 1 refers to central and local government authorities of the Republic of China. The main consideration is that transactions with central or local government authorities of the Republic of China are subject to tender or price bidding in accordance with applicable regulations. There is a lower chance of possibility for price manipulation.

appraisal report (the matters to be specified in the appraisal report are listed in Attachment 1) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: 1. Where due to special circumstances it is necessary to give a limited price, specified price <u>or special price</u> as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same shall also be followed whenever there is any <u>subsequent</u> change to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. 4. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original	listed in Attachment 1) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: 1. Where due to special circumstances it is necessary to give a limited price <u>or special price</u> as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same <u>procedure</u> shall also be followed whenever there is any change to the terms and conditions of the transaction <u>in the future</u>. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. 4. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date <u>if the price appraisal is done before the contract execution date</u>; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed,	Thus, the acquisition of an expert opinion may be waived. As for transactions with foreign government authorities, since the applicable regulations and price negotiation mechanism are less clear, it is not within the scope of waiver in this article. Thus, Paragraph 1 is amended to specify the application to domestic government authorities only. 2. In accordance with International Financial Reporting Standards No. 16 on "Lease", amendment is made to the first paragraph to include right-of-use assets under this Procedure. 3. Minor wording changes made to Subparagraph 1, Paragraph 1 in order to be consistent with the law.
---	--	--

professional appraiser. The calculation of transaction amount under the previous paragraph shall be in accordance with Paragraph 2 of Article 38. Items for which an appraisal report from a professional appraiser has been obtained need not be counted toward the transaction amount. Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under Subparagraph 3 of the preceding paragraph, shall be obtained within two weeks counting inclusively from the date of occurrence.	an opinion may still be issued by the original professional appraiser The calculation of transaction amount under the previous paragraph shall be in accordance with Paragraph 2 of Article 38. Items for which an appraisal report from a professional appraiser has been obtained need not be counted toward the transaction amount. Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant's opinion under Subparagraph 3 of the preceding paragraph, shall be obtained within two weeks counting inclusively from the date of occurrence.	
Article 10 Limit Amount for Acquisition of Real Property <u>or Right-of-Use Assets Thereof</u> for Non-Business Use The total amount of real property <u>or right-of-use assets thereof</u> purchased by the Company for non-business use shall not exceed 20% of the paid-in capital of the Company in the current period. Total amount of real property <u>or right-of-use assets thereof</u> for non-business use purchased through individual investment by each subsidiary shall not exceed 20% of the paid-in capital of each subsidiary in the current period.	Article 10 Limit Amount for Acquisition of Real Property for Non-Business Use The total amount of real property purchased by the Company for non-business use shall not exceed 20% of the paid-in capital of the Company in the current period. Total amount of real property for non-business use purchased through individual investment by each subsidiary shall not exceed 20% of the paid-in capital of each subsidiary in the current period.	In accordance with International Financial Reporting Standards No. 16 on "Lease", amendment is made to the first paragraph to include real property right-of-use assets for non-business use in the limit amount under the procedure established by the Company.
Chapter 3 Procedure for Acquisition or Disposal of Securities Article 11 Evaluation and Procedure The procedure related to the acquisition or disposal of securities by the Company shall be in accordance with the investment cycle under the internal control system of the Company and this Procedure.	Chapter 3 Procedure for Acquisition or Disposal of Securities Article 11 Evaluation and Procedure The procedure related to the acquisition or disposal of <u>long and short-term</u> securities by the Company shall be in accordance with the investment cycle under the internal control system of the Company and this Procedure.	Partial provision amended in accordance with latest legislation.
Article 12 Decision Procedure for Transaction Terms and Authorized Amount In acquiring or disposing of securities, unless <u>there are publicly quoted prices of securities in an active market or where otherwise provided by the regulations of the Financial Supervisory Commission (FSC)</u>, the Company shall, <u>prior to the date of occurrence of the event</u>, obtain financial statements of the issuing company for	Article 12 Decision Procedure for Transaction Terms and Authorized Amount In acquiring or disposing of securities, except <u>open-end domestic beneficiary certificates, overseas mutual funds, government bonds, and bonds with buy (sell)-back conditions</u>, the Company shall <u>first</u> obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public	Partial provision amended in accordance with latest legislation.

the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price to consider the net value per share, profitability, and future development potential, etc. An analysis report shall be prepared and submitted to the Chairman. The transaction shall only be engaged in after approval by the Board of Directors. However, if the provisions of the “Division of Duties for the Board of Directors and Managers” of the Company provides otherwise, such provisions shall be followed.	accountant, for reference in appraising the transaction price to consider the net value per share, profitability, and future development potential, etc. An analysis report shall be prepared and submitted to the Chairman. The transaction shall only be engaged in after approval by the Board of Directors. However, if the provisions of the “Division of Duties for the Board of Directors and Managers” of the Company provides otherwise, such provisions shall be followed.	
Article 14 Professional Evaluation Opinion If the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, <u>however</u>, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the <u>FSC</u>. The calculation of the transaction amount under the previous paragraph shall be in accordance with Paragraph 2 of Article 38. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	Article 14 Professional Evaluation Opinion If the Company <u>has the following circumstances and</u> the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, <u>however</u>, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the <u>Financial Supervisory Commission</u>. 1. <u>Acquisition or disposal of securities not traded in stock exchanges or over-the-counter markets, except sale and purchase of open-end domestic beneficiary certificates, overseas mutual funds, government bonds, and bonds with buy (sell)-back conditions.</u> 2. <u>Acquisition or disposal of securities under private placement.</u> The calculation of the transaction amount under the previous paragraph shall be in accordance with Paragraph 2 of Article 38. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	Partial provision amended in accordance with latest legislation.
Article 15 Limit Amount for Acquisition of Securities The limit amounts of investment in securities by the Company and its subsidiary are as follows:	Article 15 Limit Amount for Acquisition of Securities <u>for Non-Business Use</u> <u>In addition to</u> the acquisition of <u>assets for business use</u>, the Company and its subsidiaries <u>may also invest in</u>	Partial provision amended in accordance with latest legislation and Articles of Association of the Company.

1. The total amount of securities through the Company's investment in long- and short-term stocks shall not exceed the limit amount provided in the Articles of Association of the Company, among which the total amount of securities investment in individual long- and short-term stocks <u>shall be in accordance with the applicable regulations of the Company.</u> 2. The total amount of securities investment in individual long- and short-term stocks by the Company and each subsidiary shall not exceed NT\$1 billion, among which the total amount of securities investment in long- and short-term stocks by the Company and each subsidiary individually shall not exceed NT\$1 billion. However, when the Company incorporates a holding company in an overseas country or territory with tax benefits, or as required by a subsidiary already incorporated by the Company in an overseas country or territory with tax benefits in accordance with the reorganization by the Company, or subject to requirement by law for an overseas subsidiary of the Company with tax benefits, investment may be made in long- and short-term securities following a case-by-case special resolution by the Board of Directors of the Company, and the above limit on the total amount of investment by individual subsidiaries shall not apply, provided that a report shall be filed with the Shareholders Meeting afterwards. 3. The total amount of investment in securities other than long- and short-term stocks by the Company shall not exceed the paid-in capital, among which the total amount of investment in individual securities shall not exceed 20% of the paid-in capital. The total amount of investment in securities other than long- and short-term stocks by each individual subsidiary shall not exceed NT\$80 million, among which the total amount of investment in individual securities other than long- and short-term	securities <u>not for business use</u> and the investment limit amounts are as follows: 1. The total amount of securities through the Company's investment in long- and short-term stocks shall not exceed the limit amount provided in the Articles of Association of the Company, among which the total amount of securities investment in individual long- and short-term stocks <u>shall not exceed the limit amount provided in the Articles of Association of the Company.</u> 2. The total amount of securities investment in individual long- and short-term stocks by the Company and each subsidiary shall not exceed NT\$1 billion, among which the total amount of securities investment in long- and short-term stocks by the Company and each subsidiary individually shall not exceed NT\$1 billion. However, when the Company incorporates a holding company in an overseas country or territory with tax benefits, or as required by a subsidiary already incorporated by the Company in an overseas country or territory with tax benefits in accordance with the reorganization by the Company, or subject to requirement by law for an overseas subsidiary of the Company with tax benefits, investment may be made in long and short-term securities following a case-by-case special resolution by the Board of Directors of the Company, and the above limit on the total amount of investment by individual subsidiaries shall not apply, provided that a report shall be filed with the Shareholders Meeting afterwards. 3. The total amount of investment in securities other than long- and short-term stocks by the Company shall not exceed the paid-in capital, among which the total amount of investment in individual securities shall not exceed 20% of the paid-in capital. The total amount of investment in securities other than long- and short-term stocks by each individual subsidiary shall not exceed NT\$80 million, among which the total amount of investment in individual securities other than long- and short-term	
---	--	--

stocks shall not exceed NT\$20 million.	stocks shall not exceed NT\$20 million.	
Chapter 4 Procedure for Acquisition or Disposal of <u>Intangible Assets or Right-of-Use Assets Thereof or Memberships</u> Article 16 Evaluation and Procedure The evaluation and procedure for the Company's acquisition or disposal of <u>intangible assets or the right-of-use assets thereof or memberships</u> shall be in reference to Article 17 and applicable regulations of the Company.	Chapter 4 Procedure for Acquisition or Disposal of <u>Memberships or Intangible Assets</u> Article 16 Evaluation and Procedure The evaluation and procedure for the Company's acquisition or disposal of <u>memberships or intangible assets</u> shall be in reference to Article 17 and applicable regulations of the Company.	Same reason for amendment as Paragraph 2 of the Remarks for Article 9, with minor wording changes.
Article 17 Decision Procedure for Transaction Terms and Authorized Amount 1. To acquire or dispose of memberships, reference shall be made to the fair market price to resolve the transaction terms and transaction price. An analysis report shall be prepared and approvals by levels shall be acquired in accordance with the "Division of Duties for Board of Directors and Managers", "Levels of Authorities", and "Division of Duties for General Administration Department and Each Plant" of the Company. 2. To acquire or dispose of intangible assets (trademarks, know-how, patents, copyrights, and goodwill) <u>or right-of-use assets thereof</u>, consideration shall first be given as to whether future economic benefit may be provided to the Company. Reference shall also be made to expert evaluation reports or fair market prices to resolve the transaction terms and transaction price. An analysis report shall be prepared and approvals by levels shall be acquired in accordance with the "Division of Duties for Board of Directors and Managers", "Levels of Authorities", and "Division of Duties for General Administration Department and Each Plant" of the Company.	Article 17 Decision Procedure for Transaction Terms and Authorized Amount 1. To acquire or dispose of memberships, reference shall be made to the fair market price to resolve the transaction terms and transaction price. An analysis report shall be prepared and approvals by levels shall be acquired in accordance with the "Division of Duties for Board of Directors and Managers", "Levels of Authorities", and "Division of Duties for General Administration Department and Each Plant" of the Company. 2. To acquire or dispose of intangible assets (trademarks, know-how, patents, copyrights, and goodwill), consideration shall first be given as to whether future economic benefit may be provided to the Company. Reference shall also be made to expert evaluation reports or fair market prices to resolve the transaction terms and transaction price. An analysis report shall be prepared and approvals by levels shall be acquired in accordance with the "Division of Duties for Board of Directors and Managers", "Levels of Authorities", and "Division of Duties for General Administration Department and Each Plant" of the Company.	Same reason for amendment as Paragraph 2 of the Remarks for Article 9, with minor wording changes.
Article 18 Execution Unit When the Company acquires or disposes of <u>intangible assets, right-of-use assets thereof or memberships</u>, the user department or management department shall be responsible for execution.	Article 18 Execution Unit When the Company acquires or disposes of <u>memberships or intangible assets</u>, the user department or management department shall be responsible for execution.	Same reason for amendment as Paragraphs 1 and 2 of the Remarks for Article 9, with minor wording changes.
Article 19 Expert Evaluation Opinion Report Where the Company acquires or disposes of <u>intangible assets or right-of-</u>	Article 19 Expert Evaluation Opinion Report Where the Company acquires or disposes of <u>memberships or intangible</u>	Same reason for amendment as Paragraphs 1 and 2 of the Remarks for Article 9, with minor wording changes.

use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic government authority</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. The calculation of the transaction amount under the previous paragraph shall be in accordance with Paragraph 2 of Article 38. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. The calculation of the transaction amount under the previous paragraph shall be in accordance with the Paragraph 2 of Article 38. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	
Article 21 Evaluation and Procedure When the Company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by <u>domestic securities investment trust enterprises</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and the Audit Committee: 1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a transaction counterparty. 3. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 22 and Article 23. 4. The date and price at which the related party originally acquired the	Article 21 Evaluation and Procedure When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and the Audit Committee: 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of <u>real property assets</u>. 2. The reason for choosing the related party as a transaction counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 22 and Article 23. 4. The date and price at which the	1. "Government bond" referred to in the first paragraph means a domestic government bond. The main consideration is that the creditworthiness of the central and local governments of the Republic of China is clear and easily verifiable. Thus, the procedure for submission to the Board of Directors for approval and to the supervisors for acknowledgement may be waived. As for foreign governments, the creditworthiness varies. It is not included in the scope of waiver in this Article. It is specified that only domestic government bonds are applicable. Also, in accordance with the International Financial Reporting Standards No. 16 on "Lease", the right-of-use assets are included under this Article. Thus, Paragraph 1 is amended for clarification. 2. Considering that, based on overall business planning, there are needs and requirements for centralized purchase

real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article. 7. Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 38, Paragraph 2 herein, <u>and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction.</u> Items that have been submitted to the Audit Committee for review and approved by the Board of Directors in accordance with this Procedure need not be counted toward the transaction amount. With respect to the <u>types of transactions listed below, when to be conducted</u> between the Company, its subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the <u>Company's</u> Board of Directors may, pursuant to Article 6 and the "Division of Duties for Board of Directors and Managers", delegate the Board Chairman to decide 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: <u>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u> <u>2. Acquisition or disposal of real property right-of-use assets held for business use.</u> Where the position of independent director has been created the Company, when a matter is submitted for discussion by the Board of Directors pursuant to the previous paragraph, the Board of Directors shall take into full consideration each independent	related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article. 7. Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 38, Paragraph 2 herein. Items that have been submitted to the Audit Committee for review and approved by the Board of Directors in accordance with this Procedure need not be counted toward the transaction amount. With respect to the <u>acquisition or disposal of equipment for business use</u> between the Company <u>and</u> its subsidiary, the Board of Directors may, pursuant to Article 6 and the "Division of Duties for Board of Directors and Managers", delegate the Board Chairman to decide 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. Where the position of independent director has been created the Company, when a matter is submitted for discussion by the Board of Directors pursuant to the previous paragraph, the Board of Directors shall take into full	or lease of equipment for business use, followed by transfer (including sale and purchase or sublease), or the lease of real property with the possibility of subsequent sublease, between a publicly listed company and its parent company or subsidiary, or among subsidiaries 100 percent owned directly or indirectly by the publicly listed company, and that the risk of such transactions is lower, Paragraph 3 is amended to relax the acquisition or disposal of equipment for business use and right-of-use assets thereof or real property right-of-use assets for business use among these companies. The Chairman may be authorized to proceed first. There are also minor wording changes.
---	--	---

director's opinions and their opinions of agreement, objection, or reservation and the reasons therefor shall be recorded in the minutes of the Board of Directors Meeting. Matters subject to review by the Audit Committee in accordance with Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors Meeting. The terms "all Audit Committee members" in the previous paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.	consideration each independent director's opinions and their opinions of agreement, objection, or reservation and the reasons therefor shall be recorded in the minutes of the Board of Directors meeting. Matters subject to review by the Audit Committee in accordance with Paragraph 1 shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting. The terms "all Audit Committee members" in the previous paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.	
Article 22 Evaluation of Reasonableness of Transaction Cost In acquiring real property <u>or right-of-use assets thereof</u> from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means: 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "necessary interest on funding" is input as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a	Article 22 Evaluation of Reasonableness of Transaction Cost In acquiring real property from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means: 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "necessary interest on funding" is input as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a	1. In accordance with International Financial Reporting Standards No. 16 on "Lease", amendment is made to Paragraphs 1 to 4 to include the acquisition of real property right-of-use assets from related parties under this Article. 2. Considering that, based on overall business planning, there are possibilities for collective lease of real property followed by subsequent sublease, between a publicly listed company and its parent company or subsidiary or among subsidiaries 100 percent owned directly or indirectly by the publicly listed company, and that the risk of such non arms-length transactions is lower, Subparagraph 4 of Paragraph 4 is amended to exclude the requirement to evaluate the reasonableness of the transaction cost (transaction price of real property acquired by the

related party of one of the transaction counterparties. Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph. When the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and appraises the cost of the real property <u>or right-of-use assets thereof</u> in accordance with <u>the preceding two</u> paragraphs, it shall also engage a CPA to check the appraisal and render a specific opinion. When the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the <u>preceding</u> article, and the preceding three paragraphs do not apply: 1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction. 3. The real property is acquired through the signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land. 4. <u>The real property right-of-use assets for business use are acquired by the Company with its parent company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u>	related party of one of the transaction counterparties. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph. When the Company acquires real property from a related party and appraises the cost of the real property in accordance with <u>Paragraphs 1 and 2</u>, it shall also engage a CPA to check the appraisal and render a specific opinion. When the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with <u>Article 21 regarding evaluation and procedure</u>, and the preceding three paragraphs <u>about evaluation of the reasonableness of the transaction cost</u> do not apply: 1. The related party acquired the real property through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction. 3. The real property is acquired through the signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.	related party or price paid to lease real property) in accordance with this Article. As the application of this Article is already excluded for such transaction, it is also no longer necessary to apply Article 23 about the provision of proof about the reasonableness of the transaction price and Article 24 about the provision of special reserve. 4. Minor wording changes in the preambles of Paragraphs 3 and 4 in order to comply with the law.
Article 23 When the Company acquires real property from a related party and the results of appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 24. However, where the following circumstances exist,	Article 23 When the Company acquires real property from a related party and the results of appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 24. However, where the following circumstances exist,	In accordance with the practical operation of the lease of real property such as plants, the requirements are relaxed. For acquisition of real property right-of-use assets from a related party, lease transactions among non-related parties in the vicinity

objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply: - Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower. (2) Completed <u>transactions</u> by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or <u>leasing</u> practices. - In acquiring real property, or <u>obtaining real property right-of-use assets through leasing</u> from a related party, the Company provides evidence that the terms of the transaction are similar to the terms of completed <u>transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed <u>transactions</u> involving neighboring or closely valued parcels of land in the preceding paragraph in	objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply: - Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower. (2) Completed <u>closings</u> by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices. (3) <u>Lease by unrelated parties within the preceding year involving other floors of the same property after calculation of reasonable price discrepancies in floor in accordance with standard property market sale practices.</u> - In acquiring real property, from a related party, the Company provides evidence that the terms of the transaction are similar to the terms of <u>completed closings</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed <u>closings</u> involving neighboring or closely valued parcels of land in the preceding paragraph in	area within the past year may be used as reference cases for the calculation and presumption of the reasonableness of the transaction price. Current Section 3, Subparagraph 1 Paragraph 1 is also consolidated under Section 2. Lease cases are added as transaction cases. Thus Section 2, Subparagraph 1 and Subparagraphs 2 and 3 of Paragraph 1 are amended for clarification.
--	---	--

principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; <u>transactions</u> involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or</u> <u>obtainment of the right-of-use assets thereof</u>.	principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; <u>closings</u> involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	
Article 24 Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with the <u>preceding two</u> articles are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. 2. Independent directors as members of the Audit Committee shall comply with Article 218 of the Company Act, applied mutatis mutandis in accordance with Article 14-4 of the Securities and Exchange Act. 3. Actions taken pursuant to the <u>preceding two</u> subparagraphs shall be reported to a Shareholders Meeting, and the details of the transaction shall be disclosed in the Annual Report and any investment prospectus. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it	Article 24 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with the <u>Articles 22 and 23</u> are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. 2. Independent directors as members of the Audit Committee shall comply with Article 218 of the Company Act, applied mutatis mutandis in accordance with Article 14-4 of the Securities and Exchange Act. 3. Actions taken pursuant to the <u>Subparagraphs 1 and 2</u> shall be reported to a Shareholders Meeting, and the details of the transaction shall be disclosed in the Annual Report and any investment prospectus. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on	1. In accordance with International Financial Reporting Standards No. 16 on "Lease", amendment is made to the preamble and Subparagraph 1 of Paragraph 1, and Paragraphs 2, and 3 to include acquisition of real property right-of-use assets under the list of matters to be performed when the evaluation costs are lower than the transaction price. 2. Minor wording changes to the preamble of Paragraph 1 and Subparagraph 3 in order to be compliant with the law.

purchased or leased at a premium, or they have been disposed of, or the <u>leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the <u>FSC</u> has given its consent. When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms-length transaction.	decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the <u>Securities and Futures Bureau, Financial Supervisory Commission (SFB or the Bureau)</u> has given its consent. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms-length transaction.	
Article 28 Regular Evaluation and Handling of Anomalies 1. The finance unit shall evaluate the positions held through derivatives trading at least once a week. Hedging transactions required for business shall be evaluated at least twice every month. The evaluation report shall be delivered to the senior executive designated by the Board of Directors. 2. The Board of Directors shall perform regular evaluation of the performance of derivatives trading, whether they are consistent with existing operating strategies, and whether the risks undertaken are within the scope tolerated by the Company. 3. The senior executive designated by the Board of Directors shall perform regular evaluation on whether the risk management measures currently used are appropriate and shall comply with the “Regulations Governing the Acquisition or Disposal of Assets” established by the <u>FSC</u> and this Procedure. 4. The senior executive designated by the Board of Directors shall supervise transactions and loss and profit status at all times. If any anomaly is discovered, necessary corresponding measures shall be undertaken and immediately reported to the Board of Directors. If the Company has independent directors, the independent directors shall participate in the Board Meeting and provide their comments.	Article 28 Regular Evaluation and Handling of Anomalies 1. The finance unit shall evaluate the positions held through derivatives trading at least once a week. Hedging transactions required for business shall be evaluated at least twice every month. The evaluation report shall be <u>submitted</u> to the senior executive designated by the Board of Directors. 2. The Board of Directors shall perform regular evaluation of the performance of derivatives trading, whether they are consistent with existing operating strategies, and whether the risks undertaken are within the scope tolerated by the Company. 3. The senior executive designated by the Board of Directors shall perform regular evaluation on whether the risk management measures currently used are appropriate and shall comply with the “Regulations Governing the Acquisition or Disposal of Assets” established by the <u>SFB</u> and this Procedure. 4. The senior executive designated by the Board of Directors shall supervise transactions and loss and profit status at all times. If any anomaly is discovered, necessary corresponding measures shall be undertaken and immediately reported to the Board of Directors. If the Company has independent directors, the independent directors shall participate in the Board Meeting and provide their comments.	Partial amendment in accordance with latest legislation.
Article 29 Internal Audit System 1. Internal audit staff shall regularly	Article 29 Internal Audit System 1. Internal audit staff shall regularly	Partial amendment in accordance with latest

understand the appropriateness of internal control over derivatives trading. Compliance with this Procedure by the trading unit shall be audited on monthly basis and the trading cycles shall be analyzed. An Audit Report shall be prepared. Any major breach shall be reported to the Audit Committee in writing. 2. The Audit Report under the previous paragraph shall be filed, together with the execution status of the annual audit plan under the internal audit procedure, with the <u>FSC</u> before the end of February in the following year. Status of improvement on anomalies shall be filed with the <u>FSC</u> for reference before the end of May in the following year at the latest.	understand the appropriateness of internal control over derivatives trading. Compliance with this Procedure by the trading unit shall be audited on monthly basis and the trading cycles shall be analyzed. An Audit Report shall be prepared. Any major breach shall be reported to the Audit Committee in writing. 2. The Audit Report under the previous paragraph shall be filed, together with the execution status of the annual audit plan under the internal audit procedure, with the <u>SFB</u> before the end of February in the following year. Status of improvement on anomalies shall be filed with the <u>SFB</u> for reference before the end of May in the following year at the latest.	legislation.
Article 30 Principles of Supervision and Management by the Board of Directors on Derivatives Trading 1. The senior executive designated by the Board of Directors shall exercise due care at all times regarding the supervision and control of risk in derivatives trading. The management principles are as follows: (1) Regular evaluation on whether the risk management measures currently used are appropriate and in compliance with the “Regulations Governing the Acquisition or Disposal of Asset” by the <u>FSC</u> and this Procedure. (2) Supervise the transactions and loss and profit status. If any anomaly is discovered, necessary corresponding measures shall be undertaken and immediately reported to the Board of Directors. If the Company has independent directors, the independent directors shall participate the Board Meeting and provide their opinions. 2. Regular evaluation of the performance of derivatives trading, whether they are consistent with existing operating strategies, and whether the risks undertaken are within the scope tolerated by the Company. 3. When the Company engages in derivatives trading, relevant personnel shall be authorized in accordance with this Procedure and reports shall be filed with the following Board Meeting after the	Article 30 Principles of Supervision and Management by the Board of Directors on Derivatives Trading 1. The senior executive designated by the Board of Directors shall exercise due care at all times regarding the supervision and control of risk in derivatives trading. The management principles are as follows: (1) Regular evaluation on whether the risk management measures currently used are appropriate and in compliance with the “Regulations Governing the Acquisition or Disposal of Asset” by the <u>SFB</u> and this Procedure. (2) Supervise the transactions and loss and profit status. If any anomaly is discovered, necessary corresponding measures shall be undertaken and immediately reported to the Board of Directors. If the Company has independent directors, the independent directors shall participate the Board Meeting and provide their opinions. 2. Regular evaluation of the performance of derivatives trading, whether they are consistent with existing operating strategies and whether the risks undertaken are within the scope tolerated by the Company. 3. When the Company engages in derivatives trading, relevant personnel shall be authorized in accordance with this Procedure and reports shall be filed with the following Board Meeting after the	Partial amendment in accordance with latest legislation.

transactions. Article 32 A company participating in a merger, demerger, or acquisition shall convene a Board of Directors Meeting and Shareholders Meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the <u>FSC</u> is notified in advance of extraordinary circumstances and grants consent. The company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the <u>FSC</u> is notified in advance of extraordinary circumstances and grants consent. <u>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:</u> 1. <u>Basic Identification Data For Personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</u> 2. <u>Dates of Material Events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors Meeting.</u> 3. <u>Important Documents and Minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors Meetings.</u> <u>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Subparagraphs 1</u>	transactions. Article 32 A company participating in a merger, demerger, or acquisition shall convene a Board of Directors Meeting and Shareholders Meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the <u>Bureau</u> is notified in advance of extraordinary circumstances and grants consent. The company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the <u>Bureau</u> is notified in advance of extraordinary circumstances and grants consent.	Partial amendment in accordance with latest legislation.
--	---	---

and 2 of the preceding paragraph to the FSC for recordation. <u>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares are neither listed on an exchange nor have their shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.</u>		
Article 37 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 32, Article 33, <u>and the preceding Article</u> about the number of companies participating in the merger, demerger, acquisition, or transfer of shares.	Article 37 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 32, Article 33, <u>and Article 36</u> about the number of companies participating in the merger, demerger, acquisition, or transfer of shares.	Minor wording changes in compliance with the law.
Chapter 8 Information Publication Article 38 Under any of the following circumstances, when the Company acquires or disposes of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event: 1. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to the trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures adopted by the Company.	Chapter 8 Information Publication Article 38 Under any of the following circumstances, when the Company acquires or disposes of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures adopted by the Company.	1. Amendment is made to the government bond referred to under Subparagraph 1 and Section 1 of Subparagraph 7, Paragraph 1. The main consideration is that the creditworthiness of the central and local governments of the Republic of China is clear and easily verifiable. Thus, public announcement can be waived. As for foreign governments, the creditworthiness varies. It is not included in the scope of waiver in this Article. Thus, amendment is made to specify domestic government bonds only. 2. In accordance with International Financial Reporting Standards No. 16 on "Lease", amendment is made to Subparagraphs 1, 4, and 5 of Paragraph 1 and Subparagraph 3 of Paragraph 2 to include right-of-use assets under this article. 3. Consideration is given to the fact that sale of real

4. Where equipment <u>or right-of-use assets thereof</u> for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount <u>meets any of the following criteria</u>: (1) If the Company's paid-in capital is <u>less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</u> (2) If the Company's paid-in capital is <u>NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</u> 5. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; <u>among such cases, if the Company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore if the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u> 6. Where land is acquired under an arrangement engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party,</u> and the amount the Company expects to invest in the transaction reaches NT\$500 million. 7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: (1) Trading of <u>domestic</u> government bonds. (2) Where done by professional investors, securities trading on securities exchanges or OTC	4. Where equipment for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount <u>reaches NT\$500 million or more.</u> 5. Acquisition or disposal by <u>a public company</u> in the construction business of real property for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million. 6. Where land is acquired under an arrangement engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million. 7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: (1) Trading of government bonds. (2) Where done by professional investors, securities trading on <u>domestic or overseas</u> securities	property by construction enterprises following completion of their own construction projects is an act in the ordinary course of sales business. Large-scale construction projects by construction enterprises have higher amounts that reach the standard of public announcement and filing, resulting in frequent filings. Based on the consideration of the materiality of information disclosure, in reference to the provisions about the acquisition or disposal of equipment for business use by the Company, a second part is added to Subparagraph 5 of Paragraph 1 to relax the filing threshold for such disposal transactions when the transaction counterparty is not a related party. 4. Since Subparagraph 1 of Paragraph 1 has stipulated the rules for public announcement of related-party transactions, Subparagraph 6 of the same paragraph stipulates non-related party transactions. Thus Subparagraph 6 of Paragraph 1 is amended for clarification. 5. Section 2, Subparagraph 7 of Paragraph 1 is amended: (1) Consideration is given to the fact that, for investment professionals, securities trading in domestic and overseas stock exchanges and over-the-counter markets constitutes the ordinary course of business and can easily result in frequent public announcements. Based on the consideration of the materiality of information disclosure, public announcements are
--	--	---

markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (<u>excluding subordinated debt</u>) that are offered and issued in the primary market, or <u>subscription or redemption of securities investment trust funds or futures trust funds</u>, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange. (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. The amount of transactions above shall be calculated as follows: 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets thereof</u> within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. “Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the <u>FSC</u> by the 10th day	exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued on the primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange. (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. The amount of transactions above shall be calculated as follows: 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. “Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the <u>SFB</u> by the 10th day	waived. Also, to see consistency in the terms used in this Procedure, the principle for the targets or institutions referred in this Procedure is to include both domestic and overseas targets and institutions. Thus, the words “domestic and overseas” are deleted. (2) Consideration is given to the fact that, for investment professionals, subscription to ordinary corporate bonds in overseas primary markets is a routine act and the nature of the products is simple. Also, domestic securities investment trust enterprises and futures trust enterprises are subject to the supervision of the FSC. The subscription or purchase of the funds placed by these enterprises (excluding offshore funds) is also a routine act by investment professionals. Thus, amendment is made to relax the requirements, waving public announcements about sale and purchase of these securities by investment professionals. Consideration is also given to the fact that subordinated bonds have higher risk. It is also specified that “ordinary corporate bonds” and “non-equity general financial bonds” do not include subordinated bonds. 7. Minor wording changes are made to Subparagraph 3 of Paragraph 1 in order to comply with the law. 8. Minor wording changes to Paragraphs 4 and 6.
--	--	--

of each month. When the Company at the time of public announcement makes an error or omission of an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of learning of such error or omission. In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports, and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.	of each month. When the Company at the time of public announcement makes an error or omission of an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of learning of such error or omission. In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports, and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.	
Article 39 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the information reporting website designated by the <u>FSC</u> within 2 days counting inclusively from the date of occurrence of the event: 1. Change, termination, or rescission of a contract signed in regard to the original transaction. 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information.	Article 39 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the information reporting website designated by the <u>Bureau</u> within 2 days counting inclusively from the date of occurrence of the event: 1. Change, termination, or rescission of a contract signed in regard to the original transaction. 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information.	Minor wording changes in accordance with the law.
Article 40 Public Announcements and Reporting for Acquisition or Disposal of Assets by Subsidiaries Information required to be publicly announced and reported in accordance with the provisions of this Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 38, Paragraph 1.	Article 40 Public Announcements and Reporting for Acquisition or Disposal of Assets by Subsidiaries Information required to be publicly announced and reported in accordance with the provisions of this Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to <u>20%</u> paid-in capital or <u>10%</u> total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 38, Paragraph 1, <u>Subparagraph 5</u>.	The standard for public announcements and reporting by subsidiaries should be consistent with those by the parent company. Also, in accordance with the addition of NT\$10 billion in paid-in capital as a standard for public announcement and filing under Paragraph 1 of Article 38, Paragraph 2 is amended so that the subsidiaries are also governed this standard.

Chapter 9 Miscellaneous Article 41 Control Procedure for Subsidiaries Subsidiaries shall establish the “Procedure for Acquisition or Disposal of Assets” in accordance with applicable provisions of the “Regulations Governing the Acquisition or Disposal of Assets by Public Companies”. Following approval by the Boards of Directors of the subsidiaries, the procedure shall be submitted to their Shareholders Meetings for approval, followed by execution. The same shall be applicable in the case of amendment. Acquisition or disposal of assets by subsidiaries shall also be done in accordance with the regulations of the Company. For the calculation of 10% of total assets under this Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a subsidiary whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of paid-in capital under this Procedure, 10% of equity attributable to owners of the parent shall be substituted; <u>for calculations under the provisions of this Procedure regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent company shall be substituted.</u>	Chapter 9 Miscellaneous Article 41 Control Procedure for Subsidiaries Subsidiaries shall establish the “Procedure for Acquisition or Disposal of Assets” in accordance with applicable provisions of the “Regulations Governing the Acquisition or Disposal of Assets by Public Companies”. Following approval by the Boards of Directors of the subsidiaries, the procedure shall be submitted to their Shareholders Meetings for approval, followed by execution. The same shall be applicable in the case of amendment. Acquisition or disposal of assets by subsidiaries shall also be done in accordance with the regulations of the Company. For the calculation of 10% of total assets under this Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a subsidiary whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of paid-in capital under this Procedure, 10% of equity attributable to owners of the parent shall be substituted.	A second part is added to Paragraph 2 to stipulate how the NT\$10 billion of paid-in capital under Article 38 should be calculated if the Company’s shares are without face value or if the face value per share is not NT\$10.
---	---	--

Discussion Item 2

Case: The amendments to “Procedure for Loaning of Fund and Making of Endorsements/Guarantees” in part

Proposed by the Board of Directors

Explanation:

1. The case is administered in accordance with the letter from the Financial Supervisory Commission dated March 7, 2019 under reference Jin-Guan-Zheng-Shen-Zi No. 1080304826.
2. This amendments are made mainly for the following objectives:
 - (1) An additional clause has been added, stipulating that when the Company is engaged in short-term financing and the amount of the facilities has exceeded the limit prescribed in the Procedures, the responsible person of the Company shall be held jointly liable for the repayment and compensation.
 - (2) The authority and accountabilities of the audit committee has been defined in the “Securities & Exchange Act”. It is required that, for public companies with an audit committee, the establishment or amendment of the “Procedures Governing the Loaning of Funds and Making of Endorsements/Guarantees” shall be approved by the audit committee.
 - (3) Some wording has been modified as appropriate to ensure compliance with the latest regulations.
3. The case has been reviewed and approved by the Audit Committee, and further submitted to and resolved in the 9th meeting of the 34th board of directors on April 30, 2019.
4. Attached please find a comparison table on the amendment of the “Taiwan Fertilizer Co., Ltd. - Procedures Governing the Loaning of Funds and Making of Endorsements/Guarantees” (Please refer to the appendices).

Resolution:

Taiwan Fertilizer Co., Ltd.

Comparison Table of Amended Clauses of “Procedure for Loaning of Funds and Making of Endorsements and Guarantees”

Amended Clause	Existing Clause	Remarks
Article 12 Announcement and Report Procedure - The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month. - When the loans of funds by the Company and its subsidiaries reach one of the standards under Paragraph 1, Article 22 of the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies”, it shall announce and report such event within 2 days commencing immediately from the date of occurrence. - The standards under Paragraph 1, Article 22 of the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies” are as follows: (1) The aggregate balance of loans to others by the public company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement. (2) The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement. (3) The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement. - The Company shall announce and report on behalf of any subsidiary that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the previous paragraph. “Date of Occurrence” in Subparagraph 2 means the date of <u>contract signing</u>, date of payment, dates of Board of Directors’ resolutions, or other date that can	Article 12 Announcement and Report Procedure - The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month. - When the loans of funds by the Company and its subsidiaries reach one of the standards under Paragraph 1, Article 22 of the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies”, it shall announce and report such event within two days commencing immediately from the date of occurrence. - The standards under Paragraph 1, Article 22 of the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees” by Public Companies are as follows: (1) The aggregate balance of loans to others by the public company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement. (2) The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement. (3) The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement. - The Company shall announce and report on behalf of any subsidiary that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the previous paragraph. “Date of Occurrence” in Subparagraph 2 means the date of <u>transaction contract signing</u>, date of payment, dates of Board of Directors’ resolutions, or other date that can	Considering that the loaning of funds is not a transaction, the wording in the Paragraph 2 is slightly amended.

confirm the counterparty and monetary amount of the <u>loaning of funds</u> , whichever date is earlier.	confirm the <u>transaction</u> counterparty and <u>transaction</u> monetary amount, whichever date is earlier.	
Article 18 Announcement and Report Procedure 1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. 2. If the balance of endorsements/guarantees by the Company and its subsidiaries reaches one of the levels in Paragraph 1, Article 25 of the "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies", it shall announce and report such event within 2 days commencing immediately from the date of occurrence. 3. The levels in Paragraph 1, Article 25 of the "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies" are as follows: (1) The aggregate balance of endorsements/guarantees by the public company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement. (2) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement. (3) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>book value of investment under equity method</u> in, and balance of loans to such enterprise reaches 30 percent or more of the public company's net worth as stated in its latest financial statement. (4) The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.	Article 18 Announcement and Report Procedure 1. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. 2. If the balance of endorsements/guarantees by the Company and its subsidiaries reaches one of the levels in Paragraph 1, Article 25 of the "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies", it shall announce and report such event within two days commencing immediately from the date of occurrence. 3. The levels in Paragraph 1, Article 25 of the "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies" are as follows: (1) The aggregate balance of endorsements/guarantees by the public company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement. (2) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement. (3) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>investment of a long-term nature</u> in, and balance of loans to such enterprise reaches 30 percent or more of the public company's net worth as stated in its latest financial statement. (4) The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement. 4. The Company shall announce and	To clarify the definition of long-term investment, Subparagraph 3 of Paragraph 1 is amended by reference to Subparagraph 1, Paragraph 4, Article 9 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4. The Company shall announce and report on behalf of any subsidiary that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the previous paragraph. 5. “Date of Occurrence” in Subparagraph 2 means the date of <u>contract signing</u>, date of payment, dates of Board of Directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the <u>endorsements or guarantees</u>, whichever date is earlier	report on behalf of any subsidiary that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the previous paragraph. 5. “Date of Occurrence” in Subparagraph 2 means the date of <u>transaction contract signing</u>, date of payment, dates of Board of Directors’ resolutions, or other date that can confirm the <u>transaction</u> counterparty and <u>transaction</u> monetary amount, whichever date is earlier.	Considering that endorsements and guarantees are not transactions, the wording in Paragraph 2 is slightly amended.
Article 20 Penalty <u>When the Company representative breaches the limit amount for short-term financing under this Procedure, he/she shall be jointly liable with the borrower for repayment. If the Company suffers any damage, the representative shall also be liable for compensation.</u> In the case of breach of this Procedure by any manager or organization staff of the Company, depending on the level of gravity, penalty shall be imposed in accordance with the “Regulations for Personnel Review of the Company” and applicable laws.	Article 20 Penalty In the case of breach of this Procedure by any manager or organization staff of the Company, depending on the level of gravity, penalty shall be imposed in accordance with the “Regulations for Personnel Review of the Company” and applicable laws.	According to Article 3 of the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies”, it is added that, when short-term financing engaged in by the Company exceeds the limit amount of such Regulations, the representative of the Company shall bear joint liability for repayment and compensation for damages. However, based on the principle of prudence, the Company follows prior practice and provides more strict stipulations in this Procedure.
Article 21 Effect and Amendment Amendments to this Procedure shall be submitted to the Audit Committee and the Board of Directors for discussion and approval and then submitted to the Shareholders Meeting for approval. If any director voices any objection with records or written statement, the Company shall include such objection in the submission to the Audit Committee and Shareholders Meeting for discussion. The same shall be applicable in the case of amendment. If the Company has independent directors, when this Procedure is submitted to the Board of Directors for discussion in accordance with the previous paragraph, the opinions of each independent director shall be fully taken into consideration. <u>If any independent director voices any objection or reservation opinion, it shall be specified in the minutes of the Board Meeting.</u> <u>If the Company has an Audit Committee, the establishment or amendment of the Procedure for Loaning of Funds and Making of Endorsements and Guarantees</u>	Article 21 Effect and Amendment Amendments to this Procedure shall be submitted to the Audit Committee and the Board of Directors for discussion and approval and then submitted to the Shareholders Meeting for approval. If any director voices any objection with records or written statement, the Company shall include such objection in the submission to the Audit Committee and Shareholders Meeting for discussion. The same shall be applicable in the case of amendment. If the Company has independent directors, when this Procedure is submitted to the Board of Directors for discussion in accordance with the previous paragraph, the opinions of each independent director shall be fully taken into consideration. <u>Clear opinions of agreement or objection and the reasons for objection shall be included in records of the Board Meeting.</u>	The wording in Paragraph 2 is slightly adjusted in reference to Article 14-3 of the Securities and Exchange Act. In addition, in accordance with Article 14-5 of the Securities and Exchange Act, the duties of the Audit Committee include establishment or amendment of the procedures for major financial activities such as the loaning of funds. Thus Paragraphs 3 to 5 are added in accordance with Article 6 of the Regulations Governing the Acquisition of Disposal of Assets by Public Companies.

<u>shall be approved by one half or more of all Audit Committee members and submitted to the Board of Directors for resolution. Paragraph 2 shall not be applicable.</u> <u>If the approval by one half or more of all Audit Committee members under the previous paragraph is not acquired, the matter may be approved by two-thirds or more of all directors and the resolution of the Audit Committee shall be specified in the minutes of the Board Meeting.</u> <u>All Audit Committee members under Paragraph 3 and all directors under the previous paragraph are those of the current term.</u>		
--	--	--

Appendix

1. Rules of Procedure for Shareholders' Meeting
2. Articles of Incorporation
3. Procedure for Acquisition or Disposal of Assets
4. Procedure for Loaning of Fund and Making of Endorsements/Guarantees
5. Status of Share Ownership by Directors (Independent Directors)
6. Effect of the gratuitous allotment of shares on operation performance, earnings per share and return rate on investment for shareholders

Appendix 1

Rules of Procedure for Shareholders' Meeting

Amended at General Shareholders' Meeting on June 29, 2018

- Article 1 The parliamentary rules for the Company's shareholders meetings, except as otherwise provided by the Company Law, Articles of Incorporation and other related laws, shall be as provided herein.
- Article 2 The shareholders referred to herein shall mean the shareholders per se and their proxies.
- Article 3 The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of competent personnel assigned to handle the registrations.
Shareholders or their proxies (collectively, "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.
The Company shall furnish the present shareholders with an attendance book to sign, or present shareholders may hand in a sign-in card in lieu of signing in.
The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
The Company shall furnish present shareholders with the meeting handbook, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or independent directors, pre-printed ballots shall also be furnished.
- Article 4 Attendance and votes at shareholders' meetings shall be calculated based on numbers 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 a motion, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that motion, 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 paragraph shall not be calculated as part of the voting rights

represented by present shareholders.

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 If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of Board. When the Chairman is on leave or for any reason unable to exercise the powers of the chairperson, the Chairman shall appoint one of the directors to act as chairperson. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as the chairperson.

When a director serves as the chairperson, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall apply where the chairperson is a representative of a juristic person director.

If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convener shall chair the meeting. When there are two or more such conveners, they shall mutually select a chairperson from among themselves.

Article 7 The Company may appoint its attorneys-at-law, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

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

Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

The recorded materials referred to in the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder initiates a legal action pursuant to Article 189 of the Company Law, the materials shall be retained until the conclusion of the litigation.

Article 9 The chairperson shall call the meeting to order at the appointed meeting time. However, when the present shareholders do not represent a majority of the total number of issued shares, the chairperson 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, but the present shareholders represent one-thirds 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 Law, and 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 present shareholders

represent a majority of the total number of issued shares, the chairperson may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Law.

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 with the power to convene other than the Board of Directors.

The chairperson may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extemporaneous motions), except by a resolution of the shareholders' meeting.

Article 11 If the chairperson declares the meeting adjourned in violation of the Parliamentary Rules, the shareholders shall not elect another chairperson to continue the meeting at the same venue or any other premises after the meeting is adjourned.

Article 12 When a meeting is in progress, the chairperson may announce a break based on time considerations.

Before speaking, a present 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 chairperson.

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 contents of the speech do not correspond to the subject given on the speaker's slip, the spoken contents shall prevail.

When a present shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder who gives the speech. The chairperson shall stop any violation.

Article 13 Except with the consent of the chairperson, a shareholder may not speak more than twice on the same motion, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules referred to in the preceding paragraph or exceeds the scope of the motion, the chairperson may terminate the speech.

Article 14 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.

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 motion.

Article 15 After a present shareholder has spoken, the chairperson may respond in

person or direct relevant personnel to respond.

Article 16 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 Law.

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extemporary motions and amendments to original motions of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. Except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract 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, before 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted beyond said-noted time limit, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

With the exception of a trust enterprise or a shareholder services agent 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 issued shares; otherwise, the voting rights in excess of that percentage shall not be included in the calculation.

Article 17 The chairperson shall allow ample opportunity during the meeting for explanation and discussion of motions and of amendments or extemporary motions put forward by the shareholders. When the chairperson is of the opinion that a motion has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.

lection or dismissal of directors or independent directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the Company, or any matter under Paragraph 1 of Article 185 of the Company Law, or Articles 26-1 and 43-6 of the Securities and Exchange Act shall be set out in the notice of the reasons for convening the shareholders'

meeting. None of the above matters may be raised in the form of extemporaneous motion.

Article 18 Except as otherwise provided in the Company Law and in the Company's Articles of Incorporation, the passage of a motion shall require an affirmative vote of a majority of the voting rights represented by the present shareholders.

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

The scrutineers and counting personnel for the voting on a motion shall be appointed by the chairperson, provided that the scrutineers shall be shareholders of the Company.

Vote counting for shareholders' meeting motions or elections shall be conducted in public at the venue where the shareholders' meeting is held. 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.

The ballots which meet any of the following circumstances shall be held invalid, and the votes represented by the ballots shall not be included into the calculation:

1. Failure to use the ballot form prepared by the Company.
2. Failure to cast the ballot into the ballot box.
3. The ballot remains blank or fails to express option toward the motion.
4. The ballot contains other irrelevant text in addition to the particulars to be identified.
5. The ballot is illegible or tampered;
6. The proxy uses the ballot in violation of the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".

Article 19 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 proxy's authorization.

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 before 5 days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy.

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 by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted beyond said-noted time limit, votes cast at the meeting by the proxy shall prevail.

- Article 20 The election of directors and independent directors at a shareholders' meeting shall be held in accordance with the Company Law, related laws, and 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 independent directors, and the numbers of votes with which they are elected.
- The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the scrutineer and kept in proper custody for at least 1 year. If, however, a shareholder initiates a legal action pursuant to Article 189 of the Company Law, the ballots shall be retained until the conclusion of the litigation.
- Article 21 The chairperson may direct the proctors (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 arm badge bearing the word "Proctor".
- At the place of a shareholders meeting equipped with microphone, if a shareholder attempts to speak through any device other than the equipment installed by the Company, the chairperson may prevent the shareholder from so doing.
- When a shareholder violates the parliamentary rules and defies the chairperson's correction, obstructing the proceedings and refusing to heed calls to stop, the chairperson may direct the proctors or security personnel to escort the shareholder from the meeting.
- Any persons attending the shareholders' meeting are prohibited from bringing any objects sufficient to endanger another person's life, body, freedom and safety of property with them.
- Article 22 If a force majeure event occurs, the chairperson 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 before all of the motions (including extemporary 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 defer or resume the meeting within 5 days in accordance with Article 182 of the Company Law.
- Article 23 The Rules shall be enforced upon approval of the shareholders' meeting. The same shall apply where the Rules are amended.

Articles of Incorporation

Amendment in the regular session of the Shareholders
Assembly dated June 25 2013

Amendment in the regular session of the Shareholders
Assembly dated June 29 2016

Amendment in the regular session of the Shareholders
Assembly dated June 14 2017

Chapter I General Provision

Article I The Company is duly incorporated in accordance with the Company Act and bears the title of TAIWAN FERTILIZER CORPORATION.

Article II The Company is engaged in the following business:

- I. C801010 Basic Industrial Chemical Manufacturing
- II. C801020 Petrochemicals Manufacturing
- III. C801110 Fertilizer Manufacturing
- IV. C801990 Other Chemical Materials Manufacturing
- V. C802100 Cosmetics Manufacturing
- VI. C802170 Poisonous Chemical Material Manufacturing
- VII. C802990 Other Chemical Products Manufacturing
- VIII. CC01060 Wired Communication Equipment and Apparatus Manufacturing
- IX. CC01080 Electronic Parts and Components Manufacturing
- X. CE01030 Photographic and Optical Equipment Manufacturing
- XI. F102180 Wholesale of Ethanol
- XII. F107050 Wholesale of Manure
- XIII. F107060 Wholesale of Virulence Chemical Substance
- XIV. F107080 Wholesale of Environment Medicines
- XV. F107200 Wholesale of Chemistry Raw Material
- XVI. F107990 Wholesale of Other Chemical Products
- XVII. F108040 Wholesale of Cosmetics
- XVIII. F113070 Wholesale of Telecom Instruments
- XIX. F119010 Wholesale of Electronic Materials
- XX. F203030 Retail Sale of Ethanol
- XXI. F207050 Retail Sale of Manure

- XXII. F207060 Retail Sale of Virulence Chemical Materials
- XXIII. F207080 Retail Sale of Environment Medicine
- XXIV. F207200 Retail sale of Chemistry Raw Material
- XXV. F207990 Retail Sale of Other Chemical Products
- XXVI. F208040 Retail Sale of Cosmetics
- XXVII. F212011 Gasoline Stations
- XXVIII. F212990 Retail Sale of Other Fuel in Specialized Stores,
Petrochemical Fuel Product
- XXIX. F214030 Retail Sale of Motor Vehicle Parts and Supplies
- XXX. F301010 Department Stores
- XXXI. F301020 Supermarkets
- XXXII. F401010 International Trade
- XXXIII. F501060 Restaurants
- XXXIV. G202010 Parking Garage Business
- XXXV. G406061 Harbor Cargoes Forwarding Services
- XXXVI. G801010 Warehousing and Storage
- XXXVII. H701010 Residence and Buildings Lease Construction and
Development
- XXXVIII. H701020 Industrial Factory Buildings Lease Construction and
Development
- XXXIX. H701040 Specialized Field Construction and Development
- XL. H701050 Public Works Construction and Investment
- XLI. H703010 Factory leasing
- XLII. H703020 Warehouse leasing
- XLIII. H703030 Office building leasing
- XLIV. I301010 Software Design Services
- XLV. I301020 Data Processing Services
- XLVI. I301030 Digital Information Supply Services
- XLVII. I401010 General Advertising Services
- XLVIII. J101030 Waste Disposing
- XLIX. J101040 Waste Disposing
- L. J101060 Wastewater (Sewage) Treatment
- LI. JA01990 Other Automobile Services.
- LII. ZZ99999 All business items that are not prohibited or
restricted by law, except those that are subject to special

approval.

- Article III The total direct investment made by the Company shall not exceed the net worth stated in the audited or reviewed financial statements covering the most recent period but is not regulated by Article 13 of the Company Act that the total direct investment cannot exceed 40% of the paid-in capital, where the total direct investment in other industries shall not exceed 100% of the paid-in capital.
- Article IV The Company is headquartered in Taipei, and may establish branches at appropriate locations at home and abroad for business needs. The establishment, changes, and dismantle of these branches shall be subject to the resolution of the Board.
- Article V The Company may make announcement by publishing on eye-catching page of a daily newspaper circulated in the place where the corporate headquarters is located. Unless otherwise required by the competent authority of securities.

Chapter II Shares of Stock

- Article VI The Company has authorized capital of NT\$9.8 billion evenly split into 980 million shares at NT\$10/share and issued in full.
- Article VII The Company is exempted in printing physical share certificates for the shares offered and shall register with the central depository of securities.
- Article VIII Change in the content of the Shareholders Registry is prohibited in the period of sixty (60) days prior to a scheduled regular session of the Shareholders' Assembly and thirty (30) days prior to a scheduled special session of the Shareholders' Assembly, and five (5) days prior to a dividend day or any other day of payment.

Chapter III Shareholders Assembly

- Article IX The Shareholders Assembly consists of regular sessions and special sessions A regular session will be convened at the call of the Board once annually within six (6) months after the end of a fiscal year. Unless the Company Act specifies otherwise, special session may be convened at any time to the call of the Board or Independent Directors under law. Shareholders of the Company holding 3% or more of the outstanding shares for more than one (1) year may also call for special session under law by specifying the agenda and the reason for the session.

- Article X Thirty (30) days of notice to the shareholders is required for calling a regular session and fifteen (15) days of notice to the shareholders is required for calling a special session. Information on the date, time, and place shall be inscribed in the notice of meeting. Shareholders holding less than 1,000 shares may be notified to regular session of Shareholders Assembly through announcement thirty (30) days in advance, and to special session of Shareholders' Assembly fifteen (15) days in advance.
- Article XI Where particular shareholder may not be able to attend the session in person, and may use the power of attorney document printed by the Company to appoint a proxy to attend the meeting and specify the scope of authorization, affix the authorized signature or seal thereunto for causing the instrument to become effective.
- The competent authority requires that shareholders of the Company may vote through electronic means. Those who cast votes electronically shall be deemed as being present in the session. Other matters shall be governed by applicable legal rules.
- Article XII Shareholders Assembly shall make decisions in a session with the presence of shareholders representing more than half of the outstanding shares and the consent by a simple majority of the shareholders in the session unless the Company Act or other applicable laws specified otherwise.
- Article XIII The Board shall call for the sessions of the Shareholders Assembly and the Chairman of the Board shall preside over the sessions. In the absence of the Chairman, a Director designated by the Chairman shall preside over the meeting on behalf of the Chairman, or, a Director shall be nominated among one another to preside over the meeting.
- To be eligible for acting on behalf of and in the name of the Chairman in presiding over the sessions of the Shareholders Assembly, Director must be in office for at least six (6) months and is familiar with the financial position and operation of the Company. The same principle is applicable to institutional directors. If the session of the Shareholders Assembly is called for by an entitled party other than the Board, such party shall preside over the session. If there are two entitled parties to call for the session, one

of them shall be nominated as the Chairman of the session between themselves.

Article XIV The holder of each share is entitled to 1 vote.

Article XV The resolutions of the Shareholders Assembly shall be kept as minutes of meeting on record with the date, venue, name of the Chairman, means of resolution, the summary of the motions and the results of the voting, with the signature of the Chairman affixed, and released to the shareholders within twenty (20) days after the session.

The release of the aforementioned minutes of meeting on record may be made by announcement.

Chapter IV Directors and Audit Committee

Article XVI The Company established nine (9) seats of Directors who shall be elected from persons with legal competence by the Shareholders Assembly. Each Director has tenure of three (3) years and may assume a second term of office if reelected. Independent Directors may not assume office for a term of longer than nine (9) years. The total quantity of registered shares held all Directors of the Company is governed by the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”.

The Company shall take professional liability insurance for the protection of the Directors and Independent Directors within their term of office and the scope of their professed duties.

Article XVI – I

Three seats of Directors as mentioned in I of the previous article shall be reserved for the Independent Directors.

Directors and Independent Directors shall be elected by a nomination system whereby shareholders shall elect the candidates on the list of nomination at one time. Candidates who earned the majority votes shall be elected to office.

The professional qualification, quantity of shareholding, restriction in holding other positions, the means of nomination and election, and other rules and regulations shall be governed by applicable legal rules of the competent authority.

Article XVI - II

The Company has established the Audit Committee in accordance with the Securities and Exchange Act. This body is consisted of all Independent Directors of whom 1 shall act as the convener. At least 1 of the Independent Directors shall be specialized in accounting or finance. The functions, organization code, authority and responsibility and other matters of the Audit Committee shall be governed by the legal rules of the competent authority.

The establishment of the Audit Committee shall become effective after the election of the Directors and Independent Directors for the 34th term of the Board. The office of Supervisors of the 33rd term of the Board shall automatically be dissolved at the time the Audit Committee was established.

Article XVI- III

The Company established the Compensation Committee in accordance with Article 14-6 of the Securities and Exchange Act. The Compensation Committee or members of the Compensation Committee shall perform their duties and exercise their authority in accordance with the “Regulations Governing the Appointment and Exercise of Powers by Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.

Article XVII The Directors shall be organized into the Board of Directors (the Board) and a Chairman shall be elected among themselves. The Chairman acts on behalf of and in the name of the Company externally, and presides over the sessions of the Shareholders Assembly and the Board; administer all matters of the Company in accordance with the policy set forth by the Board.

Article XVIII The functions of the Board:

- I. Approval of the business and financial policies.
- II. Approval of the business plan and supervision of the execution of the plan.
- III. Approval of budget and account settlement.
- IV. Planning of capitalization and decapitalization.
- V. Approval of the issuance of corporate bonds.
- VI. Planning for the distribution of earnings or write-off loss
- VII. Acquisition, assignment, licensing of important contracts and

essential specialized technologies and patents, and the approval, amendment and termination of technology joint ventures agreements.

- VIII. Planning for the amendment to the Articles of Incorporation of the Company.
- IX. Approval of the organization code of the Board and the Company, and important internal rules and regulations.
- X. Discussion and decision of the establishment, change, and dismantle of branches.
- XI. The appointment and dismissal of the President and Vice Presidents of the Company.
- XII. Appointment and dismissal of the external auditor.
- XIII. Acting on behalf of and in the name of the Company in setting the limit of endorsement, guarantee, and acceptance.
- XIV. Approval of significant transactions among related parties (including affiliates).
- XV. Calling for sessions of Shareholders Assembly.
- XVI. Authority and duties provided by law and the resolutions of the Shareholders Assembly.

Article XIX. In general, the Board shall convene once a month. However, the Chairman may call for special session in urgent situations or at the request of more than half of the Directors, and shall preside over the session. In the absence of the Chairman, a Director may be appointed to act on behalf of the Chairman to preside over a session, or, a Director shall be nominated among all Directors to preside over the session.

If particular Director cannot attend the session in person, this Director may appoint another Director to act as proxy to attend the session to perform his function.

Article XX. The Board shall make resolutions of the Board in a session with the presence of at least half of the Directors and a simple majority of the Directors in session unless the Company Act or other applicable laws specified for a higher ratio of votes. The minutes of meeting on record shall be affixed with the authorized signature/seal of the Chairman and the rules specified in Article XV of this Chapter shall be applicable.

Article XXI. The remuneration to the Chairman shall be based on 1.25% of the remuneration to the President. The remunerations to other Directors and Independent Directors shall not exceed the highest bracket of the salary scale for the employees of the Company.

Chapter V The Managers

Article XXII. The Company shall establish the seat for a President who will follow the policy direction set forth by the Board and the instruction of the Chairman to administer all operations and supervise all employees of the Company. The Company shall establish 2 to 4 seats of Vice President who will assist the President in business operation.

The appointment, dismissal and remunerations to the aforementioned managers shall be governed by Article XXIX of the Company Act.

Chapter VI Accounting

Article XXIII. The fiscal period of the Company starts on January 1 and ends on December 31 of each calendar year. Account settlement shall be made at the end of each fiscal year.

Article XXIV. The Company shall compile the following statements at the end of each fiscal year, refer to certified public accountants for auditing, and submit to the Audit Committee thirty (30) days prior to the scheduled date of the regular session of the Shareholders Assembly for ratification.

I. Business Report

II. Financial Statement

III. Proposal for the Distributions of Earnings or Write-Off loss carried forward

Article XXV. If the Company has a surplus in particular fiscal year, appropriates 2.4% as remuneration to the employees and no more than 1.6% as remunerations to the Directors with reference to the actual profit status. If there is loss carried forward, the Company shall appropriate specific amount to write-off the loss from its earnings.

The aforementioned remunerations to the employees and Directors shall be subject to the resolution of the Board in a session with the presence of at least 2/3 of the Directors and a simple majority of the Directors in session, and reported to the Shareholders Assembly.

If there is a surplus after account settlement in a fiscal year, the Company shall appropriate the payment of income tax, followed by the write-off of loss carried forward. If there is still a surplus, the Company shall appropriate 10% as legal reserve, and pool the remainder after the appropriation or reversal of special reserve to the undistributed earnings carried forward from the previous year as distributable income. Pending the necessity of the appropriation of retained earnings for business needs or special reserve, the Board shall propose for the distribution of income and present to the regular session of the Shareholders Assembly for the resolution of dividend payment.

A number of factors shall be considered when paying out dividends to shareholders, including the diversity of the business operation and the specific feature of economic change, the life span of products or services, and the cash requirement in the future with proper balance between business development and the rights and interests of the shareholders. The proportion of cash dividend payable to shareholders of the year shall not fall below 10% of the total amount of dividend payment unless there is a major investment program, significant change in financial position, significant change in operation, capacity expansion, or other significant capital spending that huge amount of capital is required. The payment of dividends shall be subject to the approval of the Shareholders Assembly.

Chapter VII Miscellaneous

- Article XXVI. The Company may establish its “Procedures for Financing and Endorsement” in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” for business needs and undertakes guarantee in favor of third parties.
- Article XXVII. Anything not covered by the Article of Incorporation” shall be governed by the Company Act and other applicable legal rules.
- Article XXVIII. The internal code of the Company and related procedures shall be separately instituted.
- Article XXIX. The Articles of Incorporation were passed by the founding meeting of the Company on June 4 1947, amended by the regular session of

the Shareholders Assembly on September 1 1952, special session of the Shareholders Assembly on June 19 1953, regular session of the Shareholders Assembly on April 5 1954, March 31 1955 and on April 25 1958, special session of the Shareholders Assembly on November 15 1958, regular session of the Shareholders Assembly on May 14 1959, the 1st special session of the Shareholders Assembly on May 10 1960, the 2nd special session of the Shareholders Assembly on October 21 1960, amended by the regular sessions of the Shareholders Assembly on April 29 1961, March 18 1963, March 22 1964, March 31 1965, August 16 1967, August 20 1969, September 15 1970, October 6 1972, March 2 1974, July 24 1976, May 14 1982, May 20 1983, May 23 1986, May 22 1987, the 1st special session of the Shareholders Assembly on November 30 1987, the regular sessions of the Shareholders Assembly on September 27 1990, September 21 1991, September 17 1993, September 29 1994, the 1st special session of the Shareholders Assembly on May 20 1995, the regular sessions of the Shareholders Assembly on September 30 1995, September 30 1996, September 27 1997, November 10 1999, the 1st special session of the Shareholders Assembly on May 16 2000, the regular sessions of the Shareholders Meeting on June 26 2011, June 21 2002, June 23 2003, June 25 2004, June 24 2005, June 14 2006, June 13 2007, June 16 2009, June 17 2010, June 22 2011, June 27 2012, June 25 2013, June 24 2014, June 29 2016, June 14 2017.

The removal of the content related to Supervisors in the Articles of Incorporation will be effective as of the day the Audit Committee is officially established.

Procedure for Acquisition or Disposal of Assets

Amended by the regular session of the Shareholders Assembly on June 29 2016

Amended by the regular session of the Shareholders Assembly on June 14 2017

Chapter I General Provision

- Article I This Procedure is instituted in accordance with Article 36-1 of the Securities and Exchange Act and Letter Tai-Cai-Zheng- (I)-Zi. No. 0910006105 issued by Securities and Futures Commission, Ministry of Finance, dated December 10 2002. The Company shall follow This Procedure in the acquisition or disposition of assets unless the law specifies otherwise.
- Article II This Procedure shall be applicable to assets specified as follows:
- I. Long and short-term investments like stocks, government bonds, corporate bonds, bank debentures, domestic fund certificates, overseas mutual funds, depository receipts, call (put) warrants, beneficiary certificates, and asset-back securities.
 - II. Property (including lands, buildings and structures, investment property, right of land use, and inventory of the construction industry) and equipment.
 - III. Membership cards/certificates
 - IV. Intangible assets like patents, copyrights, trademarks, and franchise rights.
 - V. Right of debts from financial institutions (including account receivables, exchange discount and loans, overdue accounts).
 - VI. Derivatives
 - VII. Assets acquired or disposed from merger, spinoff, acquisition or assignment of shares under law.
 - VIII. Other major assets
- Article III Terms and definitions used in This Procedure are shown below:
- I. Derivatives: The contracts deriving from the trading of interest rate and exchange rate, including the composite contracts of forwards contracts, option contracts, swap contracts and the combination of the aforementioned derivatives. Forwards contracts do not include insurance contracts, performance contracts, post-delivery service contracts, long-term lease contracts, and long-term purchase (sale) contracts.

- II. Assets acquired or disposed by merger, spinoff, acquisitions, or assignment of shares under law: Assets acquired or disposed from corporate merger, spinoff, or acquisition under the Business Mergers And Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other applicable laws, or the issuance of new shares for the acceptance of shares from other companies (hereinafter referred to as “assignee of shares”) pursuant to Paragraph 8, Article 156 of the Company Act.
- III. Related parties, subsidiaries: as defined in the Criteria for the Compilation of Financial Statements by Securities Issuers.
- IV. Professional appraisers: real property appraisers or firms permitted by law to undertake appraisal of property and equipment.
- V. The day of deed: the trading contract signing day, payment day, day on which a trade order is place, the day of account transfer, the day of Board resolutions, or the day on which the counterparty of trade and amount of trade can be confirmed, whichever comes first. The day of deed for investors subject to final approval of the competent authority shall be any of the aforementioned days or the day on which the notice of approval from the competent authority was delivered, whichever comes first.
- VI. Investment in Mainland China: the investment in Mainland China under the regulations governing the permission of investment or technology joint ventures in Mainland China administered by the Investment Commission, Ministry of Economic Affairs.

Article IV The Company may acquire appraisal report or statement of opinions from certified public accountants, lawyers, or securities underwriters, and these professional appraisal firms and their appraisers, the certified public accountants, lawyers, or securities underwriters shall not be related parties to the Company.

Article V For assets acquired or disposed through court auction, the certification documents issued by court shall be used in lieu of the appraisal report or the statement of opinion from certified public accountants.

Chapter II The procedure for the acquisition or disposition of property or equipment

Article VI Assessment and Operation Procedures

- I. Proceed to Article VII and Article IX on the assessment procedure for the acquisition or disposition of property or equipment.
- II. The administering department shall provide information on the reason for acquisition or disposition, the subject matter, the counterparty of trade, the price for the transfer, the conditions for

payment or receipt of proceeds, the normative reference on pricing to the competent authority of the Company for finalization.

- III. Related operations shall be performed in conformity to the internal control system and This Procedure.

Article VII Procedure for determination of the condition of trade and authorized limit

- I. The prior approval or ratification in the aftermath of the Board will be necessary for the acquisition or disposition of property or equipment. If Article 185 of the Company Act is applicable, the prior approval of the Shareholders Assembly will be necessary.
- II. The procedure for determination of the condition of trade for the acquisition or disposition of property or equipment and the normative reference for the procedure are specified below:
 - (I) In the acquisition or disposition of property, consult the announced present value, assessed value, the actual price of transaction of nearby property, and commissioning of a professional appraisal firm for the issuance of an appraisal report pursuant to Article IX of This Procedure before making decision on the condition of trade and the price for the transaction, and compile the information into an analysis report for referring to the approval procedure along the corporate hierarchy in accordance with the “Segregation of Authority and Responsibility between the Board and the Managers”, “Table of Gate Approval” and “Empowerment of All Factories by the General Management”. The acquisition or disposition of property could be conducted through bidding, bargaining, or invitation to tender.
 - (II) The acquisition or disposition of equipment could be conducted by bidding, bargaining, or invitation to tender, and consult the appraisal report issued by a professional appraisal firm as required.

Article VIII The executor

- I. Property: the administering department shall be responsible for the execution of the transaction.
- II. Equipment: the administering department shall be responsible for the execution of the transaction.

Article IX The scope of application for the appraisal reports issued by experts
In the acquisition or disposition of property or assets, transaction accounted for 20% of the paid-in capital of the Company or amounted to NT\$300 million or more, except for transactions with government

entities, commissioning for construction on property land, commissioning for construction on leased land, and the disposition of business equipment, the Company shall obtain an appraisal report issued by a professional appraisal firm before the day of deed (the particulars to be inscribed in the appraisal report is exhibited in Appendix I) and shall be in conformity to the following requirements:

- I. If limited price or designated price will be used as reference for the determination of transaction price under special circumstances, such transaction price shall be subject to the resolution of the Board. The same procedure shall be applicable to any subsequent change in the condition of trade.
- II. Transaction amount exceeding NT\$1 billion shall require the support of appraisal reports from at least 2 professional appraisal firms.
- III. If any of the following occurs to the appraisal result of the professional appraisers, proceed to the Statement of Auditing Standard No. 20 released by the Accounting Research and Development Foundation (hereinafter referred to as “ARDF”) except in circumstances where the appraisal result of the assets for acquisition is higher than the amount of transaction, or the appraisal result of the assets for disposition falls below the amount of transaction, and present an opinion on the reason for the difference and if the transaction price is proper.
 - (I) If the difference between the appraisal result and the amount of transactions exceeds 20% from the amount of transaction.
 - (II) The appraisal results from two (2) or more professional appraisers varied with the amount of transaction by more than 10%.
- IV. The appraisal may be conducted before the day on which the agreement is being entered and the appraisal report may be issued prior to this day, but the day of the issuance of appraisal report shall not be longer than three (3) months from the day of entering into agreement. If the announced present value in the same validity period is applicable and is less than six (6) months, the original appraisers shall present a statement of opinion.

The calculation of the aforementioned amount of transactions shall be based on Paragraph II, Article XXXVIII of This Procedure, and the period covered by the appraisal reports issued by professional appraisers or statement of opinions by certified public accountants as required in This Procedure could be excluded from the calculation.

The construction sector may elect to adopt the limited price, designated price or special price as reference for setting the transaction price, and may also obtain an appraisal report and the statement of opinion from certified public accountants as stated in Subparagraph III of the previous paragraph within two (2) weeks after the day of deed if the appraisal report cannot be obtained timely with justifiable reasons.

Article X The limit of acquiring property not for business purpose

The total amount for the Company in acquiring property not for business purpose shall be limited to 20% of the paid-in capital in current period. Individual subsidiaries may acquire property not for business purpose up to 20% of their relevant paid-in capital in current period.

Chapter III Procedure for the acquisition or disposition of securities

Article XI Assessment and Operation Procedures

The procedures of the Company for the acquisition or disposition of long and short-term securities shall be conforming to the internal control system in the aspect of investment cycle and This Procedure.

Article XII Procedure for determination of the condition of trade and authorized limit

In the engagement of securities trade, the Company shall consult the audited or reviewed financial statements of the target companies covering the most recent period as reference and consider the earnings per share, profitability, and the potential of development in the future except open-end domestic beneficiary certificates, overseas mutual funds, government bonds and R/P bond trade, and conduct an analysis on the information on hand and compile an analysis report for presenting to the Chairman. The approval of the Board is necessary before proceeding to the transaction. If the “Segregation of Authority and Responsibilities of the Board and the Managers” of the Company specified otherwise, comply accordingly.

Article XIII Executor

I. Long-term securities: the administering department shall be responsible for the execution.

II. Short-term securities: the administering department shall be responsible for the execution.

Article XIV Professional opinion on assessment

If any of the following is applicable to the Company, and the amount of transaction accounted for 20% of the paid-in capital or more or amounted to NT\$300 million or more, request a certified public accountant to present an opinion on the rationality of the transaction price before the day of deed. If the certified public account needs to

adopt reports from experts, proceed to Statement of Auditing Standard No. 20 released by ARDF except that the securities in point have open quotation in an active market or unless FSC specified otherwise.

- I. The acquisition or disposition of securities not traded in TWSE or TPEX. Except for the trading of open-end domestic beneficiary certificates, overseas mutual funds, government bonds, and R/P bonds.
- II. The acquisition or disposition of securities through private placement.

The calculation of the aforementioned amount of transactions shall be based on Paragraph II, Article XXXVIII of This Procedure, and the period covered by the appraisal reports issued by professional appraisers or statement of opinions by certified public accountants as required in This Procedure could be excluded from the calculation.

Article XV: The limit of the acquisition of securities not for business purposes

Further to the acquisition of assets for business purposes, the Company and subsidiaries may invest in securities not for business purposes and the limit of investment is specified below:

- I. The total investment in long and short-term stocks shall not exceed the limit set forth in the Articles of Incorporation of the Company. The total investment in particular long or short-term security shall not exceed the limit set forth in the Articles of Incorporation of the Company.
- II. The total investment in particular long or short-term security by the Company and subsidiaries shall not exceed NT\$1 billion of which the total investment in particular long or short-term stock shall not exceed NT\$1 billion. Where the Company may have established holding companies in countries or regions with preferential tax treatment, or have established subsidiaries in countries or regions with preferential tax treatment in supporting the needs of corporate reorganization, or, the subsidiaries of the Company established in countries or regions with preferential tax treatment responding to applicable laws in respective countries or regions by investing in long or short-term securities after passing by the Board under special treatment irrespective of the aforementioned limit applicable to the total investment of individual subsidiaries. However, the decision for such investment shall be reported to the Shareholders Assembly.
- III. The total investment of the Company in securities beyond long or short-term stocks shall not exceed the paid-in capital of the

Company where the total investment in particular security shall not exceed 20% of the paid-in capital. The total investment of respective subsidiaries in securities beyond long or short-term stocks shall not exceed NT\$80 million where the total investment in particular security shall not exceed NT\$20 million.

Chapter IV Procedure for the acquisition or disposition of

Article XVI Assessment and Operation Procedures

The assessment and operation procedure for the acquisition or disposition of membership card or intangible assets is specified in Article XVII and other requirements of the Company.

Article XVII Procedure for determination of trade and authorized limit

- I. In the acquisition or disposition of membership card, consult the fair market value for setting the condition and price for the transaction, and compile the details into a report refer to the approval procedure along the corporate hierarchy in accordance with the “Segregation of Authority and Responsibility between the Board and the Managers”, “Table of Gate Approval” and “Empowerment of All Factories by the General Management”.
- II. In the acquisition or disposition of intangible assets (trademarks, exclusive technologies, patents, copyrights, and good will), consider if the transaction could bring in economic benefit to the Company in the future and consult the assessment reports of the experts or fair market value for setting the condition and price for the transaction, and compile the details into a report refer to the approval procedure along the corporate hierarchy in accordance with the “Segregation of Authority and Responsibility between the Board and the Managers”, “Table of Gate Approval” and “Empowerment of All Factories by the General Management”.

Article XVII Executor

The users or the management of the Company shall be responsible for the execution of the acquisition or disposition of membership card or intangible assets.

Article XIX Professional assessment opinion report

In the acquisition or disposition of membership cards or intangible assets accounted for 20% of the paid-in capital or the Company or exceeding NT\$300 million, request a certified public accountant to present an opinion on the rationality of the transaction price before the day of deed. If the certified public account needs to adopt reports from experts, proceed to Statement of Auditing Standard No. 20 released by ARDF except the counterparties of transactions are government

entities.

The calculation of the aforementioned amount of transactions shall be based on Paragraph II, Article XXXVIII of This Procedure, and the period covered by the appraisal reports issued by professional appraisers or statement of opinions by certified public accountants as required in This Procedure could be excluded from the calculation.

Chapter V Related Party Transactions

Article XX In the acquisition or disposition of assets with related parties the proceeds for the transactions of which exceeds 10% of the total assets of the Company shall be supported by an appraisal report issued by professional appraisers or the statement of opinion issued by certified public accountants as stated in the preceding 3 chapters further to the procedures in conformity to the requirements in the aforementioned 3 chapters and the procedure for decision and assessment of the rationality of the condition for transaction in this chapter.

The calculation of the aforementioned amount of transaction shall be the same as the procedure specified in Paragraph II of the previous article.

Further to the legal formality, the substantive relation shall also be considered in defining if a party in the transactions is a related party.

Article XXI Appraisal and Operating Procedures

When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of its paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been reviewed by the Audit Committee and approved by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterpart.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 22 and Article 23 herein.
4. The date and price at which the related party originally acquired the real property, the original trading counterpart, and that trading counterpart's

relationship to the Company and the related party.

5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2 of Article 38. Items that have been reviewed by the Audit Committee and approved by the Board of directors pursuant to the Procedure need not be counted toward the transaction amount.

With respect to the acquisition or disposition of equipment for operating purpose between the Company and its subsidiaries, the Company's Board of Directors may pursuant to Article 6 herein and the Company's "Delegation of Authorization of Board of Directors and Managers" delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the latest meeting of the Board of Directors.

Where the Company delegates the position of independent director, when a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director agrees to, objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

The matters for which Paragraph 1 requires review by the Audit Committee shall first be approved by a majority of all Audit Committee members and then submitted to the Board of Directors for a resolution. If approval of a majority of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minute of the Board of Directors meeting.

The terms "all Audit Committee members" and "all Directors" referred to in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article XXII Assessment of reasonable cost of transaction

Assess the reasonable cost of transaction in the following means for the acquisition of property by the Company from related parties:

- I. Addition of necessary cost of capital and the cost to be borne by the buyer under law to the transaction price of the related party. Necessary cost of capital shall be calculated on the basis of the weighted average interest rate for the Company in the year of asset purchase for financing but shall not exceed the highest interest offered by non-financial intuitions announced by the Ministry of Finance.
- II. Where the related party may have pledged the subject property under lien to a financial institution for financing and the actual drawdown was more than 70% of the total appraised value of the subject property declared by the financial institution for lending and the loan has been outstanding for more than one (1) year. This provision is waived if the financial institution and the counterparty are related parties.

For the combined purchase of land and building of the same subject property, assess the reasonable cost of transaction on the land and building separately in any of the methods specified in the previous paragraph.

In acquiring property from related parties, the Company shall assess the cost of the property as specified in I and II of this article, and commission a certified public accounts for a second review opinion.

If any of the following is applicable to the Company in the acquisition of property from related parties, the assessment of the reasonable cost of transactions as specified in the previous 3 paragraphs could be waived and just proceed to the assessment and operation procedure as specified in Article XXI will do.

- I. The related party acquired the property through succession or donation as gifts.
- II. The time at which the related party entered into the agreement for the acquisition of the property was more than five (5) years ago from the day of deed in retrospect.
- III. Entered into agreement with the related party on joint venture in construction, or commissioning of construction on property land, commissioning of construction on leased land, and the acquisition of property by commissioning the related party to build the property.

Article XXIII If the assessment result pursuant to Paragraph I and Paragraph II of the previous article on the acquisition of property of the Company

from a related party indicated a lower price than the transaction price, proceed to Article XXIV. This provision could be waived in the event of the following situations, with the presentation of objective evidence and the appraisal reports issued by professional appraisers and the statements of opinions issued by certified public accountants on the rationality of the cost:

- I. The related party acquired empty land or leased land for reconstruction shall meet any of the following conditions:
 - (I) Assessment on empty land shall be conducted in any of the aforementioned methods. For buildings, add reasonable construction profit to the construction cost of the related party and the sum exceeds the actual price of transaction. Reasonable construction profit shall be based on the average gross margin of the construction segment of the related party over the last 3 years, or the gross margin of the construction sector covering the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (II) Successful transactions of other stories of the same subject property or in the immediate area between non-related parties in one (1) year, with similar floor area, and the condition of trade shall be comparable to relevant floor levels or reasonable price difference by region under general customs of property trade in the assessment.
 - (III) Successful transactions of other stories of the subject property with non-related parties within one (1) year, and the condition of trade shall be comparable to relevant floor levels under general customs of property trade in the assessment.
- II. The Company shall prove that the property purchased from related parties was conducted in similar condition of other successful transactions by non-related parties with similar floor area and in the immediate area within one (1) year.

The aforementioned successful transaction in the immediate area refers to the subject matter in transaction featured the same or similar street contour and falls within a perimeter of 500 meters, or approximates the present value as posted. Similar floor area refers to the floor area of the subject matter of other successful transactions with non-related parties no more than 50% smaller than the subject property. Within one (1) year shall be the period of one (1) year from the day of deed in retrospect.

Article XXIV

Where the Company acquires real property from a related party and

the results of appraisals conducted in accordance with Article 22 and Article 23 herein are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the investor who uses the equity method to account for its investment in the Company is a public company, then the special reserve called for under Paragraph of Article 41 of the same Act shall be set aside on a pro rata basis in a proportion consistent with the share of the public company's equity stake in the Company.
2. The Audit Committee members who are independent directors shall comply with Article 218 of the Company Law which that may apply mutatis mutandis under Article 14-4 of the Securities and Exchange Act.

Chapter VI Derivative Trade

Article XXV Principles and policies of trade

- I. Types of trade
Derivate trade engaged by the Company refers to contracts deriving from interest rate and/or exchange rate as underlying value, including forwards contracts, options contracts, swap contracts, and the composite contracts of the aforementioned combinations. The aforementioned forwards contracts exclude insurance contracts, performance contracts, post-delivery warranty contracts, long-term lease contracts and long-term contracts on purchase or sale.
- II. Operation and hedge strategy
The primary purpose of the Company in engaging in derivative trade is hedging, and the selection of derivatives will target those hedge the risks deriving from the operation of the Company. The currencies in holding shall serve the purpose of supporting the import and export of the Company and the overall position shall be held for offsetting to reduce the overall exchange risk of the Company and save the cost of foreign exchange operation.
- III. Segregation of authorities and responsibilities
 - (I) Segregation of duties
 - (1) Financial officer:
 1. Retrieve market information, judge trends and risks, get familiar with financial instruments, related laws and operation skills, and

engage in transactions based on the authorized limit upon approval of the responsible supervisor to evade the risk over fluctuation in market price.

2. Verify the foreign exchange position, set the hedge position limit and target foreign exchange rate per term (monthly or quarterly) based on the procurement quantity and range of target foreign exchange rate and cost estimated by the procurement personnel upon receipt of the purchase order, in order to mitigate the exposure risk over foreign exchange rate position.

3. Submit the periodic performance appraisal report on the held positions to the high-rank management designated by the Board of Directors for reference.

(2) Accounting officer:

1. Responsible for accounting.

2. Responsible for disclosing the information related to the Company's transactions in the financial statements.

3. Responsible for verifying transactions and auditing the balance of positions.

4. Handle public announcement and reporting.

(3) Internal audit officer:

Responsible for periodically making a determination of the suitability of internal controls on derivatives and conducting a monthly audit of how faithfully derivatives trading by the trading department adhere to the Procedures and also analyzing the trading cycles; if any material violation is discovered, the Audit Committee shall be notified in writing.

IV. The principles and procedures of performance evaluation

(I) Hedge trade

1. The range of the cost of target exchange rate estimated on the basis of the customer orders provided by the purchasing staff and the capital gains/loss from derivative trade will be the basis for performance evaluation.

2. The financial staff shall review the position of derivative trade at least twice a month, and present the evaluation report to the senior officer designated by the Board.

(II) Financial transactions

1. The exact amount of capital gains/loss shall be the basis of performance evaluation.

2. The financial staff shall review the position of derivative

trades at least once a week, and present the evaluation report to the senior officer designated by the Board.

(III) The Company evaluates capital gains/loss on a monthly basis for the proper control and presentation of evaluation risk of the transactions.

V. Setting the total amount of contracts and the limit of loss

(I) Total amount of contract and the limit of loss

	Hedge trade	Financial transactions
All contracts Investment limit	Accounted for 70% of the revenues in the most recent quarter	Accounted for 70% of the revenues in the most recent quarter
Total loss of all contracts Limit of loss	20% of the total amount of contracts	10% of the total amount of contracts
Limit of loss for particular contract	20% of particular contract amount	10% of particular contract amount

(II) Set the cut loss point on the basis of the average price of derivative contracts already entered. Proceed to cut loss at this point and report to the officer designated by the Board at once, take necessary measures, and report to the Board.

Article XXVI Operation Procedure

I. Conduct analysis of the trend of the foreign exchange market and the risk on the basis of the range of the cost of target exchange range on the basis of the customer orders estimated by the purchasing staff and the net foreign exchange position to determine action for hedge, set the upper limit of hedge position and the target exchange rate, map out the hedge plan and report to the management.

II. Authorized limit

Set the following table of authorized limit on the basis of revenue growth and the change in the risk position of the Company.

(I) Hedge trade

Level	Amount for single transaction	Net accumulative total amount of position
President	USD16 million or the equivalence in other currencies	USD32 million or the equivalence in other currencies

Officer Vice President	USD8 million or the equivalence in other currencies	USD16 million or the equivalence in other currencies
Chief Financial Officer	USD4 million or the equivalence in other currencies	USD8 million or the equivalence in other currencies

(II) Financial transactions

Level	Amount for single transaction	Net accumulative total amount of position
President	USD2 million or the equivalence in other currencies	USD4 million or the equivalence in other currencies
Officer Vice President	USD 1 million or the equivalence in other currencies	USD2 million or the equivalence in other currencies
Chief Financial Officer	USD500,000 or the equivalence in other currencies	USD 1 million or the equivalence in other currencies

III. Execution of trade

- (I) Executor: The financial unit of the Company is responsible for the execution of derivative trades, as this kind of trade changed rapidly and the amount involved is high, and the transactions are frequent and require sophisticated calculations.
 - (II) Entering into contracts: The Chairman at the authorization of the Board shall enter into derivative trade contracts with respective financial institutions.
 - (III) Execution process: the procedure of derivative trade at the Company: (1) authorization or approval of trade, (2) execution of transactions, (3) confirmation of transactions, (4) settlement and delivery, (5) accounting, (6) risk management (7) audits.
- IV. In undertaking derivative trade, the Company shall prepare a registry for tracking the types, amount of derivative trade, the date of resolutions by the Board, and matters for cautious review as stated in the previous article in detail.

Article XXVII Risk Management Policy

I. Credit risk management

- (I) The counterparties of trade shall be renowned domestic and foreign financial institutions with credit limits offered for the

Company, in good credit standing and can provide professional information.

- (II) The total amount of trade with particular counterparty before leveling shall not exceed 20% of the overall authorized limit of the Company unless otherwise specially approved by the President.

II. Market risk management

Mainly with the OTC (Over-the-Counter) of the counterparties.

III. Liquidity risk management

Derivatives should be chosen with caution for ensuring high liquidity. In addition, the counterparties must have sufficient equipment, information, and cash flow for engagement in trading in market at any time.

IV. Cash flow risk management

The source of fund for derivative trade in the Company is limited to equity capital for maintaining stable work capital. In addition, the dealers shall duly observe the authorized limits and related requirements and pay close attention to the cash flow of the Company at all times to ensure sufficient cash flow for delivery and settlement. In addition, the dealers shall pay close attention to the credit standing of the counterparties.

V. Operation Risk Management

The authorized limit, operation procedures shall be duly observed and included as an integral part of internal control to avoid operation risk.

- (I) The dealers engaged in derivative trade shall not perform the functions of the confirmation staff in confirmation and delivery, and vice versa.
- (II) The dealers shall forward the transaction vouchers or contracts to the confirmation staff for registration, and shall pay attention to the authorized limit, the transactions, and the cut loss amount.
- (III) The confirmation staff shall check with the counterparties on the details of the transactions and the total amount of transactions regularly.
- (IV) The senior officer designated by the Board shall be responsible for reporting to the Board on the measurement of related risks, the monitoring and control of risks.

VI. Product Risk Management

The dealers of the Company and the counterparties of trade shall

have good and proper professional knowledge of the derivatives. In addition, the counterparties shall be required to fully disclose the risks and avoid the misuse of derivatives that caused loss.

VII. Legal Risk Management

All documents binding the Company and banks shall be subject to the review of the legal affairs officers or legal counsels of the Company before signing to avoid legal risk.

Article XXVIII Routine Evaluation and Responding to Abnormality

- I. The financial department shall assess the position held for derivative trade at least once a week, and assess the position of hedge trade for business needs at least twice a month. The assessment report shall be presented to the senior officer designated by the Board.
- II. The Board shall evaluate the performance of derivative trade at regular intervals to ensure congruence with the business strategy, and if the risk assumed is relevant with the tolerance of the Company.
- III. The senior officer designated by the Board shall conduct routine assessment of the risk management policy in pursuit to make sure it is effective, and duly observe the “Criteria for the Acquisition or Disposition of Assets” established by SFB and This Procedure.
- IV. The senior officer designated by the Board shall monitor the transactions and the profit status, and take necessary measures in case of abnormality, and report to the Board at once. If the Company has established the seats of Independent Directors, Independent Directors shall attend the session of the Board and express their opinions.

Article XXIX Internal Audit System

- I. The internal audit officer shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adhere to the Procedure and also analyze the trading cycles, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.
- II. The aforementioned audit reports shall be declared with SFB together with the status of pursuit of the annual audit plan by the end of next February, and declare with SFB on corrective action addressing to defects from audits by the end of next May.

Article XXX: The principle of supervision of the Board in derivative trade

- I. The senior officer designated by the Board shall pay close attention

to the monitoring and control of the risk deriving from derivative trade under the following principles of management:

- (I) Conduct routine assessment on the risk management policy in pursuit to ensure its effectiveness, and duly observe the “Criteria for the Acquisition or Disposition of Assets” established by SFB and This Procedure.
 - (II) In case of abnormality discovered in the course of supervision of the trade and the profit position, take necessary measures in response to the situation and report to the Board at once. If the Company has established the seats of Independent Directors, Independent Directors shall attend the session of the Board and express their opinions.
- II. Conduct routine evaluation on the performance of derivative trade to ensure congruence with the business strategy, and if the risk assumed is relevant with the tolerance of the Company.
 - III. In the engagement of derivative trade, the Company shall authorize related personnel in accordance with This Procedure to conduct the trade, and report to the nearest session of the Board.

Chapter VII Procedures for corporate merger, spinoff, acquisition, and assignment of shares

Article XXXI Assessment and Operation Procedure

- I. In proceeding to corporate merger, spinoff, acquisition or acceptance of shares from assignment, the Company shall retain certified public accountants, lawyers or securities underwriters to present opinions on the rationality of the ratio of share swap, the acquisition price or payment of cash and other assets to shareholders before the Board convene for making decision, and present these opinions to the Board for discussion and resolution. The aforementioned opinions on rationality presented by the experts could be waived for mergers with direct or indirect wholly-owned subsidiaries of the Company, or the wholly-owned subsidiaries of the aforementioned subsidiaries.
- II. The Company shall disclose the summary of the merger, spinoff, or acquisition and related matters as open documents to the shareholders before the convention of the Shareholders Assembly, and deliver such information, the opinions of the experts, and notice of session to the shareholders as reference for their discretion in the merger, spinoff, or acquisition. This provision could be waived if the resolution of the Shareholders Assembly for the merger, spinoff, or acquisition is not required under law.

- III. If the shareholders' meeting of any of the participating companies in the merger, spinoff or acquisition lacked a quorum for meeting, lacked the majority required for resolution, or under other legal restrictions, to the extent that meetings for resolution cannot be successfully convened and decision cannot be made, or the proposal for merger, spinoff or acquisition was vetoed by their shareholders' meetings, these participating companies shall make immediate announcements explaining the cause of the failure, subsequent actions to be taken and the expected date for the next session of their shareholders' meetings.

Article XXXII Unless the law specified otherwise, or under special circumstances that the prior consent of FSB is required, participating companies in the merger, spinoff or acquisition shall call for sessions of their boards and shareholders' meeting on the same day for resolution of the merger, spinoff, or acquisition and related matters.

Unless the law specified otherwise, or under special circumstances that the prior consent of FSB is required, the Board shall convene on the same day.

Article XXXIII All parties participating or with access to the plans of the merger, spinoff, acquisition or acceptance of shares from assignment, shall declare confidentiality in writing thereby shall not disclose any part of the content of the plan before public announcement, and shall not purchase the stocks or other equity securities issued by the companies related to the merger, spinoff, acquisition, or acceptance of shares from assignment in their own names or in the name of a third party.

Article XXXIV The Company shall not make any change in the ratio of share swap or acquisition price in the merger, spinoff, acquisition or acceptance of shares from assignment at free will except under the following circumstances. In addition, any change thereof shall be explicitly stated in the agreement on the merger, spinoff, acquisition or acceptance of shares from assignment:

- I. Proceeding to offering new shares for raising capital, issuance of convertible bonds, release of stock dividend, issuance of warrant bonds, issuance of preferred shares with subscription warrant, subscription warrants, and other equity securities.
- II. Disposition of major assets that significantly affects the financial position and business of the Company.
- III. Occurrence of severe disasters, significant change in technology that affects the shareholders' equity or stock price of the Company.

- IV. Any side of the companies participating in the merger, spinoff, acquisition, or acceptance elects to repurchase treasury shares that resulted in relevant adjustment.
- V. There is a change in the number of entities or participants in the merger, spinoff, acquisition or acceptances of shares through assignment.
- VI. The conditions for change have been inscribed in the agreements and were disclosed to public.

Article XXXV The following and the rights and obligations of the companies participating in the merger, spinoff, acquisition, or acceptance of shares from assignment shall be explicitly stated in the agreement on the merger, spinoff, acquisition, or acceptance of shares from assignment undertaken by the Company:

- I. Response to breach of contract.
- II. The principle for handling equity securities or repurchased treasury shares issued by companies acquired in the merger or severed from the spinoff.
- III. The principle of the repurchase of treasury shares in quantity under law after the base day of the calculation of the ratio of shares in the swap for the participating companies.
- IV. The response to the change in the number of entities or participants.
- V. The expected progress and estimated date of completion of the plan.
- VI. If the progress of the plan falls behind schedule, the estimated date for the convention of the shareholders' meetings and related procedures under law.

Article XXXVI If any of the participating companies in the merger, spinoff, acquisition, or acceptance of shares from assignment intends to engage in merger, spinoff, acquisition, or acceptance of shares from assignment with other companies after the disclosure of related information, the participating companies are not required to call for sessions of the shareholders' meetings for a new round or resolutions except in circumstances where there is a decrease in the number of participants and the shareholders' meetings have resolved to authorize the boards to change the level of authority. However, all participants shall repeat the procedures or related legal actions on previous merger, spinoff, acquisition, or acceptance of shares from assignment already completed.

Article XXXVII Where some of the participants in the merger, spinoff, acquisition or acceptance of shares from assignment may not be public companies, the Company shall enter into agreement with these

participants and proceed to Article XXXII, Article XXXIII, and Article XXXVI of This Procedure in handling the change in the number of participants in the merger, spinoff, acquisition, or acceptance of shares from assignment.

Chapter VIII Disclosure of information

Article XXXVIII If any of the following is applicable to the acquisition or disposition of assets, the Company shall declare and disclose relevant information at designated website of SFB within two (2) days after the day of deed in the required format of the competent authority:

- I. In the acquisition or disposition of property with related parties, or in the acquisition or disposition of assets other than property with transaction amount at 20% of the paid-in capital of the Company, 10% of the total assets, or exceeding NT\$300 million. Except for the trading of government bonds, R/P and reverse R/P bonds, subscription or redemption of money market fund offered by domestic securities investment trust firms.
- II. Proceeding to merger, spinoff, acquisition, or acceptance of shares from assignment.
- III. Capital loss from derivative trade at the upper limit of cut loss for all contracts or particular contract as stated in related procedures.
- IV. The types of assets in the acquisition or disposition are business equipment and the counterparties of trade are not related parties and the transaction amount exceeds NT\$500 million.
- V. The acquisition or disposition of property by a public construction firm for construction purpose and the counterparties are not related parties with transaction amount exceeds NT\$500 million.
- VI. Acquisition of property through commissioning of construction on property land, commissioning of construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of the proceeds from selling of the finished premises with anticipated investment of more than NT\$500 million by the Company.
- VII. Asset trade, factoring from financial institutions, or investment in Mainland China beyond the scope of the previous 6 sections, and the transaction amount accounted for 20% of the paid-in capital of the Company or exceeds NT\$300 million. Except the following:
 - (I) Trading of government bonds
 - (II) Engagement in the investment profession with trading of

securities in domestic and overseas stock exchanges or OTC, or, regular corporate bonds and bank debentures not related to equity offered in the domestic primary market, or, securities dealers act as the supervisor for companies listed in the emerging market for the underwriting of securities and subscribe the securities as required by TPEX.

(III) The trading of R/P and reverse R/P bonds, subscription or redemption of money market fund offered by domestic securities investment trust firms.

The aforementioned transaction amount shall be calculated in accordance with the following method:

- I. The amount of each transaction.
- II. The transaction amount accumulated in one (1) year with particular counterparty in the acquisition or disposition of subject matter of trade in the same nature.
- III. The transaction amount from the acquisition or disposition of particular development project of property accumulated in one (1) year (accumulated separately for acquisition, disposition).
- IV. The transaction amount from the acquisition or disposition of particular security accumulated in one (1) year (accumulated separately for acquisition, disposition).

One year as referred to shall be the period of one (1) year from the day of deed for current transaction in retrospect. The portion already disclosed under This Procedure could be excluded in the calculation.

The Company shall enter all information on derivative trade of the Company and subsidiaries which are not domestic public companies to the end of last month in the required format at the website designated by SFB by the 10th day of the month.

In the event of error of missing information found in the content required for disclosure, take appropriate correction within two (2) days after acknowledgement of the problem and repeat the declaration process with update information.

In the acquisition or disposition of assets, the Company shall keep related contracts, minutes of meeting on record, registry books, appraisal reports, and statements of the certified public accountants, lawyers or securities underwriters at the Company for at least five (5) years unless the law specified otherwise.

Article XXXIX If any of the following occurs after the declaration of the transactions for disclosure, disclose related information at the designated website of SFB within two (2) days after the day of the

event:

- I. Alteration, termination or rescission of the agreements previously entered into.
- II. The merger, spinoff, acquisition, or acceptance of shares from assignment has not completed by the expected deadline stated in the contract.
- III. Change in the content previously disclosed.

Article XL Disclosure of the acquisition or disposition of assets by subsidiaries

The Company shall declare any transaction of acquisition or disposition of assets by subsidiaries that are not domestic public companies in accordance with this chapter of This Procedure.

The criteria of 20% of the paid-in capital or 10% of the total assets for disclosure under I to V in Article XXXVIII shall be based on the paid-in capital or total assets of the Company.

Chapter IX Miscellaneous

Article XLI Procedure for the control of subsidiaries

Subsidiaries shall institute the “Procedure for the Acquisition or Disposition of Assets” in accordance with the “Criteria for the Acquisition or Disposition of Assets by Public Companies” subject to the resolution of the boards of the subsidiaries and report to the Shareholders Assembly of the Company for ratification before implementation. The same procedure is applicable to any amendment thereto.

Subsidiaries shall observe the rules and regulations of the Company in the acquisition or disposition of assets.

The requirement of 10% of the total assets as stated in This Procedure is calculated on the basis of the total assets presented in the separate or individual financial statements compiled in accordance with the Criteria for the Compilation of Financial Statements by Securities Issuers covering the most recent period.

If the shares offered by subsidiaries bear no face value or the face value is not NT\$10/share, the requirement of 20% of the paid-in capital shall refer to 10% of the shareholders’ equity attributable to the Company.

Article XLII Internal Audit

The audit of the procedure for the acquisition or disposition of assets shall be conforming to the requirement of the internal control system of the Company and other applicable legal rules unless This Procedure provides otherwise.

Article XLIII Penalty

In case any of the employees of the Company violates This Procedure

in the acquisition or disposition of assets, proceed to the Regulations Governing the Evaluation of Personnel of the Company with proper punishment relevant with the severity of the offense.

Article XLIV Implementation and Amendment to the Procedure

The establishment of the Company's "Operating Procedure for Acquisition or Disposition of Assets" shall be adopted upon approval of a majority of all Audit Committee members, and implemented upon resolution by the Board of Directors and approval by a shareholders' meeting. The same shall apply where the Procedure is amended. If a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee.

If approval of a majority of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minute of the Board of Directors meeting.

The terms "all Audit Committee members" and "all Directors" referred to in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article XVV Anything not covered by This Procedure shall be governed by other applicable legal rules.

Procedure for Loaning of Fund and Making of Endorsements/Guarantees

Amended by the regular session of the Shareholders Assembly on June 25, 2013

Amended by the regular session of the Shareholders Assembly on June 29, 2016

Chapter I General Provision

Article I This Procedure is instituted in accordance with the “Regulations Governing Loaning of Funds and Taking Endorsements/Guarantees by Public Companies”. Anything not covered by This Procedure shall be governed by applicable legal rules.

Article II Prospective beneficiaries of financing by the Company shall be the following companies trading with the Company or with a need for short-term financing:

- I. Companies that have direct trading relation with the Company.
- II. Subsidiaries of the Company with the direct holding of more than 50% of their common stock of equity shares.
- III. Investees to the Company and subsidiaries which jointly hold more than 50% of their common stock of equity shares in combination.

Short-term as referred to in previous paragraph shall be a period of one (1) year. If the business cycle of the Company is longer than one (1) year, the duration of business cycle shall stand.

Article III Endorsements/Guarantees as referred to in This Procedure cover:

- I. Endorsements/Guarantees for financing:
 - (I) Financing through discount of customer cheques.
 - (II) Endorsements/Guarantees undertaken for purpose of financing a third party company.
 - (III) Issuance of financial instruments in favor of a non-financial enterprise as security for purpose of financing of the Company.
- II. Endorsements/Guarantees for tariffs: Endorsements/Guarantees undertaken for the security of tariff payment in favor of the Company or a third party company.
- III. Endorsements/Guarantees for other purposes: Endorsements/Guarantees that cannot be classified into the aforementioned 2 categories.

This Procedure is also applicable to the pledge of movables or property as lien or mortgage in favor of a third party company for financing.

Article IV The beneficiaries of Endorsements/Guarantees undertaken by the Company are limited to the following parties:

- I. Companies that have direct trading relation with the Company.
- II. Subsidiaries of the Company with the direct holding of more than 50% of their common stock of equity shares.
- III. Investees to the Company and subsidiaries which jointly hold more than 50% of their common stock of equity shares in combination.

Notwithstanding of the restriction stated in the previous paragraph, Endorsements/Guarantees may be undertaken in circumstances of contracting for work as a member in joint venture that mutual guarantee is required, or in joint investment that respective investors shall undertake endorsements/guarantees on the investee in proportion to the respective shares of investment, or as a part of joint and several liabilities with other industry peers for guarantee of performance of a preliminary agreement on property sale as required by the Consumer Protection Act. However, the Company shall not assume the part of the joint or several liabilities to be assumed by other shareholders.

Investments as referred to in the previous paragraph shall be the direct capital investment of the Company or capital investment by a wholly-owned enterprise of the Company through the holding of voting shares.

Article V Subsidiaries as referred to in This Procedure shall be determined by the definition set forth in the Criteria for the Compilation of Financial Statements by Securities Issuers. Net worth as referred to in This Procedure shall be the shareholders' equity attributable to the Company as stated in the balance sheet compiled in accordance with the Criteria for the Compilation of Financial Statements by Securities Issuers. The shareholders' equity of the Company shall be based on the audited or reviewed financial statements covering the most recent period.

Chapter II Procedure for loaning of funds

Article VI Standard of assessment of financing

- I. For trade financing, the target of financing shall have no overdue payment record in the retirement of loan, and the total amount of financing shall not exceed 20% of the total amount of transaction with the Company in the previous year on an accumulative basis.
- II. For short-term financing, the target of financing must have the need and meet the requirements of I- (II)~(III) in Article II, and the

financing is for retirement of other loans, purchase of equipment, working capital, and other needs in the operation.

Article VII Limit of all financing and to particular target of financing

I. Total limit

(I) The overall financing offered by the Company and subsidiaries shall not exceed 20% of the net worth of the Company in current period.

1. The total amount of loans to trading partners of the Company shall not exceed 20% of the net worth of the Company in current period on an accumulative basis.

2. The total amount of loans to those who have the need for short-term financing shall not exceed 15% of the net worth of the Company in current period on an accumulative basis.

(II) The total amount of loans offered by the Company shall not exceed 20% of the net worth of the Company in current period.

1. The total amount of loans to trading partners of the Company shall not exceed 20% of the net worth of the Company in current period on an accumulative basis.

2. The total amount of loans to those who have the need for short-term financing shall not exceed 15% of the net worth of the Company in current period on an accumulative basis.

II. Limit to particular target of financing

(I) The total amount of financing offered by the Company and subsidiaries to particular target of financing shall not exceed 5% of the net worth of the Company in current period.

1. The total amount of loans to particular trading partner of the Company shall not exceed 5% of the net worth of the Company on an accumulative basis.

2. The total amount of loan to particular target that has the need for short-term financing shall not exceed 2% of the net worth of the Company in current period on an accumulative basis.

(II) The total amount of financing offered by the Company to particular target of financing shall not exceed 5% of the net worth of the Company in current period.

1. The total amount of loans to particular trading partner of the Company shall not exceed 5% of the net worth of the

Company on an accumulative basis.

2. The total amount of loan to particular target that has the need for short-term financing shall not exceed 2% of the net worth of the Company in current period on an accumulative basis.

Article VIII Term of financing and calculation of interest

- I. Each count of loans shall be retired within one (1) year or a business cycle (whichever is longer) from the day of drawdown. If the financing is for trading purpose, the term may be extended as needed.
- II. Interest shall be determined with reference to the interest rate offered in the financial market but shall not fall below the basic interest rate offered by the Bank of Taiwan, and shall be calculated monthly.

Article IX Procedures for processing and review of financing

- I. The borrower shall present a request for financing or an official letter for financing with information on its financial position and other necessary information to the loan processing function of the Company.
- II. The loan processing function of the Company shall collect, analyze and evaluate the credit standing and the state of operation of the borrower, compile a report on financing with elaboration of the target of financing, the reason, amount, term, and interest rate for financing, the methods of retirement, the use of the funds from financing, the collaterals or other means of guarantee, and opinions on the request for loans.
- III. The “loan processing function” and “Financial Department” shall proceed to review and evaluation on the following, and keep record on the processing for reporting to the Board for review and discussion:
 - (I) Factors like the purpose of borrowing and the use of funds, business relation with the Company, or the importance of the operation of the borrower to the Company shall be considered. The loan shall be granted as needed and justifiable with reference to the standard set forth in Article VI and the limit of financing and the balance of outstanding loans.
 - (II) The financial positions and other necessary information on the target of financing, the operation, financial position, and credit

standing, and the sources of funds for the retirement of loans by the target of financing shall be subject to analysis for measurement of possible risk.

(III) Evaluate the effect of the new loans on the balance of loan in proportion to the net worth of the Company, operation risk, financial position and shareholders' equity of the Company on the basis of the evaluation results from (I) and (II).

(IV) At the time of requesting for financing, the borrower shall consider the pledge of property at 50% of the amount of loans, or the equivalent amount in government bonds, certificates of deposits, savings bond, or other securities under lien, or a bank guarantee of the equivalent value, in favor of the Company. In addition, appraisal on the value of the collaterals shall be conducted at least once quarterly to ensure the amount is relevant with the outstanding loans. Where necessary, request for the pledge of additional collaterals from the borrower.

IV. All financing to third parties shall be subject to the resolutions of the Board. Under no circumstance shall decision be made by a third party under authorization. The Company may have established seats for Independent Directors, and shall fully consider the opinions of the Independent Directors on financing. The opinions in favor or against the motion of financing clearly presented, and the underlying reasons, shall be kept as minutes of meeting on record of the Board.

V. Financing between the Company and subsidiaries, and among the subsidiaries, shall be resolved by the Board. The Chairman may be authorized to make decision of the limit of financing particular target of financing within the designated limit granted by the Board in several drawdowns or as revolving credit within one (1) year.

Designated limit as specified in the previous section shall be the authorized limit of financing particular enterprise by the Company or the subsidiaries shall not exceed 2% of the net worth of the Company or the subsidiaries stated in the financial statement covering the most recent period.

VI. In processing the request for financing, the Company shall establish a registry for tracking the transactions with particulars like the borrowers, amount, the date of resolution by the Board, the dates for drawdown, and the items required cautious assessment inscribed.

VII. The Company shall review the status of financing with appropriation of sufficient amount of provision for bad debts, appropriately disclose the detail in the financial statement, and provide related information to the external auditors for necessary audits.

Article X Internal control of financing

- I. Financial Dept. shall prepare the statement recording the loaning and repayment of fund on a monthly basis to help control and follow up, and public announcement and reporting.
- II. The Company's internal audit officer shall audit the Operating Procedure for Loaning of Fund and the implementation thereof no less frequently than quarterly and prepare written records accordingly. Any material violation found by the officer will be notified to the Audit Committee immediately.
- III. If, as a result of a change in circumstances, the entity to which the Company loaned fund does not meet the requirements herein or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

Article XI Procedure for post-approval control and management of overdue loans

- I. The loan processing function shall review the credit status and the operation, and the value of the collaterals of the borrowers at regular intervals. In addition, they shall provide the information on the financial positions of the borrowers to Financial Department for review.
- II. If particular borrower failed to retire the loan at maturity, the loan processing function shall proceed to collection of the overdue loans and appeal to legal proceedings for the recovery of the debts.

Article XII Announcement and declaration procedure

- I. The Company shall make announcement on the balance of loans of the Company and subsidiaries in the last month by the 10th day of each month.
- II. If the balance of loans of the Company and subsidiaries meet the requirements specified in Paragraph I, Article 22 of the “Regulations Governing Loaning of Funds and Taking Endorsements/Guarantees by Public Companies”, the Company shall make declaration and announcement within two (2) days after

the day of deed.

- III. The requirements specified in Paragraph I, Article 22 of the “Regulations Governing Loaning of Funds and Taking Endorsements/Guarantees by Public Companies”:
 - (I) The balance of loans of public companies and subsidiaries in favor of third parties exceed 20% of the net worth as stated in the financial statements of the public companies covering the most recent period.
 - (II) The balance of loans of public companies and subsidiaries in favor of particular enterprise exceed 10% of the net worth as stated in the financial statements of the public companies covering the most recent period.
 - (III) The new loans of public companies or subsidiaries amounted to NT\$10 million or more and exceed 2% of the net worth of the public companies as stated in the financial statements of the public companies covering the most recent period.
- IV. If the subsidiaries of the Company are not domestic public companies, the Company shall make declaration and disclosure for the subsidiaries.
- V. Day of deed as referred to in paragraph II shall be the day on which an agreement was signed, for payment, resolution of the Board or any other day on which the counterparties and amount of transaction are determined, whichever comes first.

Chapter III Endorsements/Guarantees operation procedure

Article XIII Limit of Endorsements/Guarantees

- I. The overall limit of Endorsements/Guarantees undertaken by the Company and subsidiaries in favor of third parties shall not exceed 50% of the net worth of the Company in current period.
- II. The overall limit of Endorsements/Guarantees undertaken by the Company in favor of third parties shall not exceed 50% of the net worth of the Company in current period.
- III. The overall limit of Endorsements/Guarantees undertaken by the Company and subsidiaries in favor of a particular third party shall not exceed 20% of the net worth of the Company in current period and also 50% of the net worth of the third party.
- IV. The overall limit of Endorsements/Guarantees undertaken by the Company in favor of a particular third party shall not exceed 20% of the net worth of the Company in current period and also 50% of

the net worth of the third party.

Article XIV Gate Approval and Decision

- I. Endorsements/ Guarantees shall be taken in accordance with This Procedure for approval and the resolution of the Board. If urgent decision is necessary, the Board may authorized the Chairman to make decision within the 5% limit as set forth in the overall limit of Endorsements/Guarantees specified in Article XIII and report to the nearest session of the Board for ratification. The detail and related matters shall be reported to the Shareholders Assembly for record.
- II. If for business reason that the Company shall undertake Endorsements/Guarantees in excess of the overall limit as specified in Article XIII of This Procedure and the conditions have satisfied the requirements of the operation procedures for Endorsements/Guarantees of the Company, the consent of more than half of the Directors with their countersignatures will be necessary. Likewise, This Procedure shall also be amended accordingly and reported to the Shareholders Assembly for ratification. If the Shareholders Assembly disagrees with the action taken, map out a plan for revoking part of the limit so granted within designated period.
- III. If the Company has established seats for Independent Directors, the opinions of the Independent Directors in the discussion of the motions regarding the limit as stated in the previous sections shall be fully considered. Their opinions in favor of or against the motions and the reasons shall be tracked as minutes of meeting on record of the Board.

Article XV Procedures for processing and review of Endorsements/Guarantees

- I. The beneficiary shall present a request for Endorsements/Guarantees or an official letter for Endorsements/Guarantees with information on its financial position and other necessary information to the Endorsements/Guarantees processing function of the Company.
- II. The “Endorsements/Guarantees processing function” and “Financial Department” shall proceed to review and evaluation on the following, and keep record, and make decision pursuant to Article XIV of This Procedure:
 - (I) Factors like the purpose of borrowing and the use of funds, business relation with the Company, or the importance of the

operation of the borrower to the Company shall be considered. If Endorsements/Guarantees shall be undertaken for business transactions, the accumulated amount thereof shall be limited to 20% of the total amount of business transactions with the Company in the previous year. Endorsements/Guarantees shall be undertaken as needed and justifiable with reference to the limit and current balance of Endorsements/ Guarantees.

- (II) The financial positions and other necessary information on the target of financing, the operation, financial position, and credit standing, and the sources of funds for the retirement of loans by the target of Endorsements/Guarantees shall be subject to analysis for measurement of possible risk.
 - (III) Evaluate the effect of additional undertaking of Endorsements/Guarantees on the balance of loan in proportion to the net worth of the Company, operation risk, financial position and shareholders' equity of the Company on the basis of the evaluation results from (I) and (II).
 - (IV) With reference to the purpose of Endorsements/Guarantees, and the findings from the assessment from (I) ~ (III), evaluate if it is necessary to require the target of Endorsements/Guarantees to pledge movables or property under lien or mortgage as collaterals in favor of the Company. In addition, appraisal on the value of the collaterals shall be conducted at least once quarterly to ensure the amount is relevant with the outstanding loans. Where necessary, request for the pledge of additional collaterals from the target of Endorsements/Guarantees.
- III. The Company shall prepare a registry for tracking all Endorsements/Guarantees undertaken with the detail of promise of guarantees, the name of the enterprises under guarantees, the result of risk assessment, the amount of Endorsements/Guarantees, the content of collaterals, the date of resolution of the Board of decision of the Chairman, the conditions for discharge of the responsibility of Endorsements/Guarantees and the date shall be inscribed for record. Make photocopies of related financial instruments and agreements and keep these documents properly.
- IV. In case the enterprise elects to retire the loans before maturity, or prior to the expiration day of Endorsements/Guarantees, the

processing function and Financial Department shall urge the enterprise in point to recover the promissory notes retained by the bank or financial institution and cancel the promissory notes related to Endorsements/Guarantees to discharge the responsibility of the Company over the Endorsements/Guarantees.

- V. The Company shall evaluate or recognize the contingent loss deriving from the undertaking of Endorsements/Guarantees with disclosure in the financial statements, and provide the external auditors related information for necessary audits.

Article XVI Procedures for application and keeping of specimen seals

- I. In undertaking Endorsements/Guarantees, the Company shall issue promissory notes with the affixing of the official seal and apply with the Ministry of Economic Affairs to register the specimen seal as the official seal evidencing the approval of Endorsements/Guarantees. The Company shall appoint designated personnel to keep the official seal and financial instruments, and shall affix the official seal or issue financial instruments in due procedure of the Company. The appointment of the aforementioned keeper of the official seal and financial instruments shall be subject to approval of the Board. The same procedure is applicable to any replacement thereof.
- II. At the resolution of the Board or the approval of the Chairman, the record on approval, the agreement on Endorsements/Guarantees or the promissory notes, which require the application of official seal, shall be forwarded to the Financial Department for review before referring to the keeper of official seal for application.
- III. The keeper of the official seal shall check to ensure the approval record before affixing the official seal to relevant documents as requested.
- IV. In undertaking guarantee in favor of foreign companies by the Company, the letter of guaranteed issued by the Company shall be affixed with the signature of the person authorized by the Board.

Article XVII Internal control of Endorsements/ Guarantees

- I. Financial Dept. shall prepare the statement recording the making and cancellation of endorsements/guarantees on a monthly basis to help control and follow-up, and public announcement and reporting.
- II. The Company's internal audit officer shall audit the Operational Procedures for Making of Endorsements/Guarantees and the

implementation thereof no less frequently than quarterly and prepare written records accordingly. Any material violation found by the officer will be notified to the Audit Committee immediately

- III. For circumstances in which an entity for which the Company makes any endorsement/guarantee is the Company's subsidiary whose net worth is lower than half of its paid-in capital, the Company shall review the necessity and reasonableness of endorsements/guarantees and conduct risk assessment in accordance with Article 15 herein, and shall also control the same strictly in accordance with the internal control regulations governing endorsements/guarantees referred to in the preceding paragraph.
- IV. If, as a result of a change in circumstances, the entity for which the Company makes endorsements/guarantees does not meet the requirements herein or the amount of endorsements/guarantees exceeds the limit, the business unit in charge and Financial Dept. shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.
- V. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 3 of this Article, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article XVIII Procedure for announcement and declaration

- I. The Company shall make announcement on the balance of Endorsements/Guarantees undertaken by the Company and subsidiaries in the last month by the 10th day of each month.
- II. If the balance Endorsements/Guarantees undertaken by the Company and subsidiaries meet the requirements specified in Paragraph I, Article 25 of the “Regulations Governing Loaning of Funds and Taking Endorsements/Guarantees by Public Companies”, the Company shall make declaration and announcement within two (2) days after the day of deed.
- III. The requirements specified in Paragraph I, Article 25 of the “Regulations Governing Loaning of Funds and Taking Endorsements/Guarantees by Public Companies”:
 - (I) The balance of Endorsements/Guarantees undertaken by public companies and subsidiaries in favor of third parties exceed

- 50% of the net worth as stated in the financial statements of the public companies covering the most recent period.
- (II) The balance of Endorsements/Guarantees undertaken by public companies and subsidiaries in favor of particular enterprise exceed 20% of the net worth as stated in the financial statements of the public companies covering the most recent period.
 - (III) The balance of Endorsements/Guarantees undertaken by public companies and subsidiaries in favor of particular enterprise exceed NT\$10 million and the total of Endorsements/Guarantees, long-term investment, and financing exceeds the 30% of the net worth of the public company in point as stated in the financial statement covering the most recent period.
 - (IV) The additional Endorsements/Guarantees undertaken public companies or subsidiaries amounted to NT\$30 million or more and exceed 5% of the net worth of the public companies as stated in the financial statements of the public companies covering the most recent period.
- IV. If the subsidiaries of the Company are not domestic public companies, the Company shall make declaration and disclosure for the subsidiaries.
- V. Day of deed as referred to in II shall be the day on which an agreement was signed, for payment, resolution of the Board or any other day on which the counterparties and amount of transaction are determined, whichever comes first.

Chapter IV Miscellaneous

Article XIX Procedure for the control of subsidiaries

- I. Where a subsidiary of the Company intends to loan funds to others and make endorsements/guarantees for others, it shall formulate its own operating procedure for loaning of funds and making of endorsements/guarantees and comply with the procedure when making endorsements/guarantees. Notwithstanding, the net worth shall be calculated based on the subsidiary's net worth
- II. The subsidiary shall submit the summarization about loaning of fund to others and making of endorsements/guarantees for others in last month to the Company by 5th day (exclusive) of each month.
- III. The Company's internal audit officer shall audit the subsidiary's

operating procedure for loaning of fund and making of endorsements/guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. Any material violation found by the officer will be notified to each supervisor of the subsidiary and the Company's Audit Committee immediately.

Article XX Penalty

In case any of the Managers or project organizers of the Company violates This Procedure, proceed to the “Regulations Governing the Evaluation of Personnel” of the Company with proper punishment relevant with the severity of the offense.

Article XXI The establishment of the Procedure shall be submitted to a shareholders’ meeting for resolution after passage by the Audit Committee and Board of Directors. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Audit Committee, and to a shareholders’ meeting for discussion. The same shall apply where the Procedure is amended.

Where the Company delegates the position of independent director, when the Procedure is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director agrees to, objects to or expresses reservations about any matter, it shall be recorded in the minute of the Board of Directors meeting.

Appendix 5

Taiwan Fertilizer Co., Ltd. Status of Share Ownership by Directors (Independent Directors)

1. The total number of shares issued by the Company is 980,000,000. In accordance with the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies” and the Company’s Articles of Incorporation, the total number of shares owned by all directors shall not be fewer than 31,360,000.
2. The Company has established an Audit Committee. The statutory requirement on the minimum number of shares to be owned by the supervisor(s), therefore, is not applicable to the Company.
3. According to the shareholder register as at April 22, 2019, the book closure date for the annual general shareholders’ meeting, the number of shares owned by the individual directors (independent directors) and all directors (all independent directors) are respectively as follows:

Position	Name	Number of Shares (units)	Ratio of Share Ownership
Chairman	Council of Agriculture, Executive Yuan Representative: Hsinhong Kang	235,886,376	24.07%
Director	Council of Agriculture, Executive Yuan Representative: Junnejih Chen		
Director	Council of Agriculture, Executive Yuan Representative: Shihchi Lin		
Director	Council of Agriculture, Executive Yuan Representative: Chaofeng Li		
Director	Council of Agriculture, Executive Yuan Representative: Tsaihsing Liu		
Director	Yawkuang Chen	100,000	0.01%
Independent Director	Horngchang Lin	0	-
Independent Director	Mingshiuan Lee	0	-
Independent Director	Chaochin Hsiao	0	-
Number of shares owned by all directors		235,986,376	24.08%

Appendix 6

Effect of the gratuitous allotment of shares on operation performance, earnings per share and return rate on investment for shareholders: N/A.