

Stock Code: 2327

YAGEO Corporation

Handbook for 2019

Annual Meeting of Shareholders (Translation)

Date: June 5, 2019

Place: No. 265, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City, Taiwan

VIP 1 Conference Room, Hione Holiday Hotel

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YAGEO Corporation

Year 2019

Procedure for Annual Meeting of Shareholders

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentations

IV. Proposed Resolutions

V. Discussions

VI. Motions

VII. Adjournment

YAGEO Corporation

Year 2019

Agenda for Annual Meeting of Shareholders

1. Time: Wednesday 9:00 a.m. on June 5, 2019
2. Place: VIP 1 Conference Room, Hione Holiday Hotel
No. 265, Sec. 3, Beishen Rd., Shenkeng Dist., New Taipei City, Taiwan
3. Chairperson Remarks
4. Management Presentations :
 - a. Year 2018 Business Report
 - b. Year 2018 Audit Committee's Review Report
 - c. Share Buyback Program and the Implementation Status
 - d. 2018 Employees' Compensation and Remuneration to Directors and Supervisors Distribution Status
5. Proposed Resolutions :
 - a. Adoption of the 2018 Financial Statements
 - b. Adoption of the Proposal for Distribution of 2018 Earnings
6. Discussions :
 - a. Proposal for a cash distribution from capital surplus
 - b. Amendment to the Company's Articles of Incorporation
 - c. Amendment to the Operational Procedures for Acquisition and Disposal of Assets
 - d. Amendment to the Rules for the Election of Directors
7. Motions
8. Adjournment

Management Presentations

Item a

Proposed for Reviewed: Year 2018 Business Report

YAGEO Corporation **Year 2018 Business Report**

Dear Shareholders:

Yageo achieved another mild stone year in year 2018. The consolidated sales, gross margin, operating margin, net income and earning per share all reached record high. The remarkable performance is attributable to Yageo's forward-looking vision, concentration on core business, growth in high-end product, best offering of value-added service and enterprise solutions and maintaining operational efficiency. Teamwork enabled Yageo not only accomplished high growth but also maintained solid financial position supported by sound operational and financial indicators. In addition, Yageo merged a protective component company- BrightKing and a high-end electronic component company- Pulse Electronics in 2018 in order to expand Yageo's product portfolios and to provide one-stop-shopping service to our customers. These acquisitions are expected to drive operational growth and realize consolidation synergies in near future

1. 2018 Financial Performance:

2018 consolidated sales reported NT\$ 77,156 million, up 139.2% compared to 2017. Gross margin posted 63.3%. The operating income reached NT\$ 36,908 million with 47.8% of operating profit margin. Net consolidated profits after tax attributable to parent company amounted to NT\$ 33,839 million or NT\$ 80.30 earnings per share.

2. 2018 Budget Execution Rate:

Not applicable. Yageo did not disclose financial projection for 2018.

3. Financial operations and profitability analysis:

Items		Year 2018
Capital Structure	Debt Ratio (%)	51.58
	Long-term Funds to Fixed Asset (%)	365.85
Liquidity	Current Ratio (%)	115.67
Profitability	Return on Asset (%)	35.65
	Return on Equity (%)	74.56
	Net Profit Margin (%)	43.86
	Earning Per Share (NT\$)	80.30

4. 2019 Business Plan:

Yageo will implement the following business development strategies in the hope of

continuously creating value for its shareholders, customers and employees.

- (1) Increase revenue from high-end products: evolves with technology trend and focuses on profitable product with high unit selling price and high gross margin. Boosts product sales with end applications from automotive electronics, 5G, automation equipment, power supply, Internet of Things networking and data centers. Be the market pioneer to expand end applications. Builds stronger business partnership with key customers.
- (2) Ensures operational excellence: provides differentiated services, consolidates resources in business units and global sales channels. Improves operational efficiency and cost controls. Implements automated production and Industrial 4.0 innovated application through advanced planning and technology.
- (3) Develops innovative product mix: utilizes our existing products and techniques to invest in advanced technology. Seeks for external strategic cooperation opportunities to obtain high-value component product. Executes new product development and product launch plan rigorously and refines quality control process. Provides a broad spectrum of quality product to meet the needs of various customers.
- (4) Maintains organizational effectiveness: fully empowers management and coaches successors, recruits and retains talents, establishes clear role and responsibility, and dedicates to build a high-performance organization through organizational innovation and process improvement.

Moving forward, despite there is uncertainty in global economics and the electronic industry, such as international trade dispute, foreign exchange fluctuation risk, tightening of environmental protection regulation, weak demand from electronic supply chain, price competition among passive component peers, Yageo will continue to increase capacity in automotive and industrial product, optimize product mix and customer base, upgrade production equipment while comply with environmental protection regulation. At the same time, the company will keep expanding the operational scale and acquiring advanced technology in order to strengthen Yageo's international competitiveness and to serve our global customers rapidly and effectively and all in all to drive profitable growth and create value for our shareholders and the industry. I would like to thank our shareholders for your long-term and continuing support to Yageo, and wish you all good health and happiness.

Chairman: Tie-Min Chen

General Manager: Chi-Wen Chang

Chief Accounting Officer: Eric Lee

Item b

Proposed for Reviewed: Year 2018 Audit Committee's Review Report

YAGEO Corporation
Audit Committee's Review Report

The Board of Directors has approved the Company's 2018 Financial Statements, Business Report, and proposal for distribution of earnings. The CPA firm of Deloitte and Touche, which was appointed by the Board of Directors, has audited the Company's 2018 Financial Statements and issued an unqualified opinion.

We have examined the Company's 2018 Financial Statements, Business Report, and the proposal for distribution of earnings that have been approved by the Board of Directors. We hereby respectfully prepare and present this Report in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of The Company Act for your review.

Yageo Corporation

Chairman of the Audit Committee: Jerry Lee
March 14, 2019

Item c**Proposed for Reviewed: Share Buyback Program and the Implementation Status**

As of December 31, 2018

The number of times	13 th Buyback
Purpose	Transfer of shares to employees
Types and number of shares	4,500,000 common shares
Schedule period	2018/07/19~2018/09/17
Price range	NT\$ 632.8~1,616.8
Repurchase types and number of shares	2,965,000 common shares
Repurchase period	2018/07/19~2018/08/09
Repurchase Amount	NT\$ 2,421,551,797
Canceled and transferred	-
Cumulative shares held	2,965,000 common shares
Ratio of cumulative shares held of total company's shares issued	0.85%

Item d**Proposed for Reviewed: 2018 Employees' Compensation and Remuneration to Directors and Supervisors Distribution Status**

- Explanation: 1. In accordance to the authority's regulations and Company's Articles of Incorporation to set aside not less than 2% of pre-tax income before deduct employees' compensation and remuneration to directors and supervisors to employees as compensation, and not more than 3% to directors and supervisors as remuneration.
2. Employees' compensation of 2018 is NT\$1,173,843,115(3%) , and remuneration to directors and supervisors is NT\$1,173,843,115(3%) , based on pre-tax income before deduct employees' compensation and remuneration to directors and supervisors. Both are paid in cash.

Proposed Resolutions:

Item a

Proposal: Adoption of the 2018 Financial Statements (Proposed by the Board of Directors)

- Explanation:
1. The Company's business report, financial statements and consolidated financial statements of 2018 have been approved by the Board and examined by the Audit Committee of the company.
 2. Please refer to page 3~5 and attached as Attachment I .
 3. Please acknowledge.

Resolution:

Item b

Proposal: Adoption of Proposal for Distribution of 2018 Earnings (Proposed by the Board of Directors)

- Explanation:
1. 2018 net profit is NT\$33,839,292,755. After setting aside the legal reserve of NT\$ 3,383,929,276, appropriating special reserve of NT\$ 1,210,063,443, and then adding adjusted retained earnings of NT\$ 15,639,381,102, the retained earnings available for distribution are NT\$ 44,884,681,138, of which, NT\$ 18,790,141,589 will be distributed as cash dividends to shareholders, or NT\$ 44.3 per share.
 2. The cash dividend is issued to the rounded full NT dollar, and any distributed amounts less than NT\$1 will be transferred to the company's other revenues.
 3. In the event that, before the distribution record date, the proposed earnings distribution of cash dividends per share is affected by an amendment by the competent authorities, or the number of actual shares outstanding, it is proposed that the Chairman be authorized to handle matters related to the changes.
 4. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Chairman be authorized to resolve the ex-dividend date and other relevant issues.
 5. According to the Article 241 of Company Act, where a company incurs no loss, it may capitalize its legal reserve and capital surplus – the income derived from the issuance of new shares at a premium, in whole or in part, by issuing new shares or cash which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them at a premium. The total cash available

distributed from capital surplus is NT\$ 296,909,687, or NT\$ 0.7 per share. Upon the approval of the Annual Meeting of Shareholders for the cash distribution from capital surplus, the total cash distribution to shareholders is NT\$ 45 per share.

6. Please acknowledge.

Yageo Corporation
Earnings Distribution Proposal
Year 2018

Item	Amount (In NTD)
Undistributed retained earnings, beginning	14,959,926,861
Add : Retroactive adjustments of using IFRS 9	5,440,447
Adjusted undistributed retained earnings, beginning	14,965,367,308
Add : Equity investments at fair value through other comprehensive income	698,772,519
Add : Re-measurement of defined benefit plan	26,880,345
Less : Adjustment arising from investments accounted for using equity method	(51,639,070)
Adjusted undistributed retained earnings	15,639,381,102
Add : 2018 Net profit	33,839,292,755
Less : 10% Legal reserve	(3,383,929,276)
Less : Special reserve	(1,210,063,443)
Total retained earnings available for distribution	44,884,681,138
Appropriations:	
Common share dividend – Cash	(18,790,141,589)
Undistributed retained earnings, end	26,094,539,549

Chairman: Tie-Min Chen

General Manager: Chi-Wen Chang

Chief Accounting Officer: Eric Lee

Resolution:

Discussions :

Item a

Proposal for Cash Distribution from Capital Surplus (Proposed by the Board of Directors)

- Explanation:
1. According to the Article 241 of Company Act, where a company incurs no loss, it may capitalize its legal reserve and capital surplus – the income derived from the issuance of new shares at a premium, in whole or in part, by issuing new shares or cash which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them at a premium. The total cash available distributed from capital surplus is NT\$ 296,909,687, or NT\$ 0.7 per share.
 2. The cash dividend is issued to the rounded full NT dollar, and any distributed amounts less than NT\$1 will be transferred to the company's other revenues.
 3. Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Chairman be authorized to resolve the ex-dividend date and other relevant issues.
 4. In the event of revision or changes regulated by the authority for the cash distribution, it is proposed that the Chairmen be authorized to resolve relevant issues.
 5. In the event that, before the distribution record date, the proposed earnings distribution of cash dividends per share is affected by an amendment by the competent authorities, or the number of actual shares outstanding, it is proposed that the Chairman be authorized to handle matters related to the changes.

Resolution:

Item b

Amendment to the Company's Articles of Incorporation (Proposed by the Board of Directors)

Explanation: In order to conform to the needs of commercial practice, the company hereby proposes to amend the Company's Articles of Incorporation. Please refer to Attachment II.

Resolution:

Item c

Amendment to the Operational Procedures for Acquisition and Disposal of Assets (Proposed by the Board of Directors)

Explanation: In order to conform to the needs of commercial practice, the company hereby proposes to amend the Operational Procedures for Acquisition and Disposal of Assets. .Please refer to Attachment III.

Resolution:

Item d

Amendment to the Rules for the Election of Directors (Proposed by the Board of Directors)

Explanation: The election of the Company's directors shall be conducted in accordance with the candidate nomination system. In order to conform to the needs of simplifying the ballot papers that should be filled in with the practice, the company hereby proposes to amend the Rules for the Election of Directors. Please refer to Attachment IV.

Resolution:

Motions

Attachment I :

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yageo Corporation

Opinion

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

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

Basis for Opinion

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

Key audit matters on the consolidated financial statements for the year ended December 31, 2018 are as follows:

Allowance for Expected Credit Loss of Trade Receivables

The recoverable amount of trade receivables is determined by management's evaluation of the credit risk of overdue receivables, which is affected by management's assumptions about a client's credit quality. In our audit, we focused on clients with significant trade

receivables and overdue balances, and we evaluated the reasonableness of management's estimation of the allowance for expected credit loss of trade receivables.

For a summary of the significant accounting policies on expected credit loss of trade receivables, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 13 to the consolidated financial statements for the carrying amount of trade receivables. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We tested the completeness and the accuracy of the aging report of the trade receivables which served as a basis for the calculation of the expected credit loss allowance and verified that the percentage of such allowance was consistent with the Group's policy on the allowance for expected credit loss.
2. We confirmed the recoverability of trade receivables outstanding at yearend by checking the collections after the balance sheet date.
3. For the past due, outstanding amount, we assessed the reasonableness of the allowance through understanding the history of the client and whether collateral was obtained; we also assessed the state of the overall economy.

Allowance for Inventory Valuation Loss

The value of inventory is affected by the volatility of market demand and the ever-changing technology which can cause inventory to become outdated and obsolete. The allocation of inventory costs and the estimations of the net realizable value of inventory require management's judgment. In our audit, we focused on testing whether the value of inventory is stated at the lower of cost or net realizable value. We also assessed the reasonableness of management's estimation of the allowance for inventory valuation loss.

For a summary of the significant accounting policies on inventory valuation, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 14 to the consolidated financial statements for the carrying amount of inventory. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We tested the aging of inventory and we calculated the amount of allowance for inventory valuation loss per the Group's policy.
2. We selected samples of inventory items at yearend and we compared the respective actual selling prices with the book values to ensure that the book values do not exceed the net realizable values.

Business Combinations

In 2018, the Company acquired 100% of the equity interests of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT\$3,328,253 thousand and US\$721,461 thousand, respectively. The acquisitions were identified as key audit matter because the transactions involved complicated calculations such as in the determination of the consideration transferred and the assessment of the fair value of the acquired assets and assumed liabilities.

We verified that the business combinations had been properly evaluated and approved by inspecting the minutes of meetings of the board of directors and by reviewing the compliance with the internal control systems established by the Group and that the relevant provisions and procedures for the acquisition and disposal of assets were followed.

In addition, we also performed the following audit procedures:

1. We tested the controls for the acquisition and disposal of assets and assessed if the design and implementation of the internal control are effective.
2. We verified the date of the transaction, reviewed the relevant cash payment documents and the fair value of the assets, performed the recalculation of the profit and loss, and confirmed that the accounting treatment was appropriate.

Other Matter

We did not audit the financial statements of partial subsidiaries included in the consolidated financial statements of the Group, as of and for the years ended December 31, 2018 and 2017. The total assets of these subsidiaries were 10.63% (NT\$13,051,571 thousand) and 12.16% (NT\$8,476,474 thousand) of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively, and the total revenue of these subsidiaries was 7.24% (NT\$5,584,073 thousand) and 5.79% (NT\$1,868,715 thousand) of the Group's total consolidated revenue for the years ended December 31, 2018 and 2017, respectively. As disclosed in Note 16 to the accompanying consolidated financial statements, we also did not audit the financial statements of some investees accounted for using the equity method. The total investments in these investees accounted for using the equity method were 0.13% (NT\$154,651 thousand) and 0.25% (NT\$177,328 thousand) of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively; the Group's total share of the profit (loss) of such associates was (0.06%) (NT\$(23,364) thousand) and (0.03%) (NT\$(2,539) thousand) of the Group's consolidated profit before income tax for the years ended December 31, 2018 and 2017, respectively. The financial statements of the aforementioned subsidiary and investees accounted for using the equity method were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the related amounts included herein, is based solely on the reports of other auditors.

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

As described in Note 1 to the accompanying consolidated financial statements, on August 1, 2017, the Company sold 100% of its interest in Ferroxcube International Holding B.V. in a cash settlement amounting to €133,188 thousand. In addition, in 2018, the Company acquired 100% of the equity interest of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT\$3,328,253 thousand and US\$721,461 thousand, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

Notice to Readers

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 20,388,744	17	\$ 5,760,889	8
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	80,458	-	211,359	-
Financial assets at amortized cost - current (Notes 3, 4 and 9)	8,568,937	7	-	-
Debt investments with no active market - current (Notes 3, 4 and 12)	-	-	11,575,280	16
Notes receivable (Notes 3, 4, 5 and 13)	553,176	-	1,196,757	2
Trade receivable (Notes 3, 4, 5, 13 and 34)	19,251,951	16	10,546,437	15
Other receivables (Notes 3, 4 and 34)	442,998	-	428,652	1
Inventories (Notes 4, 5 and 14)	10,473,077	9	4,872,001	7
Prepayment (Note 20)	996,362	1	435,710	1
Other current assets	355,718	-	54,859	-
Total current assets	61,111,421	50	35,081,944	50
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 3, 4 and 7)	89,196	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	2,226,976	2	-	-
Available-for-sale financial assets - noncurrent (Notes 3, 4 and 10)	-	-	4,347,325	6
Held-to-maturity financial assets - noncurrent (Notes 3, 4 and 11)	-	-	7,133,802	10
Financial assets at amortized cost - non-current (Notes 3, 4 and 9)	6,946,640	6	-	-
Investments accounted for using the equity method (Notes 4 and 16)	6,205,942	5	3,480,124	5
Property, plant and equipment (Notes 4, 5, 17 and 35)	19,112,389	15	16,274,877	24
Goodwill (Notes 4, 5 and 18)	20,466,026	17	2,074,005	3
Other intangible assets (Notes 4 and 19)	4,032,094	3	86,082	-
Deferred tax assets (Notes 4 and 26)	2,207,304	2	922,820	2
Refundable deposits (Note 3)	104,372	-	82,635	-
Long-term prepayments for lease, net of current portion (Note 20)	110,730	-	73,061	-
Other noncurrent assets	143,532	-	140,550	-
Total noncurrent assets	61,645,201	50	34,615,281	50
TOTAL	\$ 122,756,622	100	\$ 69,697,225	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 21)	\$ 23,667,981	19	\$ 17,624,878	25
Short-term bills payable (Note 21)	499,487	-	1,099,772	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	27,674	-	82,995	-
Notes payable	163,595	-	3,449	-
Trade payable (Note 34)	10,347,305	9	7,511,421	11
Other payables (Notes 22 and 34)	11,065,243	9	4,874,382	7
Current tax liabilities (Notes 4 and 26)	6,782,248	6	1,209,130	2
Other current liabilities	281,179	-	41,375	-
Total current liabilities	52,834,712	43	32,447,402	47
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 21 and 35)	9,000,000	7	5,500,000	8
Deferred tax liabilities (Notes 4 and 26)	383,698	-	376	-
Accrued pension liabilities (Notes 4 and 23)	471,418	1	346,478	-
Guarantee deposits received	150,895	-	69,562	-
Other noncurrent liabilities	477,547	1	-	-
Total noncurrent liabilities	10,483,558	9	5,916,416	8
Total liabilities	63,318,270	52	38,363,818	55
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	4,270,394	3	3,504,010	5
Capital collected in advance	453	-	1,628	-
Total share capital	4,270,847	3	3,505,638	5
Capital surplus				
Issuance of common shares	2,718,524	2	2,652,778	4
From share of changes in capital surplus of associates	2,804,929	3	415,813	1
From employee share options	20,146	-	32,847	-
Total capital surplus	5,543,599	5	3,101,438	5
Retained earnings				
Legal reserve	3,235,596	3	2,550,866	4
Special reserve	437,595	-	1,723,692	2
Unappropriated earnings	49,478,674	40	20,096,117	29
Total retained earnings	53,151,865	43	24,370,675	35
Other equity				
Exchange differences on translation of foreign operations	(1,820,627)	(1)	(1,664,627)	(3)
Unrealized gain on financial assets at FVTOCI	610,563	-	-	-
Unrealized loss on available-for-sale financial assets	-	-	1,911,923	3
Total other equity	(1,210,064)	(1)	247,296	-
Treasury shares	(2,421,552)	(2)	-	-
Total equity attributable to owners of the Company	59,334,695	48	31,225,047	45
NONCONTROLLING INTERESTS	103,657	-	108,360	-
Total equity	59,438,352	48	31,333,407	45
TOTAL	\$ 122,756,622	100	\$ 69,697,225	100

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

(With Deloitte & Touche audit report dated March 14, 2019)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 34)				
Net sales	\$ 77,155,611	100	\$ 32,258,599	100
OPERATING COSTS (Notes 4, 14, 25 and 34)				
Cost of goods sold	<u>28,310,343</u>	<u>37</u>	<u>21,760,490</u>	<u>68</u>
GROSS PROFIT	<u>48,845,268</u>	<u>63</u>	<u>10,498,109</u>	<u>32</u>
OPERATING EXPENSES (Notes 4 and 25)				
Selling and marketing	6,496,642	8	1,462,724	5
General and administrative	3,523,253	5	1,138,150	3
Research and development	413,353	-	303,916	1
Expected credit loss (Notes 4 and 13)	<u>1,504,052</u>	<u>2</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>11,937,300</u>	<u>15</u>	<u>2,904,790</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>36,907,968</u>	<u>48</u>	<u>7,593,319</u>	<u>23</u>
NONOPERATING INCOME				
Finance costs (Notes 4 and 25)	(547,020)	(1)	(299,494)	(1)
Share of profit of associates (Note 4)	635,527	1	299,831	1
Interest income (Note 4)	1,091,535	1	507,890	2
Rental income (Notes 4 and 34)	41,662	-	22,156	-
Gain on financial instruments at fair value through profit or loss (Note 4)	1,288,486	2	152,805	-
Loss on financial instruments at fair value through profit or loss (Note 4)	(974,160)	(1)	(412,233)	(1)
Other gains and losses (Note 25)	<u>1,451,363</u>	<u>2</u>	<u>(42,052)</u>	<u>-</u>
Total nonoperating income	<u>2,987,393</u>	<u>4</u>	<u>228,903</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	39,895,361	52	7,822,222	24
INCOME TAX EXPENSE (Notes 4 and 26)	<u>6,055,209</u>	<u>8</u>	<u>1,141,208</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>33,840,152</u>	<u>44</u>	<u>6,681,014</u>	<u>21</u>

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 4)	\$ 29,415	-	\$ (54,555)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	(598,587)	(1)	-	-
Share of the other comprehensive income of associates accounted for using the equity method (Note 4)	282	-	(1,532)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	(2,817)	-	9,396	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 24)	(266,131)	-	(682,466)	(2)
Unrealized gain on available-for-sale financial assets (Notes 4 and 24)	-	-	2,101,738	6
Share of the other comprehensive income of associates accounted for using the equity method (Notes 4 and 24)	(8,200)	-	(72,379)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>114,209</u>	<u>-</u>	<u>116,220</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(731,829)</u>	<u>(1)</u>	<u>1,416,422</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 33,108,323</u>	<u>43</u>	<u>\$ 8,097,436</u>	<u>25</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 33,839,293	44	\$ 6,847,300	21
Business combinations under common control with successor	-	-	(191,474)	-
Noncontrolling interests	<u>859</u>	<u>-</u>	<u>25,188</u>	<u>-</u>
	<u>\$ 33,840,152</u>	<u>44</u>	<u>\$ 6,681,014</u>	<u>21</u>

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 33,113,026	43	\$ 8,569,219	27
Business combinations under common control				
with successor	-	-	(489,154)	(2)
Noncontrolling interests	<u>(4,703)</u>	<u>-</u>	<u>17,371</u>	<u>-</u>
	<u>\$ 33,108,323</u>	<u>43</u>	<u>\$ 8,097,436</u>	<u>25</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	<u>\$ 80.30</u>		<u>\$ 13.05</u>	=
Diluted	<u>\$ 78.09</u>		<u>\$ 12.77</u>	=

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

(With Deloitte & Touche audit report dated March 14, 2019)

(Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company																
									Other Equity								
									Exchange Differences on Translating Foreign Operations (Notes 4 and 24)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 24)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 24)	Treasury Stock (Note 24)					
	Share Capital (Note 24)			Capital Surplus (Notes 4, 24 and 28)	Retained Earnings				Business Combinations under Common Control with Successor (Notes 4 and 24)	Non-controlling Interests (Notes 4, 24 and 30)	Total Equity						
Common Shares	Capital Collected in Advance	Total	Legal Reserve (Note 24)		Special Reserve (Note 24)	Unappropriated Earnings (Note 24)	Total										
BALANCE, JANUARY 1, 2017	\$ 5,163,056	\$ 51,728	\$ 5,214,784	\$ 504,611	\$ 2,155,454	\$ 437,595	\$ 17,661,355	\$ 20,254,404	\$ (1,097,198)	\$ (188,899)	\$ -	\$ -	\$ 24,687,702	\$ -	\$ 113,593	\$ 24,801,295	
Retrospective restatement of business combinations under common control with successor	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,808,243)	-	(1,808,243)	
BALANCE, JANUARY 1, 2017 AFTER RESTATED	5,163,056	51,728	5,214,784	504,611	2,155,454	437,595	17,661,355	20,254,404	(1,097,198)	(188,899)	-	-	24,687,702	(1,808,243)	113,593	22,993,052	
Capital reduction	(1,509,669)	-	(1,509,669)	-	-	-	-	-	-	-	-	-	(1,509,669)	-	-	(1,509,669)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	200,853	(22,604)	178,249	
Appropriation of the 2016 earnings																	
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,283,218)	(1,283,218)	-	-	-	-	(1,283,218)	-	-	(1,283,218)	
Special reserve	-	-	-	-	-	1,286,097	(1,286,097)	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	395,412	-	(395,412)	-	-	-	-	-	-	-	-	-	
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	340,636	-	-	(10,930)	(10,930)	-	-	-	-	329,706	-	-	329,706	
Issue of share dividends from capital surplus	-	-	-	(225,094)	-	-	-	-	-	-	-	-	(225,094)	-	-	(225,094)	
Restructuring	-	-	-	2,416,738	-	-	-	-	(235,217)	-	-	-	2,181,521	2,096,544	-	4,278,065	
Recognition of compensation cost of employee share options	-	-	-	11,490	-	-	-	-	-	-	-	-	11,490	-	-	11,490	
Recognition of employee share options by the Company	68,033	(50,100)	17,933	62,994	-	-	-	-	-	-	-	-	80,927	-	-	80,927	
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	6,847,300	6,847,300	-	-	-	-	6,847,300	(191,474)	25,188	6,681,014	
Other comprehensive income(loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(46,691)	(46,691)	(332,212)	2,100,822	-	-	1,721,919	(297,680)	(7,817)	1,416,422	
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,617,537)	(1,617,537)	-	-	(1,617,537)	
Cancellation of treasury shares	(217,410)	-	(217,410)	(9,937)	-	-	(1,390,190)	(1,390,190)	-	-	-	1,617,537	-	-	-	-	
BALANCE, DECEMBER 31, 2017	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,096,117	24,370,675	(1,664,627)	1,911,923	-	-	31,225,047	-	108,360	31,333,407	
Retrospective restatement	-	-	-	-	-	-	5,440	5,440	-	(1,911,923)	1,906,483	-	-	-	-	-	
BALANCE, JANUARY 1, 2018 AFTER RESTATED	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,101,557	24,376,115	(1,664,627)	-	1,906,483	-	31,225,047	-	108,360	31,333,407	
Appropriation of the 2017 earnings																	
Legal reserve	-	-	-	-	684,730	-	(684,730)	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	(1,286,097)	1,286,097	-	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,036,144)	(5,036,144)	-	-	-	-	(5,036,144)	-	-	(5,036,144)	
Share dividends distributed by the Company	701,413	-	701,413	-	-	-	(701,413)	(701,413)	-	-	-	-	-	-	-	-	
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	2,389,116	-	-	-	-	-	-	-	-	2,389,116	-	-	2,389,116	
Issue of share dividends from capital surplus	-	-	-	(226,586)	-	-	-	-	-	-	-	-	(226,586)	-	-	(226,586)	
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	(25,874)	(25,874)	-	-	-	-	(25,874)	-	(543,571)	(569,445)	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	(25,765)	(25,765)	-	-	-	-	(25,765)	-	-	(25,765)	
Recognition of employee share options by the Company	64,971	(1,175)	63,796	279,631	-	-	-	-	-	-	-	-	343,427	-	-	343,427	
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	33,839,293	33,839,293	-	-	-	-	33,839,293	-	859	33,840,152	
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	26,880	26,880	(156,000)	-	(597,147)	-	(726,267)	-	(5,562)	(731,829)	
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(2,421,552)	(2,421,552)	-	-	(2,421,552)	
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	698,773	698,773	-	-	(698,773)	-	-	-	-	-	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	543,571	543,571	
BALANCE, DECEMBER 31, 2018	\$ 4,270,394	\$ 453	\$ 4,270,847	\$ 5,543,599	\$ 3,235,596	\$ 437,595	\$ 49,478,674	\$ 53,151,865	\$ (1,820,627)	\$ -	\$ 610,563	\$ (2,421,552)	\$ 59,334,695	\$ -	\$ 103,657	\$ 59,438,352	

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

(With Deloitte & Touche audit report dated March 14, 2019)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 39,895,361	\$ 7,822,222
Adjustments for:		
Expected credit loss recognized on trade receivables	1,504,052	-
Impairment loss recognized on trade receivables	-	23,916
Depreciation expenses	7,500,217	1,782,331
Amortization expenses	76,677	55,701
Amortization of prepayments for lease	2,444	2,386
Amortization of prepayments	6,745	4,811
Net (gain) loss on fair value change of financial assets and liabilities held for trading	(314,326)	259,428
Finance costs	547,020	299,494
Interest income	(1,091,535)	(507,890)
Dividend income	(148,998)	(79,907)
Compensation cost of employee share options	-	11,490
Share of profit of associates	(635,527)	(299,831)
Net loss on disposal of property, plant and equipment, net	22,279	7,017
Net gain on disposal of available-for-sale financial assets	-	(202,028)
Write-downs of inventories	77,515	47,477
(Gain) loss on unrealized foreign currency exchange	93,207	(29,629)
Changes in operating assets and liabilities:		
Financial assets held for trading	-	(224,298)
Financial assets mandatorily classified at fair value through profit or loss	59,368	-
Notes receivable	735,928	(553,318)
Accounts receivable	(6,544,318)	(2,115,484)
Other receivables	11,979	978,918
Inventories	(3,353,349)	(101,305)
Prepayments	(344,788)	(54,846)
Other current assets	32,391	99,924
Notes payable	150,387	(4,620)
Accounts payable	310,976	1,298,545
Other payables	4,587,537	48,189
Other current liabilities	154,559	(58,382)
Accrued pension liabilities	(100,570)	-
Cash generated from operations	43,235,231	8,510,311
Interest received	1,077,893	473,807
Dividend received	148,998	79,907
Interest paid	(518,382)	(291,537)
Income tax paid	(2,160,957)	(745,177)
Net cash generated from operating activities	41,782,783	8,027,311

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of held for trading financial assets	\$ -	\$ (2,019,471)
Proceeds from sale of financial assets at fair value through other comprehensive income	1,429,614	-
Purchase of financial assets at amortized cost	(210,977)	-
Proceeds from sale of financial assets at amortized cost	3,556,572	-
Purchase of financial assets at fair value through profit or loss	(149,648)	-
Proceeds from sale of financial assets at fair value through profit or loss	482,128	1,873,213
Purchase of available-for-sale financial assets	-	(51,941)
Proceeds from sale of available-for-sale financial assets	-	322,719
Proceeds from capital reduction of available-for-sale financial assets	-	14,579
Purchase of debt investments with no active market	-	(3,299,561)
Purchase of held-to-maturity financial assets	-	(7,243,278)
Proceeds from capital reduction of financial assets at fair value through profit or loss	10,497	-
Acquisition of associates	-	(607,223)
Acquisition of subsidiaries	(23,920,521)	-
Net cash inflow on disposal of subsidiaries	-	4,235,378
Proceeds from capital reduction of associates	45,261	22,261
Payments for property, plant and equipment	(9,074,910)	(4,949,752)
Proceeds from disposal of property, plant and equipment	92,506	16,851
Increase in refundable deposits	(21,737)	-
Decrease in refundable deposits	-	6,247
Payments for intangible assets	(10,012)	(12,250)
Increase in other noncurrent assets	-	(1,280)
Dividends received from associates	246,719	245,675
Net cash used in investing activities	<u>(27,524,508)</u>	<u>(11,447,833)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	5,612,797	4,907,924
Repayments of short-term bills payable	(600,285)	-
Repayments of bond payables	(287,599)	-
Proceeds of long-term borrowings	3,500,000	4,100,000
Repayments of long-term borrowings	-	(2,200,000)
Proceeds of guarantee deposits received	81,352	39,409
Dividends paid to the owners of the Company	(5,262,730)	(1,500,626)
Capital reduction	-	(1,509,669)
Proceeds from employee share options	343,427	80,927
Payments for buyback of treasury shares	(2,421,552)	(1,617,537)
Dividends paid to noncontrolling interests	(569,445)	(49,457)
Net cash generated from financing activities	<u>395,965</u>	<u>2,250,971</u>

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	<u>2018</u>	<u>2017</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>\$ (26,385)</u>	<u>\$ (689,105)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,627,855	(1,858,656)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,760,889</u>	<u>7,619,545</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 20,388,744</u>	<u>\$ 5,760,889</u>

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

(With Deloitte & Touche audit report dated March 14, 2019)

(Concluded)

The Board of Directors and Shareholders
Yageo Corporation

Opinion

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

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

Basis for Opinion

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

Key audit matters of the financial statements for the year ended December 31, 2018 are as follows:

Allowance for Expected Credit Loss of Trade Receivables

The recoverable amount of trade receivables is determined by management's evaluation of the credit risk of overdue receivables, which is affected by management's assumptions about a client's credit quality. In our audit, we focused on clients with significant trade receivables and overdue balances, and we evaluated the reasonableness of management's estimation of the allowance for expected credit loss of trade receivables.

For a summary of the significant accounting policies on expected credit loss of trade receivables, refer to Note 4 to the accompanying financial statements. Refer to Note 12 to the financial statements for the carrying amount of trade receivables. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We tested the completeness and the accuracy of the aging report of the trade receivables which served as a basis for the calculation of the expected credit loss allowance and we verified that the percentage of such allowance was consistent with the Company's policy on the allowance for expected credit loss.
2. We examined the recoverability of trade receivables outstanding at yearend by checking the collections after the balance sheet date.

3. For the past due, outstanding amount, we assessed the reasonableness of the allowance through understanding the history of the client and whether collateral was obtained; we also assessed the state of the overall economy.

Allowance for Inventory Valuation Loss

The value of inventory is affected by the volatility of market demand and the ever-changing technology which can cause inventory to become outdated and obsolete. The allocation of inventory costs and the estimations of the net realizable value of inventory require management's judgment. In our audit, we focused on testing whether the value of inventory is stated at the lower of cost or net realizable value. We also assessed the reasonableness of management's estimation of the allowance for inventory valuation loss.

For a summary of the significant accounting policies on inventory valuation, refer to Note 4 to the accompanying financial statements. Refer to Note 13 to the financial statements for the carrying amount of inventory. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We tested the aging of inventory and we calculated the amount of allowance for inventory valuation loss per the Company's policy.
2. We selected samples of inventory items at yearend and we compared the respective actual selling prices with the book values to ensure that the book values do not exceed the net realizable values.

Acquisition of Subsidiaries

In 2018, the Company acquired 100% of the equity interests of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT\$3,328,253 thousand and US\$721,461 thousand, respectively. The acquisitions were identified as key audit matter because the transactions involved complicated calculations such as in the determination of the consideration transferred and the assessment of the fair value of the acquired assets and assumed liabilities.

We verified that the business combinations had been properly evaluated and approved by inspecting the minutes of meetings of the board of directors and by reviewing the compliance with the internal control systems established by the Company and that the relevant provisions and procedures for the acquisition and disposal of assets were followed.

In addition, we also performed the following audit procedures:

1. We tested the controls for the acquisition and disposal of assets and assessed if the design and implementation of the internal control are effective.
2. We verified the date of the transaction, reviewed the relevant cash payment documents and the fair value of the assets, performed the recalculation of the profit and loss, and confirmed that the accounting treatment was appropriate.

Other Matter

As described in Note 14, we did not audit the financial statements of partial investees accounted for using the equity method. The financial statements of the aforementioned investees accounted for using the equity method were audited by other auditors; our opinion, insofar as it relates to the related amounts included herein, is based solely on the reports of other auditors. The total investments in these investees accounted for using the equity method were 0.96% (NT\$1,112,043 thousand) and 2.37% (NT\$1,509,359 thousand) of the Company's total assets as of December 31, 2018 and 2017, respectively, and the amounts of the Company's share of profit of such associates were 1.53% (NT\$563,325 thousand) and 5.73% (NT\$419,909 thousand) of the Company's profit before income tax

for the years ended December 31, 2018 and 2017, respectively.

As described in Note 1 to the accompanying financial statements, on August 1, 2017, the Company sold 100% of its interest in Ferroxcube International Holding B.V. in a cash settlement amounting to €133,188 thousand. In addition, in 2018, the Company acquired 100% of the equity interest of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT\$3,328,253 thousand and US\$721,461 thousand, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

Notice to Readers

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

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

YAGEO CORPORATION

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 8,535,682	7	\$ 461,352	1
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	16,901	-	117	-
Notes receivable (Notes 3, 4, 5 and 12)	-	-	445	-
Trade receivables (Notes 3, 4, 5 and 12)	2,212,586	2	1,053,020	2
Trade receivables from related parties (Notes 3, 4 and 29)	4,694,386	4	6,291,951	10
Other receivables (Notes 3 and 29)	256,243	-	362,487	-
Inventories (Notes 4, 5 and 13)	3,059,022	3	1,352,999	2
Prepayment	270,229	-	92,877	-
Other current assets	612	-	514	-
Total current assets	19,045,661	16	9,615,762	15
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 3, 4 and 7)	482	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	1,112,244	1	-	-
Available-for-sale financial assets - non-current (Notes 3, 4 and 10)	-	-	1,419,141	2
Held-to-maturity financial assets - non-current (Notes 3, 4 and 11)	-	-	3,050,039	5
Financial assets at amortized cost - non-current (Notes 3, 4 and 9)	2,839,120	3	-	-
Investments accounted for using the equity method (Notes 4 and 14)	84,840,672	73	41,828,770	66
Property, plant and equipment (Notes 4, 5, 15 and 30)	5,932,977	5	6,495,138	10
Computer software (Note 4)	81,796	-	85,445	-
Goodwill (Notes 4, 5 and 16)	109,643	-	109,643	-
Deferred tax assets (Notes 4 and 22)	1,961,908	2	867,618	2
Refundable deposits (Note 3)	5,990	-	5,131	-
Other non-current assets	79,409	-	79,409	-
Total non-current assets	96,964,241	84	53,940,334	85
TOTAL	\$ 116,009,902	100	\$ 63,556,096	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 20,417,300	18	\$ 13,979,440	22
Short-term bills payable (Note 17)	499,487	-	1,099,772	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	27,674	-	72,443	-
Contract liabilities - current (Note 29)	8,359,581	7	-	-
Notes payable	162,247	-	3,449	-
Trade payables	2,473,120	2	2,449,296	4
Trade payables to related parties (Note 29)	5,182,279	5	4,880,008	8
Other payables (Note 18)	4,993,586	4	2,921,063	5
Current tax liabilities (Notes 4 and 22)	3,923,898	3	920,897	1
Other current liabilities	807,044	1	22,267	-
Total current liabilities	46,846,216	40	26,348,635	42
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 30)	9,000,000	8	5,500,000	9
Deferred tax liabilities (Notes 4 and 22)	205,022	-	-	-
Accrued pension liabilities (Notes 4 and 19)	113,484	-	207,142	-
Guarantee deposits received	126	-	126	-
Other non-current liabilities (Notes 4 and 14)	510,359	1	275,146	-
Total non-current liabilities	9,828,991	9	5,982,414	9
Total liabilities	56,675,207	49	32,331,049	51
EQUITY				
Share capital				
Common shares	4,270,394	3	3,504,010	6
Capital collected in advance	453	-	1,628	-
Total share capital	4,270,847	3	3,505,638	6
Capital surplus				
Issuance of common shares	2,718,524	2	2,652,778	4
From share of changes in capital surplus of associates	2,804,929	3	415,813	1
From employee share options	20,146	-	32,847	-
Total capital surplus	5,543,599	5	3,101,438	5
Retained earnings				
Legal reserve	3,235,596	3	2,550,866	4
Special reserve	437,595	-	1,723,692	3
Unappropriated earnings	49,478,674	43	20,096,117	31
Total retained earnings	53,151,865	46	24,370,675	38
Other equity				
Exchange differences on translation of foreign operations	(1,820,627)	(2)	(1,664,627)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	610,563	1	-	-
Unrealized gain on available-for-sale financial assets	-	-	1,911,923	3
Total other equity	(1,210,064)	(1)	247,296	-
Treasury shares	(2,421,552)	(2)	-	-
Total equity	59,334,695	51	31,225,047	49
TOTAL	\$ 116,009,902	100	\$ 63,556,096	100

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

(With Deloitte & Touche audit report dated March 14, 2019)

YAGEO CORPORATION

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 29)				
Net sales	\$ 37,221,892	100	\$ 15,637,652	100
OPERATING COSTS (Notes 4, 13, 21 and 29)				
Cost of goods sold	<u>13,505,778</u>	<u>36</u>	<u>11,092,235</u>	<u>71</u>
GROSS PROFIT	23,716,114	64	4,545,417	29
REALIZED GAIN (LOSS) ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>(2,227,783)</u>	<u>(6)</u>	<u>32,648</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>21,488,331</u>	<u>58</u>	<u>4,578,065</u>	<u>29</u>
OPERATING EXPENSES (Notes 4, 21 and 29)				
Selling and marketing	1,180,751	3	406,002	2
General and administrative	2,687,290	7	608,394	4
Research and development	275,757	1	263,077	2
Reversal of expected credit losses (Notes 4 and 12)	<u>(505)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>4,143,293</u>	<u>11</u>	<u>1,277,473</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>17,345,038</u>	<u>47</u>	<u>3,300,592</u>	<u>21</u>
NONOPERATING INCOME				
Finance costs (Notes 4 and 21)	(398,205)	(1)	(210,409)	(1)
Share of profit of subsidiaries and associates (Note 4)	18,278,731	49	4,302,491	28
Interest income (Note 4)	495,310	1	117,056	1
Rental income (Notes 4 and 29)	2,694	-	3,560	-
Gain on financial instruments at fair value through profit or loss (Note 4)	380,397	1	62,305	-
Loss on financial instruments at fair value through profit or loss (Note 4)	(210,786)	-	(399,298)	(3)
Other gains and losses (Notes 4, 21 and 29)	<u>887,239</u>	<u>2</u>	<u>157,377</u>	<u>1</u>
Total nonoperating income	<u>19,435,380</u>	<u>52</u>	<u>4,033,082</u>	<u>26</u>
PROFIT BEFORE INCOME TAX	36,780,418	99	7,333,674	47
INCOME TAX EXPENSE (Notes 4 and 22)	<u>2,941,125</u>	<u>8</u>	<u>677,848</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>33,839,293</u>	<u>91</u>	<u>6,655,826</u>	<u>43</u>

(Continued)

YAGEO CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	\$ 30,078	-	\$ (54,068)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 20)	531,170	1	-	-
Share of the other comprehensive income of associates accounted for using the equity method (Note 4)	(104)	-	(1,815)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	(3,094)	-	9,192	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets (Notes 4 and 20)	-	-	707,200	4
Share of the other comprehensive income of associates accounted for using the equity method (Notes 4 and 20)	(1,398,526)	(4)	647,510	4
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 20 and 22)	<u>114,209</u>	<u>1</u>	<u>116,220</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(726,267)</u>	<u>(2)</u>	<u>1,424,239</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 33,113,026</u>	<u>89</u>	<u>\$ 8,080,065</u>	<u>52</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	<u>\$ 80.30</u>		<u>\$ 13.05</u>	
Diluted	<u>\$ 78.09</u>		<u>\$ 12.77</u>	

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

(With Deloitte & Touche audit report dated March 14, 2019)

(Concluded)

YAGEO CORPORATION

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

	Equity Attributable to Owners of the Company															
									Other Equity							
	Share Capital			Capital Surplus (Notes 4, 20 and 24)	Retained Earnings				Exchange Differences on Translating Foreign Operations (Notes 4 and 20)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 3, 4 and 20)	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 3, 4 and 20)	Total	Treasury Stock	Total	Business Combinations under Common Control with Successor (Notes 4 and 20)	Total Equity
	Common Shares (Note 20)	Capital Collected in Advance	Total		Legal Reserve (Note 20)	Special Reserve (Note 20)	Unappropriated Earnings (Note 3, 4, 19, 20)	Total								
BALANCE, JANUARY 1, 2017	\$ 5,163,056	\$ 51,728	\$ 5,214,784	\$ 504,611	\$ 2,155,454	\$ 437,595	\$ 17,661,355	\$ 20,254,404	\$ (1,097,198)	\$ (188,899)	\$ -	\$ (1,286,097)	\$ -	\$ 24,687,702	\$ (1,808,243)	\$ 22,879,459
Capital reduction	(1,509,669)	-	(1,509,669)	-	-	-	-	-	-	-	-	-	-	(1,509,669)	-	(1,509,669)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,853	200,853
Appropriation of the 2016 earnings																
Legal reserve	-	-	-	-	395,412	-	(395,412)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	1,286,097	(1,286,097)	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,283,218)	(1,283,218)	-	-	-	-	-	(1,283,218)	-	(1,283,218)
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	340,636	-	-	(10,930)	(10,930)	-	-	-	-	-	329,706	-	329,706
Issue of share dividends from capital surplus	-	-	-	(225,094)	-	-	-	-	-	-	-	-	-	(225,094)	-	(225,094)
Restructuring	-	-	-	2,416,738	-	-	-	-	(235,217)	-	-	(235,217)	-	2,181,521	2,096,544	4,278,065
Recognition of compensation cost of employee share options	-	-	-	11,490	-	-	-	-	-	-	-	-	-	11,490	-	11,490
Recognition of employee share options by the Company	68,033	(50,100)	17,933	62,994	-	-	-	-	-	-	-	-	-	80,927	-	80,927
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	6,847,300	6,847,300	-	-	-	-	-	6,847,300	(191,474)	6,655,826
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(46,691)	(46,691)	(332,212)	2,100,822	-	1,768,610	-	1,721,919	(297,680)	1,424,239
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(1,617,537)	(1,617,537)	-	(1,617,537)
Cancellation of treasury shares	(217,410)	-	(217,410)	(9,937)	-	-	(1,390,190)	(1,390,190)	-	-	-	-	1,617,537	-	-	-
BALANCE AT DECEMBER 31, 2017	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,096,117	24,370,675	(1,664,627)	1,911,923	-	247,296	-	31,225,047	-	31,225,047
Retrospective restatement	-	-	-	-	-	-	5,440	5,440	-	(1,911,923)	1,906,483	(5,440)	-	-	-	-
BALANCE AT JANUARY 1, 2018 AFTER RESTATED	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,101,557	24,376,115	(1,664,627)	-	1,906,483	241,856	-	31,225,047	-	31,225,047
Appropriation of the 2017 earnings																
Legal reserve	-	-	-	-	684,730	-	(684,730)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,286,097)	1,286,097	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,036,144)	(5,036,144)	-	-	-	-	-	(5,036,144)	-	(5,036,144)
Share dividends distributed by the Company	701,413	-	701,413	-	-	-	(701,413)	(701,413)	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	2,389,116	-	-	-	-	-	-	-	-	-	2,389,116	-	2,389,116
Issue of share dividends from capital surplus	-	-	-	(226,586)	-	-	-	-	-	-	-	-	-	(226,586)	-	(226,586)
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	(25,874)	(25,874)	-	-	-	-	-	(25,874)	-	(25,874)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	(25,765)	(25,765)	-	-	-	-	-	(25,765)	-	(25,765)
Recognition of employee share options by the Company	64,971	(1,175)	63,796	279,631	-	-	-	-	-	-	-	-	-	343,427	-	343,427
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	33,839,293	33,839,293	-	-	-	-	-	33,839,293	-	33,839,293
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	26,880	26,880	(156,000)	-	(597,147)	(753,147)	-	(726,267)	-	(726,267)
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(2,421,552)	(2,421,552)	-	(2,421,552)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	698,773	698,773	-	-	(698,773)	(698,773)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	<u>\$ 4,270,394</u>	<u>\$ 453</u>	<u>\$ 4,270,847</u>	<u>\$ 5,543,599</u>	<u>\$ 3,235,596</u>	<u>\$ 437,595</u>	<u>\$ 49,478,674</u>	<u>\$ 53,151,865</u>	<u>\$ (1,820,627)</u>	<u>\$ -</u>	<u>\$ 610,563</u>	<u>\$ (1,210,064)</u>	<u>\$ (2,421,552)</u>	<u>\$ 59,334,695</u>	<u>\$ -</u>	<u>\$ 59,334,695</u>

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

(With Deloitte & Touche audit report dated March 14, 2019)

YAGEO CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 36,780,418	\$ 7,333,674
Adjustments for:		
Expected credit loss reversed on trade receivables	(505)	-
Impairment loss recognized on trade receivables	-	24,222
Depreciation expenses	3,762,953	787,810
Amortization expenses	45,805	55,298
Amortization of prepayments	5,779	4,493
Net (gain) loss on fair value change of financial assets and liabilities held for trading	(169,611)	336,993
Finance costs	398,205	210,409
Interest income	(495,310)	(117,056)
Dividend income	(23,269)	(17,281)
Compensation cost of employee share options	-	11,490
Share of profit of subsidiaries and associates	(18,278,731)	(4,302,491)
Net loss (gain) on disposal of property, plant and equipment, net	1,023	(1,060)
Net gain on disposal of available-for-sale financial assets	-	(2,204)
Write-downs of inventories	37,874	36,364
Realized loss (gain) on the transactions with subsidiaries	2,227,783	(32,648)
Net unrealized gain on foreign currency exchange	(40,696)	(11,633)
Changes in operating assets and liabilities:		
Financial assets held for trading	-	(246,530)
Financial assets mandatorily classified as at fair value through profit or loss	108,058	-
Notes receivable	445	(311)
Trade receivables	(1,152,369)	(288,374)
Trade receivables - related parties	1,641,691	(2,142,312)
Other receivables	104,954	(217,350)
Inventories	(1,743,897)	55,937
Prepayments	(187,509)	59,481
Other current assets	(98)	1,608
Contract liabilities	8,359,581	-
Notes payable	158,798	(4,620)
Trade payables	4,512	484,879
Trade payables - related parties	244,185	1,160,445
Other payables	2,267,545	(5,714)
Other current liabilities	784,777	3,492
Accrued pension liabilities	(63,579)	(3,290)
Cash generated from operations	34,778,812	3,173,721
Interest received	496,918	88,594
Dividend received	23,269	17,281
Interest paid	(397,648)	(206,904)
Income tax paid	(691,300)	(413,725)
Net cash generated from operating activities	34,210,051	2,658,967

(Continued)

YAGEO CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 280,073	\$ -
Proceeds from sale of financial assets at amortized cost	277,875	-
Purchase of held for trading financial assets	-	(1,873,213)
Proceeds from sale of held for trading financial assets	-	1,873,213
Purchase of held-to-maturity financial assets	-	(3,050,039)
Acquisition of associates	(25,653,852)	(1,472,691)
Proceeds from capital reduction of associates	122,887	18,196
Payments for property, plant and equipment	(3,480,310)	(1,964,254)
Proceeds from disposal of property, plant and equipment	29,697	6,554
(Increase) decrease in refundable deposits	(859)	3,163
Payments for intangible assets	(10,010)	(12,250)
Dividends received from associates	301,773	209,809
Net cash used in investing activities	<u>(28,132,726)</u>	<u>(6,261,512)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	6,437,860	2,860,440
Repayments of short-term bills payable	(600,000)	-
Proceeds of long-term borrowings	3,500,000	4,100,000
Repayments of long-term borrowings	-	(2,200,000)
Refund of guarantee deposits received	-	(3,286)
Dividends paid to the owners of the Company	(5,262,730)	(1,500,626)
Capital reduction	-	(1,509,669)
Proceeds from employee share options	343,427	80,927
Payments for buyback of treasury shares	<u>(2,421,552)</u>	<u>(1,617,537)</u>
Net cash generated from financing activities	<u>1,997,005</u>	<u>210,249</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,074,330	(3,392,296)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>461,352</u>	<u>3,853,648</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,535,682</u>	<u>\$ 461,352</u>

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

(With Deloitte & Touche audit report dated March 14, 2019)

Attachment II :

Articles of Incorporation Before and After Amendments Table

Article	Before amendment	Article	After amendment	Reason for amendment
Article 7	The Company shall issue and serial numbered the shares, which shall be signed or sealed by at least three members of the Board and certified by the competent authorities or authorized underwriters in accordance with the law. The Company may issue dematerialized shares or print one share certificate for the total number of shares issued, but shall register the new shares with Taiwan Securities Central Depository Co., Ltd. (TSCD) or keep the shares under TSCD's custody. The Company shall prepare and issue bonds in accordance with the regulations in the last two paragraphs.	Article 7	The Company shall issue and serial numbered the shares, which shall be signed or sealed by at least three members of the Board and certified by the competent authorities or authorized underwriters in accordance with the law. The Company may issue dematerialized shares, but shall register the new shares with Taiwan Securities Central Depository Co., Ltd. (TSCD) or keep the shares under TSCD's custody. The Company shall prepare and issue bonds in accordance with the regulations in the last two paragraphs.	Delete the provision of having stock printed consolidately in line with the deletion to Company Law No. 162-1.
Article 24	If there is profit generated for the year, the Company shall set aside not less than 2% employee compensation and not more than 3% compensation for the directors. But if there are accumulated losses, the Company shall have reserved a sufficient amount to offset its accumulated losses. If the Company made a profit for the year, the Company must pay tax and make up for the accumulated losses first, also share the remaining profit as follows: I. Set aside 10% of the earnings as legal reserve. However, when the legal reserve amount equals to the authorized capital of the Company, it is not subject or such restriction. II. Set aside or reverse special reserve in accordance with the relevant laws and regulations. III. Pay dividends or bonuses for an amount not less than 10% of the amount net of the legal reserve and special reserve as stipulated in the preceding paragraph. The Board of Director shall prepare the earnings distribution proposal for the resolutions of the shareholders meeting.	Article 24	If there is profit generated for the year, the Company shall set aside not less than 2% employee compensation and not more than 3% compensation for the directors. But if there are accumulated losses, the Company shall have reserved a sufficient amount to offset its accumulated losses. If the Company made a profit for the year, the Company must pay tax and make up for the accumulated losses first, also share the remaining profit as follows: I. Set aside 10% of the earnings as legal reserve. However, when the legal reserve amount equals to the <u>paid-in</u> capital of the Company, it is not subject or such restriction. II. Set aside or reverse special reserve in accordance with the relevant laws and regulations. III. Pay dividends or bonuses for an amount not less than 10% of the amount net of the legal reserve and special reserve as stipulated in the preceding paragraph. The Board of Director shall prepare the earnings distribution proposal for the resolutions of the shareholders meeting. <u>However,</u>	1. Coordinate with paragraph 1, Article 237 of the Company Law. 2. The Board of Directors is authorized to distribute dividends, bonuses, legal reserves, and all or part of the additional paid-in capital as stipulated in Article 241 of the Company Law in cash.

Article	Before amendment	Article	After amendment	Reason for amendment
	The Company's dividend distribution policy should be based on shareholders' equity and the current and future industrial competition faced by the Company, the investment environment, and fund demand. Every year the Board of Directors is authorized to propose the distribution ratio of cash and stock dividend for resolutions in the shareholders meeting. Earnings of corporation as employee compensation may be distributed by way of stock dividend as stated in the preceding paragraphs that also include the employees of subsidiaries. Earnings of corporation shall be allocated according to the resolutions of the Board of Directors.		<u>if the earnings distribution proposal is for the distribution of dividend and bonus in cash entirely or partially, it shall be resolved by the Board of Directors with the attendance of more than two-thirds of the directors and the consent of the majority of attending directors; also, it shall be reported in the shareholders meeting.</u> The Company's dividend distribution policy should be based on shareholders' equity and the current and future industrial competition faced by the Company, the investment environment, and fund demand. The Board of Directors is authorized to propose the distribution ratio of cash and stock dividend, <u>and has it resolved according to the legal procedures for resolutions in the shareholders meeting.</u> Earnings of corporation as employee compensation may be distributed by way of stock dividend as stated in the preceding paragraphs that also include the employees of subsidiaries. Earnings of corporation shall be allocated according to the resolutions of the Board of Directors. <u>If the Company has no loss, the legal reserve and the Company's additional paid-in capital as stipulated in Paragraph 1, Article 241 of the Company Law can be distributed to the shareholders proportionally according to the resolution of the Board of Directors with the attendance of more than two-thirds of the directors and the consent of the majority of attending directors; also, it shall be reported in the shareholders meeting.</u>	
Article 24-2		Article 24-2	<u>The Company's earnings distribution or loss recovery can be completed at the end of each interim fiscal year.</u> <u>The Company before distributing the earnings of the first half of the fiscal year as stated in the preceding paragraph should estimate and retain the amount of tax payable, loss coverage, employee compensation, and the provision of earnings reserved in advance. However, when the legal reserve equals to the amount of paid-in capital, it is not subject to this restriction.</u> <u>The proposal for the earnings</u>	1. This article is newly added. 2. According to the amended Company law 228-1, it is clearly stipulated in the Articles of Association that the

Article	Before amendment	Article	After amendment	Reason for amendment
			<u>distribution or loss recovery in Paragraph 1 shall take into account the operating conditions and cash flows for the year; also, it should be submitted to the Audit Committee for review along with the business report and financial statements and then to the Board of Directors for resolutions. If the earnings distribution handled with new stock shares issued, the Board of Directors shall submit it in the shareholders meeting for resolutions in accordance with the provisions of Article 240 of the Company Law.</u>	Company may have earnings distributed in every half of the fiscal year.
Article 26	The Company's Memorandum of Incorporation was stipulated on July 23, 1987. (Omitted)	Article 26	The Company's Memorandum of Incorporation was stipulated on July 23, 1987. (Omitted) <u>The 33th amendment of the MOI on June 5, 2019.</u>	The current amendment date is added.

Attachment III :

Procedures for the Acquisition and Disposal of Assets Before and After Amendments Table

Article	Before amendment	Article	After amendment	Reason for amendment
Article 2	The Company's acquisition and disposal of assets shall be handled in accordance with the Procedures, <u>unless otherwise provided by law and regulations.</u>	Article 2	The Company's acquisition and disposal of assets shall be handled in accordance with the Procedures.	Text correction
Article 3	The applicable scope of the assets referred to in the Procedures is as follows: I. Investments in stocks, bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficiary securities, and asset-based securities; II. Real property (including land, housing and construction, investment real property, and right-of-use land) and equipment; III. Membership cards; IV. Intangible assets, such as, patents, copyrights, trademarks, and charters; V. Claims of financial institutions (including receivables, discounted bills and loans, and collections); VI. Derivative products; VII. Assets acquired and disposed of in accordance with legal mergers, divisions, acquisitions, or share transfers; VIII. Other important assets;	Article 3	The applicable scope of the assets referred to in the Procedures is as follows: I. Investments in stocks, bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficiary securities, and asset-based securities; II. Real property (including land, housing and construction, investment real property, and right-of-use land) and equipment; III. Membership cards; IV. Intangible assets, such as, patents, copyrights, trademarks, and charters; <u>V. Right-of-use assets</u> <u>VI. Claims of financial institutions (including receivables, exchanges discount and loans, and collections);</u> <u>VII. Derivative products;</u> <u>VIII. Assets acquired and disposed of in accordance with legal mergers, clearing, acquisitions, or share transfers;</u> <u>IX. Other important assets;</u>	Amended in accordance with the provisions of International Financial Reporting Standard No. 16 "Lease."
Article 4	The terms used in the Procedures is defined as follows: I. Derivative products: It refers to the forward contracts, stock option contracts, futures contracts, leveraged margin contracts, swap contracts, and the compound contract of the aforementioned contracts with values derived from assets, interest rates, exchange rates, index, or other benefits. The so-called forward contracts does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) contracts. II. Assets acquired or disposed of by legal mergers, divisions, acquisitions, or share transfers: It refers to the assets acquired and disposed of by mergers, divisions, or acquisitions in accordance with the Business Mergers and Acquisitions Act, the Financial Holding	Article 4	The terms used in the Procedures is defined as follows: I. Derivative products: Its value is derived from the specific interest rate, financial instrument price, product price, exchange rate, price or rate index, credit rating or credit index, or forward contracts derived from other variables, option contracts, leverage bond contract, swap contract, <u>the combination of the aforementioned contracts, embedded derivative portfolio contract, and structured products.</u> The so-called forward contracts does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) contracts. II. Assets acquired or disposed of by legal mergers, divisions, acquisitions, or share transfers: It refers to the assets acquired and disposed of by mergers,	Amended in accordance with the definition of International Financial Reporting Standard No. 9 "Financial Instruments."

Article	Before amendment	Article	After amendment	Reason for amendment
	Company Law, the Financial Institutions Merger Act, or other law, or issuing new shares according to Paragraph 8 of Article 156 of the Company Law in exchange for the stock shares of other companies (referred to as “share transfers” hereinafter). (Omitted hereinafter)		divisions, or acquisitions in accordance with the Business Mergers and Acquisitions Act, the Financial Holding Company Law, the Financial Institutions Merger Act, or other law, or issuing new shares according to Article 156-3 of the Company Law in exchange for the stock shares of other companies (referred to as “share transfers” hereinafter). (Omitted hereinafter)	
Article 5	For the appraisal report obtained by the Company or the opinion of an accountant, lawyer, or security underwriter, such professional appraisal service company and its appraisers, accountants, lawyers, or security underwriters <u>may not be a related party to each other.</u>	Article 5	For the appraisal report or the opinion of an accountant, lawyer, or security underwriter obtained by the Company, the professional appraisal service company and its appraisers, accountants, lawyers, or security underwriters <u>must meet the following requirements:</u> <u>I. They have not been convicted of violating the Procedures, Company Act, Banking Act, Insurance Act, Financial Holding Company Act, Business Entity Accounting Act, or fraud, breach of trust, encroachment, falsification of documents or business crimes, and is subject to a term of imprisonment of more than one year. However, if the execution is completed, the probation period expires, or the pardon has been completed for three years, it is not subject to this restriction.</u> <u>II. They are not a related party of or have a substantive relationship with the trade party.</u> <u>III. If the company should obtain an appraisal report from two or more professional appraisal service companies, the appraisal companies or appraisers may not be related to each other or have a substantive relationship.</u>	Supplementary provisions regarding retaining the service of professional appraisal service and its appraisers, accountants, lawyers, or securities underwriters are added.
Article 7	The following matters are documented and handled in accordance with the Procedures: I. Scope of assets: Please refer to Article 3 of the Procedures. II. Evaluation procedures: (I) Acquisition or disposal of securities 1. Evaluation: The undertaking unit shall make an assessment on the purpose of the transaction, the content of the subject matter, and the price reference. 2. Pricing method: (1) Acquiring or disposing of securities that have been traded in the stock exchange market or TPEx, depending on the listing or market price at the time. (2) Acquiring or disposing of	Article 7	The following matters are documented and handled in accordance with the Procedures: I. Scope of assets: Please refer to Article 3 of the Procedures. II. Evaluation procedures: (I) Acquisition or disposal of securities 1. Evaluation: The undertaking unit shall make an assessment on the purpose of the transaction, the content of the subject matter, and the price reference. 2. Pricing method: (1) Acquiring or disposing of securities that have been traded in the stock exchange market or TPEx, depending on the listing or market price at the time. (2) Acquiring or disposing of	Text correction

Article	Before amendment	Article	After amendment	Reason for amendment
	securities or private placement securities that are not traded in the stock exchange market or TPEX. Please refer to Article 10 of Section 2 of the Procedures for the pricing method. (II) Acquisition or disposition of real property <u>and other fixed assets</u> 1.Evaluation: The undertaking unit shall make an assessment on the purpose of the transaction, the content of the subject matter, the price reference, and the terms of collection and payment. 2.Pricing method: Please refer to Article 9 of Section 2 of the Procedures. (III) Acquisition or disposal of membership card <u>and intangible assets</u> 1.Evaluation: The undertaking unit should evaluate the benefit, the duration of the patent obtained, and the price reference. 2.Pricing method: Please refer to Article 11 of Section 2 of the Procedures. (IV) Real estate obtained from a related party: Please refer to Section 3 of the Procedures. (Omitted hereinafter)		securities or private placement securities that are not traded in the stock exchange market or TPEX. Please refer to Article 10 of Section 2 of the Procedures for the pricing method. (II) Acquisition or disposition of real property, <u>equipment, or other right-of-use assets</u> 1.Evaluation: The undertaking unit shall make an assessment on the purpose of the transaction, the content of the subject matter, the price reference, and the terms of collection and payment. 2.Pricing method: Please refer to Article 9 of Section 2 of the Procedures. (III) Acquisition or disposal of <u>intangible assets, or right-of-use assets or membership</u> 1.Evaluation: The undertaking unit should evaluate the benefit, the duration of the patent obtained, and the price reference. 2.Pricing method: Please refer to Article 11 of Section 2 of the Procedures. (IV) Assets acquisition or disposal with a related party: Please refer to Section 3 of the Procedures. (Omitted hereinafter)	
Article 9	For the acquisition and disposal of real property and equipment by the Company, except for the transactions with government agencies, construction on proprietary land, construction on leased land, or acquisition and disposal of commercial equipment, if the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million, an appraisal report should be received from the professional appraiser before the event date in compliance with the following provisions: I. When the transaction price must be set by referring to the limited price, specific price, or special price for a special reason, such transaction must be resolved in the board meeting in advance; <u>same for any change in the transaction conditions subsequently.</u> (Omitted hereinafter)	Article 9	For the acquisition and disposal of real property, equipment, <u>or its right-of-use assets</u> by the Company, except for the transactions with <u>domestic</u> government agencies, construction on proprietary land, construction on leased land, or acquisition and disposal of commercial equipment <u>or its right-of-use assets</u>, if the transaction amount exceeds 20% of the Company's paid-in capital or NT\$300 million, an appraisal report should be received from the professional appraiser before the event date in compliance with the following provisions: I. When the transaction price must be set by referring to the limited price, specific price, or special price for a special reason, such transaction must be resolved in the board meeting in advance; <u>any change in the transaction conditions in the future should be handled the same way.</u> (Omitted hereinafter)	Amended in accordance with the provisions of International Financial Reporting Standard No. 16 "Leases."
Article 11	If the Company's acquisition and disposal of <u>membership card or intangible assets</u> transaction amount exceeding 20% of the Company's paid-up capital or NT\$300 million,	Article 11	If the Company's acquisition and disposal of <u>intangible assets, right-of-use assets, or membership</u> for a transaction amount exceeding 20% of the Company's paid-up capital or	Same as the note to Article 9

Article	Before amendment	Article	After amendment	Reason for amendment
	except for the transactions conducted with domestic government agencies, the accountant should be consulted before the event date to express an opinion on the reasonableness of the transaction price.		NT\$300 million, except for the transactions conducted with domestic government agencies, the accountant should be consulted before the event date to express an opinion on the reasonableness of the transaction price.	
Article 14	For the acquisition and disposal of real property with the related party, or for the acquisition and disposal of assets other than the real property for an amount exceeding 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trade of bonds, R/P and R/S bonds, subscription, or R/P of monetary market fund issued by domestic securities investment trusts industry, the following information should be submitted to the Audit Committee for the approval and to the Board of Directors for resolutions before having the trade contract signed and payment made: I. The purpose, necessity, and expected benefits for the acquisition and disposal of assets; II. The reason for having the related party selected as the counterparty; III. The relevant information used to assess the reasonableness of the trade conditions related to the acquisition and disposal of real property with the related party according to the provisions of Article 15 and Article 16; (Omitted hereinafter) <u>For the acquisition or disposal of commercial equipment</u> between the Company and its parent company or subsidiaries, the Board of Directors may authorize the Chairman to make a discretionary decision for a certain amount in accordance with Section 3, Paragraph 1 of Article 7, and then report it in the most recent board meeting afterward for approval: In the case of reporting matters to the Board of Directors in accordance with the provision stated in Paragraph 1, the opinions of each independent director should be fully considered. If the	Article 14	For the acquisition and disposal of real property <u>or its right-of-use assets</u> with the related party, or for the acquisition and disposal of assets <u>or right-of-use assets</u> other than the real property for an amount exceeding 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trade of <u>domestic</u> bonds, R/P and R/S bonds, subscription or R/P of monetary market fund issued by domestic securities investment trusts industry, the following information should be submitted to the Audit Committee for approval and to the Board of Directors for resolutions before having the trade contract signed and payment made: I. The purpose, necessity, and expected benefits for the acquisition and disposal of assets; II. The reason for having the related party selected as the counterparty; III. The relevant information used to assess the reasonableness of the trade conditions related to the acquisition and disposal of real property <u>or its right-of-use assets</u> with the related party according to the provisions of Article 15 and Article 16; (Omitted hereinafter) <u>For the following transactions conducted</u> between the Company and its parent company, subsidiaries, <u>or the subsidiaries with 100% issued shares or total capital held by the Company directly or indirectly</u>, the Board of Directors may authorize the Chairman to make a discretionary decision for a certain amount in accordance with Section 3, Paragraph 1 of Article 7, and then report it in the most recent board meeting afterward for approval: <u>I. Obtain or dispose of equipment or its right-of-use assets for business operation.</u> <u>II. Obtain or dispose of the real estate and its right-of-use assets for business operation.</u> In the case of reporting matters to the Board of Directors in accordance with the provision stated in Paragraph 1, the opinions of each independent director should be fully considered. If the	Text correction

Article	Before amendment	Article	After amendment	Reason for amendment
	independent directors have objections or reservations, they should be stated in the minutes of board meeting. In the case of reporting matters to the Audit Committee for acceptance in accordance with the provisions in Paragraph 1, it should be approved by a majority of the members of the Audit Committee and resolved in the board meeting in accordance with the relevant provisions of Paragraph 4 and 5 of Article 6.		independent directors have objections or reservations, they should be stated in the minutes of board meeting. In the case of reporting matters to the Audit Committee for acceptance in accordance with the provisions in Paragraph 1, it should be approved by a majority of the members of the Audit Committee and resolved in the board meeting in accordance with the relevant provisions of Paragraph 4 and 5 of Article 6.	
Article 15	The acquisition of real property from related parties should be with the reasonableness of transaction cost assessed in accordance with the following methods: (Omitted hereinafter) For the acquisition of the same object of land and building, the transaction cost of the land and the building can be assessed separately according to any of the methods stated in the preceding paragraph. For the acquisition of real property from the related parties, the Company, in addition to assessing the cost of the real property according to the provisions in the Paragraph 1 and Paragraph 2, shall consult the accountant for a review with specific opinions expressed. For the acquisition of real property from the related parties, in any of the following circumstances, it shall be handled in accordance with the provisions stated in Article 14 instead of the provisions stated in the last three paragraphs: (I) The related party has acquired the real property due to inheritance or gift. (II) The time for the related party to contract for the acquisition of real property has been more than five years from the contracting date of the transaction. (III) Sign a contract for co-construction with the related party, or obtain the real property that is constructed by the related party through the construction on the proprietary land or construction on the leased land.	Article 15	The acquisition of real property <u>or its right-of-use assets</u> from related parties should be with the reasonableness of transaction cost assessed in accordance with the following methods: (Omitted hereinafter) For the acquisition <u>or lease</u> of the same object of land and building, the transaction cost of the land and the building can be assessed separately according to any of the methods stated in the preceding paragraph. For the acquisition of real property <u>or its right-of-use assets</u> from the related parties, the Company, in addition to assessing the cost of the real property <u>or its right-of-use assets</u> according to the provisions in the Paragraph 1 and Paragraph 2, shall consult the accountant for a review with specific opinions expressed. For the acquisition of real property <u>or its right-of-use assets</u> from the related parties, in any of the following circumstances, it shall be handled in accordance with the provisions stated in Article 14 instead of the provisions stated in the last three paragraphs: (I) The related party has acquired the real property <u>or its right-of-use assets</u> due to inheritance or gift. (II) The time for the related party to contract for the acquisition of real property <u>or its right-of-use assets</u> has been more than five years from the contracting date of this transaction. (III) Sign a contract for co-construction with the related party, or obtain the real property that is constructed by the related party through the construction on the proprietary land or construction on the leased land. <u>(IV) The real property and its right-of-use assets acquired for business operation between the Company and its parent company, subsidiaries, or the subsidiaries with 100% issued shares or total capital held by the Company</u>	Same as the note to Article 9

Article	Before amendment	Article	After amendment	Reason for amendment
			<u>directly or indirectly.</u>	
Article 16	If the valuation result performed by the Company in accordance with the provisions stated in Paragraph 1 and Paragraph 2 is lower than the transaction price, it shall be handled in accordance with the provisions of Article 17. However, if it is due to the following reasons with objective evidence presented and the specific reasonable opinions of the real property appraisers and accountants are obtained, it is not subject to the said requirement: I. If the related party has acquired land or a leased land for construction, it has to prove its complying with one of the following conditions: (I) Plain land should be assessed according to the method stipulated in the preceding paragraph. Building is calculated according to the construction cost of the related party plus reasonable construction profit, which exceeds the actual transaction price. The so-called “reasonable construction profit” is based on the lower of the average operating gross profit margin of the related party’s construction department in the last three years or the latest construction industry gross profit margin announced by the Ministry of Finance. (II) The trade of other floors in the same building or in the adjacent areas completed within one year by the non-related party, and the trade conditions are equivalent judging by the price difference of the reasonable floor or region in the general real property trade practice. (III) The leasing of other floors in the same building completed within one year by the non-related party, and the lease conditions are equivalent judging by the rent difference of the reasonable floor or region in the general real property lease practice. II. The Company proves that the real property purchased from the related party are with equivalent conditions to the trading conditions of other non-related party’s <u>transactions</u> in the adjacent area for the similar floorage within one year. The so-called “adjacent area” <u>transaction</u> mentioned in the preceding paragraph is based on the same or adjacent street and distanced from the target subject less than 500 meters away or with similar present value. The	Article 16 If the valuation result performed by the Company in accordance with the provisions stated in Paragraph 1 and Paragraph 2 is lower than the transaction price, it shall be handled in accordance with the provisions of Article 17. However, if it is due to the following reasons with objective evidence presented and the specific reasonable opinions of the real property appraisers and accountants are obtained, it is not subject to the said requirement: I. If the related party has acquired land or a leased land for construction, it has to prove its complying with one of the following conditions: (I) Plain land should be assessed according to the method stipulated in the preceding paragraph. Building is calculated according to the construction cost of the related party plus reasonable construction profit, which exceeds the actual transaction price. The so-called “reasonable construction profit” is based on the lower of the average operating gross profit margin of the related party’s construction department in the last three years or the latest construction industry gross profit margin announced by the Ministry of Finance. (II) The trade of other floors in the same building or in the adjacent areas with similar floorage completed by the other non-related party within one year, and the trade conditions are equivalent judging by the price difference of the reasonable floor or region in the general real property trade or lease practice. II. The Company proves that the real property purchased <u>or its right-of-use assets obtained by lease</u> from the related party are with equivalent conditions to the trading conditions of other non-related party’s <u>trade</u> in the adjacent area for the similar floorage within one year. The so-called “adjacent area” <u>trade</u> mentioned in the preceding paragraph is based on the same or adjacent street and distanced from the target subject less than 500 meters away or with similar	Same as the note to Article 9	

Article	Before amendment	Article	After amendment	Reason for amendment
	so-called “similar floorage” is based on the <u>transaction</u> floorage of the non-related party that is not less than 50% of the transaction floorage of the subject matter. The so-called “within one year” is to calculate price retroactively for one year based on the event date of the acquisition of real property.		present value. The so-called “similar floorage” is based on the <u>trade</u> floorage of the non-related party that is not less than 50% of the transaction floorage of the subject matter. The so-called “within one year” is to calculate price retroactively for one year based on the event date of the acquisition of real property <u>or its right-of-use assets</u> .	
Article 17	For the acquisition of real property from the related parties, if the evaluation results are lower than the transaction price according to the provisions stated in Article 15 and Article 16, the following matters shall be handled: I. For the difference between the transaction price and assessed cost of the real property, a special reserve shall be appropriated in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and it shall not be distributed or capitalized with stock shares distributed. If the invested company under the equity method is found with the aforementioned situations, the Company should have a special reserve appropriated proportionally to the shareholding ratio in accordance with the provisions of Paragraph 1 of Article 41 of the Securities and Exchange Act. II. The independent directors of the Audit Committee shall handle the matter in accordance with Article 218 of the Company Law. III. The processes stated in Paragraph 1 and Paragraph 2 should be reported in the shareholders meeting and the details of the transaction should be disclosed in the annual report and the prospectus. For the special reserve appropriated the Company according to the provision stated in the preceding paragraph, it cannot be used until the assets purchased at a high price is with the loss in valuation recognized, disposed, or properly compensated or resumed to its original form, or concluded as reasonable with proof, and with the approval of the Financial Supervisory Commission. For the acquisition of real property from the related party by the Company, if there is any evidence that the transaction is with irregular business practice, it shall also be handled in accordance with the provisions stated in the last two paragraphs.	Article 17	For the acquisition of real property <u>or its right-of-use assets</u> from the related parties, if the evaluation results are lower than the transaction price according to the provisions stated in Article 15 and Article 16, the following matters shall be handled: I. For the difference between the transaction price and assessed cost of the real property <u>or its right-of-use assets</u>, a special reserve shall be appropriated in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and it shall not be distributed or capitalized with stock shares distributed. If the invested company under the equity method is found with the aforementioned situations, the Company should have a special reserve appropriated proportionally to the shareholding ratio in accordance with the provisions of Paragraph 1 of Article 41 of the Securities and Exchange Act. II. The independent directors of the Audit Committee shall handle the matter in accordance with Article 218 of the Company Law. III. The processes stated in Paragraph 1 and Paragraph 2 should be reported in the shareholders meeting and the details of the transaction should be disclosed in the annual report and the prospectus. For the special reserve appropriated the Company according to the provision stated in the preceding paragraph, it cannot be used until the assets purchased <u>or leased</u> at a high price is with the loss in valuation recognized, disposed, <u>lease terminated</u>, or properly compensated or resumed to its original form, or concluded as reasonable with proof, and with the approval of the Financial Supervisory Commission. For the acquisition of real property <u>or its right-of-use assets</u> from the related party by the Company, if there is any evidence that the transaction is with irregular business practice, it shall also be handled in accordance with the provisions stated in the last two paragraphs.	Same as the note to Article 9

Article	Before amendment	Article	After amendment	Reason for amendment
Article 19	(Omitted) IV. The position of the derivative product intended for trade purpose shall be assessed at least once a week, but the risk-hedging transaction (not for trade purpose) required for the business is to be assessed at least twice a month. The evaluation report shall be submitted to the senior executive authorized by the Board of Directors.	Article 19	(Omitted) IV. The position of the derivative product intended for trade purpose shall be assessed at least once a week, but the risk-hedging transaction (not for trade purpose) required for the business is to be assessed at least twice a month. The evaluation report shall be submitted to the senior executives authorized by the Board of Directors.	Text correction
Article 20	(Omitted) The Company when engaging in the derivative product transactions through the personnel authorized in accordance with the “Procedures for Engaging in Derivative Products” shall report it to the Board of Directors afterward.	Article 20	(Omitted) The Company when engaging in the derivative product transactions through the personnel authorized in accordance with the “Procedures for Engaging in Derivative Products” shall report it to the Board of Directors afterward.	Text correction
Article 30	For the acquisition and disposal of assets by the Company with any of the following situations occurred, prepare the relevant data and then submit it to the website designated by the Financial Supervisory Commission for future reference within two days from the event date: I. It is for the acquisition and disposal of real property with the related party, or for the acquisition and disposal of assets other than the real property for an amount exceeding 20% of the Company’s paid-in capital, 10% of the total assets, or NT\$300 million. However, the trade of bonds, R/P and R/S bonds, subscription or R/P of monetary fund issued by domestic securities investment trusts industry is not subject to this requirement. II. Initiating mergers, divisions, acquisitions, or share transfers; III. The derivative product trade loss reached the limits defined for a master and an individual contract, respectively, according to the Procedures; IV. For the acquisition and disposal of commercial equipment conducted with a non-related party for an amount exceeding the quota as below: (I) The public company with a paid-in capital less than NT\$10 billion and a transaction amount exceeding NT\$500 million; (II) The public company with a paid-in capital exceeding NT\$10 billion and a transaction amount exceeding NT\$1 billion. V. For the acquisition of real property by a construction on the proprietary land, a construction on the leased land, joint construction with unit division, joint construction with percentage division, and joint construction with land/building sale division, the	Article 30	For the acquisition and disposal of assets by the Company with any of the following situations occurred, prepare the relevant data and then submit it to the website designated by the Financial Supervisory Commission for future reference within two days from the event date: I. It is for the acquisition and disposal of real property <u>or its right-of-use assets</u> with the related party, or for the acquisition and disposal of assets other than the real property <u>or its right-of-use assets</u> for an amount exceeding 20% of the Company’s paid-in capital, 10% of the total assets, or NT\$300 million. However, the trade of <u>domestic</u> bonds, R/P and R/S bonds, subscription or R/P of monetary market fund issued by domestic securities investment trusts industry is not subject to this requirement; II. Initiating mergers, divisions, acquisitions, or share transfers; III. The derivative product trade loss reached the limits defined for a master and an individual contract, respectively, according to the Procedures; IV. For the acquisition and disposal of commercial equipment <u>or its right-of-use assets</u> conducted with a non-related party for an amount exceeding the quota stated as below: (I) The public company with a paid-in capital less than NT\$10 billion and a transaction amount exceeding NT\$500 million; (II) The public company with a paid-in capital exceeding NT\$10 billion and a transaction amount exceeding NT\$1 billion. V. For the acquisition of real property by a construction on the proprietary land, a construction on the leased land, joint construction with unit division, joint construction with percentage division, and joint construction with land/building sale division, also, the	Same as the note to Article 9

Article	Before amendment	Article	After amendment	Reason for amendment
	Company expects to invest for an amount doesn't exceeding NT\$500 million. VI. It is for the asset transaction or investment in Mainland China other than those stated in the last five paragraphs for an amount exceeding 20% of the Company's paid-in capital or NT\$300 million. However, the following situations are not subject to this requirement: (I) Trade of bonds; <u>(II) Investment professionals conduct security trades at TWSE or TPEX, or subscribe, offer, or issue common bond and general financial bond not involving equity in the primary market, or, security firms for the needs of underwriting business serve as a consultant to the emerging companies to suggest security firms to purchase securities in accordance with the regulations of TWSE.</u> (III) Trade of R/P & R/S bond, subscription or R/P of monetary funds issued by domestic securities investment trusts; The transaction amount in the preceding paragraph is calculated as follows: I. The amount of each transaction; II. The accumulated amount of the acquisition and disposal of the same subject matter with the same counterparty within one year; III. The accumulated amount (the amount of acquisition and disposal is accumulated separately) of the acquisition and disposal of real property in the same development project within one year; IV. The accumulated amount (the amount of acquisition and disposal is accumulated separately) of the acquisition and disposal of the same marketable securities within one year; The so-called "within one year" in Paragraph 2 should be retroactively calculated for one year based on the event date. The transactions that are announced in accordance with the Procedures are exempted from being incorporated into the retroactive calculation. The Company shall, on a monthly basis, submit the derivative products transactions of the Company and its subsidiaries that are not domestic public companies as of the end of last month in the described format to the website designated by the Financial Supervisory Commission before the 10th day of each month. The mandatory announcement made by the Company with any errors or omissions found at the time being should be corrected and re-announced		trade counterparty is not a related party, the Company expects to invest for an amount exceeding NT\$500 million. VI. It is for the asset transaction or investment in Mainland China other than those stated in the last five paragraphs for an amount exceeding 20% of the Company's paid-in capital or NT\$300 million. However, the following situations are not subject to this requirement: (I) Trade of <u>domestic</u> bonds; (II) Trade of R/P & R/S bond, subscription or R/P of monetary funds issued by domestic securities investment trusts; The transaction amount in the preceding paragraph is calculated as follows: I. The amount of each transaction; II. The accumulated amount of the acquisition and disposal of the same subject matter with the same counterparty within one year; III. The accumulated amount (the amount of acquisition and disposal is accumulated separately) of the acquisition and disposal of real property <u>or its right-of-use assets</u> in the same development project within one year; IV. The accumulated amount (the amount of acquisition and disposal is accumulated separately) of the acquisition and disposal of the same marketable securities within one year; The so-called "within one year" in Paragraph 2 should be retroactively calculated for one year based on the event date. The transactions that are announced in accordance with the Procedures are exempted from being incorporated into the retroactive calculation. The Company shall, on a monthly basis, submit the derivative products transactions of the Company and its subsidiaries that are not domestic public companies as of the end of last month in the described format to the website designated by the Financial Supervisory Commission before the 10th day of each month. The mandatory announcement made by the Company with any errors or omissions found at the time being should be corrected and re-announced	

Article	Before amendment	Article	After amendment	Reason for amendment
	within two days from the finding day. For the acquisition and disposal of assets by the Company, the relevant contracts, meeting minutes, memorandum, appraisal reports, and the written opinions of the accountants, lawyers, or securities underwriters should be placed within the Company for at least five years, unless otherwise provided by law.		within two days from the finding day. For the acquisition and disposal of assets by the Company, the relevant contracts, meeting minutes, memorandum, appraisal reports, and the written opinions of the accountants, lawyers, or securities underwriters should be placed within the Company for at least five years, unless otherwise provided by law.	
Article 32	The subsidiary of the Company is not a public company in Taiwan and the matters related to the acquisition and disposal of assets that should be announced in accordance with Chapter III will be handled by the Company. For the subsidiary stated in the preceding paragraph that is subject to the reporting standards stated in <u>Section 5</u> , Paragraph 1 of Article 30, which refers to an amount <u>exceeding 20%</u> of the paid-up capital or <u>10%</u> of the total assets, it shall base on the paid-in capital or total assets of the Company.	Article 32	The subsidiary of the Company is not a public company in Taiwan and the matters related to the acquisition and disposal of assets that should be announced in accordance with Chapter III will be handled by the Company. For the subsidiary stated in the preceding paragraph that is subject to the reporting standards stated in Paragraph 1 of Article 30, which refers to an amount of the paid-up capital or total assets, it shall base on the paid-in capital or total assets of the Company.	Text correction
Article 32-1	For the requirement of “10% of the total assets,” the calculation is based on the total assets in the most recent proprietary or individual financial statements that are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms.” For the Company’s stock without a par value or with a par value not for NT\$10, the requirement for the transaction amount exceeding “20% of the paid-up capital” is calculated at 10% of the equity of the parent company.	Article 32-1	For the requirement of “10% of the total assets,” the calculation is based on the total assets in the most recent proprietary or individual financial statements that are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms.” For the Company’s stock without a par value or with a par value not for NT\$10, the requirement for the transaction amount exceeding “20% of the paid-up capital” is calculated at 10% of the equity of the parent company. <u>also, when the paid-in capital is NT\$10 billion, the transaction amount is calculated according to the “NT\$20 billion attributable to the shareholders’ equity of the parent company.”</u>	Last paragraph of Section II is added
Article 34	The Procedures were enacted on June 25, 2003. The 1 st amendment was made on June 13, 2007. (Omitted)	Article 34	The Procedures were enacted on June 25, 2003. The 1 st amendment was made on June 13, 2007. (Omitted) <u>The 10th amendment was made on June 5, 2019.</u>	The current amendment date is added

Attachment IV :

Rules Governing the Election of Directors Before and After Amendments Table

Article	Before amendment	Article	After amendment	Reason for amendment
Article 6	If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot. For a non-shareholder, the voter shall enter the candidate's full name and ID card number or passport number. However, when the candidate is a governmental organization or corporate shareholder, the name of the governmental organization or corporate shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered, respectively.	Article 6	The voters should indicate the name or title of the person to be elected in the "candidate" column on the ballot. The candidates to be elected are indicated on the candidate list announced by the Company. In the case of candidates with the same name, the identification method should be added according to the content of the announcement.	Comply with the candidate nomination system to simplify the information to be filled in the ballot.
Article 7	A ballot is invalid under any of the following circumstances: (I) A ballot complying with the Rules is not used. (II) A blank ballot is placed in the ballot box. (III) A ballot is not filled in according to the provisions of Article 6 or is with other words or marks included. <u>(IV) A candidate whose name entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number is provided in the ballot to identify such individual.</u> <u>(V) If the candidate whose name entered in the ballot is not a shareholder, the name, ID Card number, or passport number is not provided, or their name, ID card number, or passport number cannot be verified or are found inconsistent.</u> (VI) There are more than two candidates' names entered in the ballot. (VII) The writing in the ballot is unclear and indecipherable or has been altered.	Article 7	A ballot is invalid under any of the following circumstances: (I) A ballot complying with the Rules is not used. (II) A blank ballot is placed in the ballot box. (III) A ballot is not filled in according to the provisions of Article 6 or is with other words or marks included. (IV) There are more than two candidates' names entered in the ballot. (V) The writing in the ballot is unclear and indecipherable or has been altered.	Assist in simplifying the content of the ballot and delete the inadequate criteria used to determine invalid ballot.
Article 12	The Rules were enacted on March 15, 1990. (Omitted)	Article 12	The Rules were enacted on March 15, 1990. (Omitted) The 9 th amendment was made on June 5, 2019.	The current amendment date is added.

Appendix I :

Yageo Corporation Rules of Procedures for Shareholders Meetings

- Article 1: The shareholders meeting of the Company and relevant matters shall be proceeded with in accordance with these Rules, unless the law and regulations and the Articles of Incorporation provide otherwise.
- Article 2: The place for convening a shareholders meeting shall be held inside the head office or any other place suitable for holding of the said meeting. The time for commencing the said meeting shall not be earlier than 9 o'clock in the morning or later than 3 o'clock in the afternoon.
The aforementioned reporting time shall be handled at least 30 minutes before the start of the meeting; the registration office shall be clearly marked with sufficient and competent personnel appointed to serve. The Company shall record with an audio or video tape the whole proceedings of the shareholders meeting, and said video tape or audio tape shall be kept for at least one year.
- Article 3: The present of shareholders in a shareholders meeting and their voting thereof shall be calculated in accordance with the number of shares. The number of shares representing shareholders present in the meeting shall be calculated in accordance with those indicated on the attendance book or the attendance cards, and the number of shares in the voting right exercised in writing or electronically. The representative of a corporate shareholder attends the shareholders meeting shall present a proxy and the identity document during the registration procedure. If a corporate shareholder designated an agent and a representative to represent it at the shareholders meeting, the designated representative shall prevail. A corporate shareholder being entrusted to attend the shareholders meeting may designate only one representative to represent it in the meeting according to the same procedure as stated in Paragraph 2.
- Article 4: The Company may designate its lawyer, certified public accountant or other relevant persons to attend the shareholders meeting. The attending staff of the shareholders meeting shall wear an identification card or badge.
- Article 5 If a shareholders meeting is called by the board of directors, the board chairman shall preside at the said shareholders meeting. In case of the chairman is on leave of absence, or cannot exercise his powers and authority, the vice chairman shall act in lieu of him. If the vice chairman is also absent or unable to exercise his powers and authority, the chairman shall designate a managing director to act in lieu of him. If the chairman does not designate a director to act in lieu of him, the managing directors or directors shall elect one from among themselves to act in lieu of the chairman. If a shareholders meeting is called by any person other than the board of directors, who has the right to call the meeting, said person shall preside at that meeting. When there are more than two conveners, one of them should be elected to preside at that meeting.
- Article 6: when it is time to convene a shareholders meeting, the chairman shall immediately convene the meeting, provided, however, that if the shareholders present do not represent a majority of the total amount of issued shares, the chairman may postpone the meeting, provided, however, that the postponement of the said meeting shall be limited to two times, and the total time postponed shall not

exceed one hour. If the meeting has been postponed for two times, but the shareholders present still do not represent a majority of the total amount of issued shares, a tentative resolution may be adopted in accordance with Paragraph 1 of Article 175 of the Company Law by shareholders representing one-third of the total amount of issued shares. Before the close of the said meeting if the shareholders present represent a majority of the total amount of issued shares, the chairman may present the tentative solution so adopted to the meeting for resolution in accordance with the provision of Article 174 of the Company Law.

Article 7: If a shareholders meeting is called by the board of directors, the proceedings of the meeting shall be formulated by the board of directors, and the meeting shall be proceeded with in accordance with the aid proceedings. The proceedings shall not be changed without a resolution made by the shareholders meeting. If a shareholders meeting shall be called by any person other than the board of directors, the preceding provisions shall apply mutatis mutandis to the said meeting.

The chairman shall not adjourn a meeting without resolution adopted by shareholders for the motions (including extraordinary motions). When the chairman violated the provisions of the preceding paragraph and announced to have the shareholders meeting adjourned, one of the present shareholders can be elected with the consent of the shareholders representing a majority of voting rights to chair the meeting continuously. After close of the said meeting, shareholders shall not elect another chairman to hold another meeting at the same place or any other place.

Article 8: A shareholders wishing to speak in a shareholders meeting shall first fill out a slip, specifying therein the major points of his speech, his serial number as a shareholder (or number of attendance) and his name, and the chairman (or his designated person) shall determine his order of giving a speech. A shareholder who submits his slip for a speech but does not actually speak shall be considered as not having given a speech. If the contents of his speech shall be different from those specified on the slip, the contents of his speech shall prevail. When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained the prior consent from the chairman and the said shareholder, and the chairman may prevent others from interrupting.

Article 9: A shareholder (including natural persons and legal persons) shall not speak more than two times for one motion, unless he has obtained the prior consent from the chairman, and each speech shall not exceed 2 minutes. If a corporate shareholder designates more than two representatives to attend the meeting, only one of the representatives may speak on any one motion. If the representatives are in dispute or cannot decide who to speak on the motions, the chairman may appoint one of the representatives to give a speech. After a shareholder has given a speech, the chairman may personally or designate relevant personnel to respond.

Article 10: If a shareholder speaks without the consent of the chairman, does not speak in order, speaks over the time limit or frequency, or speaks exceeding the scope of the motion, the chairman may prevent him from doing so. When a shareholder is giving a speech, the other shareholders shall not interrupt unless they have obtained the prior consent from the chairman and the said shareholder, and the chairman may prevent others from interrupting. A shareholder who violates the provisions of this Article in relation to the speech shall be deemed as not giving a speech, and shall be handled in accordance with the provisions of Article 15.

Article 10-1: If there shall be an amendment or alternative to one motion, the chairman may combine the amendment or alternative into the original motion, and determine their orders for resolution. If anyone of the above is resolved, the others shall be considered as vetoed, upon which no further resolution shall be required.

Article 11: A non-motion will not be discussed or resolved. When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

Article 12: The voting of the proposal shall be based on the number of shares. A shareholder shall be entitled to one vote for each share held, except for those who are restricted or have no voting rights in accordance with Paragraph 2 of Article 179 of the Company Law. Unless otherwise specifically provided for in other law and the Articles of Incorporation of the Company, resolutions shall be adopted by a majority vote at a meeting attended by the shareholders.

When the Company convened a shareholders meeting, the voting rights can be exercised by the shareholders in a writing or electronic form. Shareholders who exercise their voting rights in a writing or electronic form are deemed to be present in person at the shareholders meeting. However, they are deemed as exercising a waiver on the provisional motion of the shareholders meeting and the amendment of the original motion. Their expression of intention is handled in accordance with the provisions of Article 177-2 of the Company Law.

The resolution of each motion shall be voted by shareholders after the total voting rights of the present shareholders announced by the chairman or his designee. The results of the shareholders' consent, opposition, or waiver shall be entered into the Market Observation Post System after the shareholders meeting.

The results of resolution(s) shall be announced in the meeting, and recorded in the meeting minutes, including the weight of statistics.

Article 13: The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman, provided, however, that the person supervising the casting of votes shall be a shareholder

Article 14: During the proceedings of a meeting, the chairman may consider the schedule and announce for a break; in the event of an air raid, he will stop the meeting and evacuate, and resume the meeting one hour after the alarm is lifted.

Article 15: The chairman may command the picket to assist in maintaining the order of the venue for a smooth proceedings, and the picket shall wear the identification card or badge. Both the shareholders and non-shareholders at the venue shall obey the chairman's command to maintain order and conduct the proceedings. For those who hinder the shareholders meeting, the chairman or the picket shall have them escorted out of the venue.

Article 16: The matters not addressed in these Rules shall be handled in accordance with the provisions of the Company Law, relevant laws and regulations, and the Articles of Incorporation of the Company. These rules shall be implemented immediately after the approval of the shareholders meetings, and the same shall apply to the amendments.

The Rules were enacted on March 15, 1990. The 1st amendment was made on June 2, 1998. The 2nd amendment was made on June 18, 2002. The 3rd amendment was made on June 14, 2006. The 4th amendment was made on June 13, 2008. The 5th amendment was made on June 13, 2012. The 6th amendment was made on June 18, 2013. The 7th amendment was made on June 5, 2018.

Appendix II :

Yageo Corporation Articles of Incorporation (Before Amendments)

Chapter 1 General Rules

Article 1

The Company shall be established in accordance with the regulations governing corporations with limited liabilities and shall be named Yageo Corporation.

Article 2

The authorized scope of business includes:

- (1) C801030 Precision Chemical Materials Manufacturing
- (2) C901010 Pottery and Ceramics Products Manufacturing
- (3) CA05010 Powder Metallurgy
- (4) CB01010 Machinery and Equipment Manufacturing
- (5) CB01990 Other Machinery Manufacturing Not Elsewhere Classified
- (6) CC01080 Electronic Parts and Components Manufacturing
- (7) CC01110 Computers and Computing Peripheral Equipments Manufacturing
- (8) CC01990 Electrical Machinery and Supplies Manufacturing
- (9) CE01010 Precision Instruments Manufacturing
- (10) CE01990 Other Photographic and Optical Instruments Manufacturing
- (11) F113010 Wholesale of Machinery
- (12) F113030 Wholesale of Precision Instruments
- (13) F119010 Wholesale of Electronic Materials
- (14) F213030 Retail sale of Computing and Business Machinery Equipment
- (15) F213040 Retail Sale of Precision Instruments
- (16) F213080 Retail Sale of Machinery and Equipment
- (17) F219010 Retail Sale of Electronic Materials

Article 3

The Company shall make endorsements to external parties as required by corporate businesses.

Article 4

The Company shall be a shareholder of other limited corporation. Total investment made by the Company shall not be restricted to 40% of the Company's paid-in capital as stipulated in Article 13 of the R.O.C. Company Law.

Article 5

The Company shall establish its headquarters and production plants in New Taipei City, Taiwan and shall establish branches in Taiwan and overseas, if necessary

Chapter 2 Shares

Article 6

The Company's capital shall be NT\$40 billion divided into 4 billion shares at NT\$10 par. The Company shall issue preferred stock shares. Outstanding shares shall be issued with the Board of Directors' prior approval. NT\$3.25 billion out of the aforementioned capital, totaled 0.325 billion shares, shall be reserved for issuance of share certificates applicable to the employees and shall be issued in installments with the Board of Directors' prior approval.

Article 7

The Company shall issue and serial numbered the shares, which shall be signed or sealed by at least three members of the Board and certified by the competent authorities or authorized underwriters in accordance with the law.

The Company may issue dematerialized shares or print one share certificate for the total number of shares issued, but shall register the new shares with Taiwan Securities Central Depository Co., Ltd. (TSCD) or keep the shares under TSCD's custody.

The Company shall prepare and issue bonds in accordance with the regulations in the last two paragraphs.

Article 8

The Company shall attend to affairs pertinent to its shares in accordance with the Guidelines Governing the Affairs Related to the Shares Issued by Public Companies and other relevant laws and regulations.

Article 9

Change of titles to the Company's shares shall be suspended within 60 days before the Annual Regular Shareholders Meeting, within 30 days before the Provisional Shareholders Meeting or within 5 days prior to the cutoff date after which the Company shall distribute stock dividends, bonus, or other benefits.

Chapter 3 Shareholders Meeting

Article 10

There are regular and provisional shareholders meeting: The Company shall hold 1. The Annual Regular Shareholders Meeting within six months after the close of each fiscal year. 2. The Provisional Shareholders Meeting is deemed necessary by the Board of Directors in accordance with relevant laws and regulations.

Article 11

The Company shall make public announcement and notify the shareholders within 30 days before the Annual Regular Shareholders Meeting and within 15 days before the Provisional Shareholders Meeting of the date, venue, and agenda of discussion of such meeting. However, the Company may notify the shareholders holding less than 1000 shares with a public announcement only.

Article 12

The Shareholders Meeting shall pass resolutions with a quorum representing over half of the issued shares and the agreement of over half of the quorum unless otherwise stipulated in the R.O.C. Company Law. The Company's proposed merger with other companies shall not require the approval of the Special Shareholders Meeting on matters pertaining to the merger.

Article 13

Shareholders may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the company stating therein the scope of power authorized to the proxy. Except in trust business or share affairs agencies authorized by the competent authority, in the case where a proxy is assigned by two separate shareholders with total holdings exceeding 3%, the proxy is only entitled to voting rights up to 3%. Voting rights derived from the portion above the 3% threshold shall be void. The Company shall exercise proxy policy in accordance with the Regulations Governing the Proxy Used in Shareholders Meetings held by Public Company.

Article 14

The Shareholders Meeting shall be conducted following the relevant rules established by the Company unless otherwise provided for in the R.O.C. Company Law and in the Company's Memorandum of Incorporation.

Article 15

The Company shall make meeting minutes of the resolutions passed in the Shareholders Meeting with the signature and seal of the chairperson and shall distribute the minutes to the shareholders within 20 days after the Shareholders Meeting. The Company may publish the aforementioned minutes publicly as notice to holders of less than 1000 bearer's shares. The meeting minutes shall specify the date, venue, the name of the chairperson, the way in which the resolutions are passed, and summarize events taken place during the meeting and the resolutions. The meeting minutes shall be signed and sealed by the chairperson and shall be kept by the Company together with the shareholders register book and proxies.

Chapter 4 Directors and Auditors

Article 16

The Company shall elect at the Shareholders Meeting 9 board members from among the competent shareholders to serve up to a term of three years and shall extend their terms if re-elected. The shares held by the board of directors shall be within the levels stipulated by the competent authority.

Based on the Company Law Article 192- 1 director shall be nominated by the shareholders.

The directors must not be less than three persons and not be less than one-fifth of the number of directors. Independent directors working rights, stock gain, positions, election, and other related rights and obligation are based on Securities Exchange Act and other related regulations.

The Company may take out liability insurance for directors to provide coverage for their legal liabilities arising from the performance of their duties as they relate to the Company.

Article 16-1

The reward of the directors is given based on the basic reward standard of the industry. If the Company got profits, it also must give another reward based on Article 24.

Article 16-2

Based on Securities Exchange Act Article 14-4, the Audit Committee is composed of all independent directors, and one of the directors must become convener and at least one of the directors have an accounting and financial expertise. The Audit Committee rights and obligations are based on Securities Exchange Act and other related regulations.

Article 17

The Board of Directors shall appoint a Chairman to represent the Company and a Vice Chairman from among the board members. When the Chairman is on leave or unable to perform his or her duty, the Vice Chairman shall take the place of the Chairman. When the Vice Chairman is also on leave or unable to perform his or her duty, the Chairman shall designate one of the board members to take his or her place. If the Chairman fails to make designation, the board members shall appoint a member among themselves to take the place of the Chairman.

Article 18

The Board of Directors shall pass resolutions with over 1/2 quorum and the approval of over half of the quorum present, unless otherwise provided for in the R.O.C. Company Law and the Company's Memorandum of Incorporation.

In the case where the Board of Directors meeting is held via video conferencing, the board members who so attended shall be considered present in person. In the case where the board member is unable to attend, he or she may assign other board members to attend on his or her behalf with a proxy and shall specify the authorized scope of the proxy.

Article 18-1

In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time. The notice set forth in the preceding Paragraph may be affected by means of electronic transmission, emails or postal letters, after obtaining a prior consent from the recipient(s) thereof.

Article 19

The duties of the board members shall include:

1. Composing the business plan;
2. Proposing earnings distribution plan or plan for making up the losses;
3. Proposing plan for capital increase or decrease;
4. Approving important corporate policies and contracts;
5. Electing and terminating the President and Managers of the Company;
6. Establishing and withdrawing the branch offices;
7. Approving the budget and financial accounts;
8. All matters shall be decided by resolutions of the Board of Directors, unless the Law or

Memorandum of Incorporation provide certain matters shall be resolved at the Shareholders Meeting.

9. Any matter required by any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or board meeting, or any such significant matter as may be prescribed by the competent authority.

Article 20, 21 and 21-1 are no longer valid.

Chapter 5 Managers

Article 22

The Company shall appoint one to be CEO, one to be President, and some to be Managers of the Company. The appointment, dismissal, and remuneration packages for the Managerial officers of the Company are determined in accordance with Article 29 of the R.O.C. Company Law. Managerial officers shall be empowered to manage the Company's matters and sign relevant business documents, which are authorized by the Company's Memorandum of Incorporation or the employment contract.

Chapter 6 Accounting

Article 23

The Company's fiscal year shall be from January 1 to December 31. The Company shall make final accounts at the end of each fiscal year and the Board of Directors shall submit all reports in accordance with Article 228 of the R.O.C. Company Law, and shall submit the audit report of the aforementioned accounts to the Shareholders Meeting for approval

Article 24

If there is profit generated for the year, the Company shall set aside not less than 2% employee compensation and not more than 3% compensation for the directors. But if there are accumulated losses, the Company shall have reserved a sufficient amount to offset its accumulated losses.

If the Company made a profit for the year, the Company must pay tax and make up for the accumulated losses first, also share the remaining profit as follows:

- I. Set aside 10% of the earnings as legal reserve. However, when the legal reserve amount equals to the authorized capital of the Company, it is not subject or such restriction.
- II. Set aside or reverse special reserve in accordance with the relevant laws and regulations.
- III. Pay dividends or bonuses for an amount not less than 10% of the amount net of the legal reserve and special reserve as stipulated in the preceding paragraph. The Board of Director shall prepare the earnings distribution proposal for the resolutions of the shareholders meeting.

The Company's dividend distribution policy should be based on shareholders' equity and the current and future industrial competition faced by the Company, the investment environment, and fund demand. Every year the Board of Directors is authorized to propose the distribution ratio of cash and stock dividend for resolutions in the shareholders meeting. Earnings of corporation as employee compensation may be distributed by way of stock dividend as stated

in the preceding paragraphs that also include the employees of subsidiaries. Earnings of corporation shall be allocated according to the resolutions of the Board of Directors.

Article 25

In regard to all matters not provided for in the Memorandum of Incorporation, the R.O.C. Company Law shall govern.

Article 26

The Company's Memorandum of Incorporation was stipulated on July 23, 1987.

The 1st amendment of the MOI on May 2, 1988

The 2nd amendment of the MOI on June 12, 1989

The 3rd amendment of the MOI on September 25, 1989

The 4th amendment of the MOI on November 22, 1989

The 5th amendment of the MOI on March 15, 1990

The 6th amendment of the MOI on September 29, 1990

The 7th amendment of the MOI on November 3, 1990

The 8th amendment of the MOI on April 29, 1991

The 9th amendment of the MOI on April 14, 1992

The 10th amendment of the MOI on June 3, 1993

The 11th amendment of the MOI on April 19, 1994

The 12th amendment of the MOI on April 28, 1995

The 13th amendment of the MOI on April 23, 1996

The 14th amendment of the MOI on May 14, 1997

The 15th amendment of the MOI on June 2, 1998

The 16th amendment of the MOI on June 5, 1999

The 17th amendment of the MOI on June 14, 2000

The 18th amendment of the MOI on May 15, 2001

The 19th amendment of the MOI on June 18, 2002

The 20th amendment of the MOI on June 25, 2003

The 21th amendment of the MOI on June 18, 2004

The 22th amendment of the MOI on June 20, 2005

The 23th amendment of the MOI on June 14, 2006

The 24th amendment of the MOI on June 13, 2007

The 25th amendment of the MOI on June 16, 2009

The 26th amendment of the MOI on June 10, 2011

The 27th amendment of the MOI on June 13, 2012

The 28th amendment of the MOI on June 18, 2013

The 29th amendment of the MOI on June 11, 2014

The 30th amendment of the MOI on July 29, 2014

The 31th amendment of the MOI on June 3, 2016

The 32th amendment of the MOI on June 5, 2018

Appendix III :

Yageo Corporation Procedures for the Acquisition and Disposal of Assets (Before Amendments)

Chapter I General Rules

Article 1 The “Procedures for the Acquisition and Disposal of Assets” (referred to as the “Procedures” hereinafter) is enacted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.

Article 2 The Company’s acquisition and disposal of assets shall be handled in accordance with the Procedures, unless otherwise provided by law and regulations.

Article 3 The applicable scope of the assets referred to in the Procedures is as follows:

- I. Investments in stocks, bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficiary securities, and asset-based securities;
- II. Real property (including land, housing and construction, investment real property, and right-of-use land) and equipment;
- III. Membership cards;
- IV. Intangible assets, such as, patents, copyrights, trademarks, and charters;
- V. Claims of financial institutions (including receivables, discounted bills and loans, and collections);
- VI. Derivative products;
- VII. Assets acquired and disposed of in accordance with legal mergers, divisions, acquisitions, or share transfers;
- VIII. Other important assets;

Article 4 The terms used in the Procedures is defined as follows:

- I. Derivative products: It refers to the forward contracts, stock option contracts, futures contracts, leveraged margin contracts, swap contracts, and the compound contract of the aforementioned contracts with values derived from assets, interest rates, exchange rates, index, or other benefits. The so-called forward contracts does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) contracts.
- II. Assets acquired or disposed of by legal mergers, divisions, acquisitions, or share

transfers: It refers to the assets acquired and disposed of by mergers, divisions, or acquisitions in accordance with the Business Mergers and Acquisitions Act, the Financial Holding Company Law, the Financial Institutions Merger Act, or other law, or issuing new shares according to Paragraph 8 of Article 156 of the Company Law in exchange for the stock shares of other companies (referred to as “share transfers” hereinafter).

III. Related party and subsidiaries: It is recognized in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms.”

IV. Professional appraisers: It refers to the real property appraisers or other persons who are legally engaged in real property and equipment appraisal services.

V. Event date: It refers to the transaction contract signing date, payment date, entrusted transaction date, transfer date, board resolution date, or the date on which the transaction counterparty and transaction amount are fully determined, whichever is sooner. However, investors who are subject to the approval of the competent authorities shall comply with the date in the preceding paragraph or the date an approval received from the competent authorities, whichever is sooner.

VI. Investment in Mainland China: It refers to the investment in Mainland China in accordance with the “Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China” promulgated by the Investment Commission, MOEA.

VII. Net value: It refers to the net value in the latest consolidated statement audited or certified by a public certified accountant.

Article 5 For the appraisal report obtained by the Company or the opinion of an accountant, lawyer, or security underwriter, such professional appraisal service company and its appraisers, accountants, lawyers, or security underwriters may not be a related party to each other.

Chapter 2 Procedures

Section 1 Formulation of procedures

Article 6 The formulation of the Procedures must be approved by the Audit Committee, resolved by the Board of Directors, and resolved in the shareholders meeting, and the same shall apply to the amendments.

In the event that the acquisition and disposal of an asset is reported to the

Company's Board of Directors for discussion in accordance with the provisions mentioned in the preceding paragraph, the opinions of each independent director shall be fully considered. If the independent director has had any objection or reservation, it shall be stated in the minutes of the board meeting.

The matters in Paragraph 1 shall be with the consent of a majority of the Audit Committee and shall be resolved in the board meeting.

If the said transaction of assets in the preceding paragraph is without the approval of a majority of the Audit Committee, it may be resolved with the consent of more than two-thirds of all directors; also, the resolution of the Audit Committee shall be stated in the minutes of the board meeting.

The members of Audit Committee mentioned in Paragraph 3 and the preceding paragraph and the board directors mentioned in the preceding paragraph are counted by the actual incumbent.

Article 7 The following matters are documented and handled in accordance with the Procedures:

I. Scope of assets: Please refer to Article 3 of the Procedures.

II. Evaluation procedures:

(I) Acquisition or disposal of securities

1.Evaluation: The undertaking unit shall make an assessment on the purpose of the transaction, the content of the subject matter, and the price reference.

2.Pricing method:

(1)Acquiring or disposing of securities that have been traded in the stock exchange market or TPEX, depending on the listing or market price at the time.

(2)Acquiring or disposing of securities or private placement securities that are not traded in the stock exchange market or TPEX. Please refer to Article 10 of Section 2 of the Procedures for the pricing method.

(II) Acquisition or disposition of real property and other fixed assets

1.Evaluation: The undertaking unit shall make an assessment on the purpose of the transaction, the content of the subject matter, the price reference, and the terms of collection and payment.

2.Pricing method: Please refer to Article 9 of Section 2 of the Procedures.

(III) Acquisition or disposal of membership card and intangible assets

1.Evaluation: The undertaking unit should evaluate the benefit, the duration of the patent obtained, and the price reference.

2.Pricing method: Please refer to Article 11 of Section 2 of the Procedures.

(IV) Real estate obtained from a related party: Please refer to Section 3 of the

Procedures.

(V) Engaged in derivatives trading: Please refer to Section 4 of the Procedures.

(VI) Business mergers, divisions, acquisitions, and share transfers: Please refer to Section 5 of the Procedures.

III. Operating procedures:

(I) Transaction amount and level:

For the Company's acquisition or disposal of assets with any of the following circumstances for an amount below the threshold of reporting, the chairman or the general manager or the designated person may determine an action plan without the need of submitting it to the Board of Directors for a resolution.

1. The purpose of the acquisition or disposal of assets is for the short-term fund planning and operation of the finance department (such as, money market operation tools, including bond funds). The so-called "short-term" in this clause meant for one year. However, if the Company's business cycle is longer than one year, the business cycle shall prevail.

2. Regarding the transaction amount of a derivative product, it refers to the transactions conducted within the derivative product transaction amount resolved by the Board of Directors.

(II) Execution unit:

1. Long-term and short-term portfolio investment: The stock affairs and finance related units.

2. Real property, other fixed assets, membership cards, and intangible assets: The application and asset management related units.

3. Engaged in derivative products: The finance unit

4. Acquisition or disposal of assets by legal mergers, divisions, acquisitions, or transfer of shares: An ad hoc group formed by the relevant units.

IV. Announcement reporting procedure: Please refer to Chapter 3 of the Procedures.

V. The non-operating assets amount acquired by the Company and its subsidiaries:

1. The total amount of investment in non-operating real property or short-term securities is limited to 20% of the net value, and the amount of investment in individual short-term securities is limited to 10% of the net value.

2. The total amount of investment in long-term and short-term portfolio is limited to 120% of the net value, and the amount of investment in individual long-term securities is limited to 80% of the net value. If there is a major expansion in investment, the Board of Directors is authorized to have it approved and presented in the shareholders meeting for resolutions.

VI. The Company shall supervise the acquisition or disposal of assets of its subsidiaries, and its supervision and management shall be handled in accordance

with the relevant provisions of the Company and the “Procedures for the Acquisition or Disposal of Assets” of each subsidiary.

VII. The violation committed by the relevant personnel against the “Guidelines Governing the Acquisition or Disposal of Assets of the Public Companies” or the Procedures should be handled in accordance with the relevant requirements of the Company.

The subsidiaries of the Company shall enact and implement the “Procedures for the Acquisition or Disposal of Assets” in accordance with the provisions of the Procedures. If the subsidiary does not have the “Procedures for the Acquisition or Disposal of Assets” formulated, it should be handled in accordance with the provisions of the Procedures.

Article 8 If the Company’s acquisition or disposal of assets must be approved by the Board of Directors according to the Procedures or other laws, it shall be reported to the Audit Committee for approval in advance.

When the Company has the acquisition or disposal of the asset transactions presented to the Board of Directors for discussion in accordance with the provisions of the preceding paragraph, the opinions of the independent directors should be fully considered. The objections or reservations, if any, of the independent directors should be stated in the minutes of board meeting.

The Company’s major assets or derivative product transactions shall be approved by a majority of the Audit Committee members, resolved by the Board of Directors, and subject to the provisions of Paragraph 4 and 5 of Article 6.

Section II Acquisition or disposal of assets

Article 9 For the acquisition and disposal of real property and equipment by the Company, except for the transactions with government agencies, construction on proprietary land, construction on leased land, or acquisition and disposal of commercial equipment, if the transaction amount exceeds 20% of the Company’s paid-in capital or NT\$300 million, an appraisal report should be received from the professional appraiser before the event date in compliance with the following provisions:

- I. When the transaction price must be set by referring to the limited price, specific price, or special price for a special reason, such transaction must be resolved in the board meeting in advance; same for any change in the transaction conditions subsequently.
- II. If the transaction amount exceeds NT\$1 billion, an appraisal report should be obtained from more than two professional appraisers.

III. If the appraisal result of the professional appraiser is with any of the following situations, except for when the appraisal result of the acquired assets is higher than the transaction amount or when the appraisal result of the assets disposed is lower than the transaction amount, the accountant should be commissioned to have it handled in accordance with Article 20 of the Standards on Auditing that are published by the Accounting Research and Development Foundation (referred to as the “Foundation” hereinafter); also, to express an opinion on the reasons for the differences and the adequacy of the transaction price:

(I) The difference between the appraisal result and the transaction amount exceeds 20% of the transaction amount.

(II) The difference in appraisal result between two or more professional appraisers exceeds 10% of the transaction amount.

IV. The date of the report issued by the professional appraiser and the contract signing date shall not be apart for more than three months. However, if the present value of the same announcement period is applied and it has not exceeded six months, the original professional appraiser may issue a written opinion.

Article 10 For the acquisition and disposal of securities, the Company shall obtain the most recent financial statements of the target company that have been audited or verified by the accountant in advance for reference in appraisal. In addition, if the transaction amount accounted for more than 20% of the company’s paid-up capital or NT\$300 million, the accountant should be consulted before the event date to express an opinion on the reasonableness of the transaction price. If the accountant adopts an expert’s report, it should be handled in accordance with Article 20 of the Standards on Auditing published by the Accounting Research and Development Foundation. However, if such securities are with a public offer or the Financial Supervisory Committee (referred to as the “FSC” hereinafter) has it stipulated otherwise; it is not subject to the said requirements.

Article 11 If the Company’s acquisition and disposal of membership card or intangible assets transaction amount exceeding 20% of the Company’s paid-up capital or NT\$300 million, except for the transactions conducted with domestic government agencies, the accountant should be consulted before the event date to express an opinion on the reasonableness of the transaction price.

Article 11-1 The calculation of the transaction amount in the last three paragraphs should be handled in accordance with Paragraph 2 of Article 30; and the so-called “within one year” should be retroactively calculated for one year based on the event date. The

transactions that are with an appraisal report received from the professional appraiser or with the accountant's opinion obtained according to the provision of the Regulations are exempted from being incorporated into the retroactive calculation.

Article 12 For the acquisition and disposal of assets through the procedure of court auction, the certificate issued by the court may be used to replace the appraisal report or the opinion of an accountant.

Section III Related party transactions

Article 13 For the acquisition and disposal of assets between the Company and its related parties, in addition to handling matters in accordance with the relevant resolution procedures stated in the preceding paragraph and this paragraph, and assessing the reasonableness of the transaction conditions, when the transaction amount accounted for more than 10% of the Company's total assets, the appraisal report issued by the professional appraiser or the accountant's opinion shall be obtained in accordance with the provisions stated in the preceding paragraph.

The calculation of the transaction amount in the preceding paragraph shall be handled in accordance with the provisions of Article 11-1.

When judging whether the counterparty is a related party, in addition to paying attention to its legal form, the substantive relationship should also be considered.

Article 14 For the acquisition and disposal of real property with the related party, or for the acquisition and disposal of assets other than the real property for an amount exceeding 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trade of bonds, R/P and R/S bonds, subscription, or R/P of monetary market fund issued by domestic securities investment trusts industry, the following information should be submitted to the Audit Committee for the approval and to the Board of Directors for resolutions before having the trade contract signed and payment made:

- I. The purpose, necessity, and expected benefits for the acquisition and disposal of assets;
- II. The reason for having the related party selected as the counterparty;
- III. The relevant information used to assess the reasonableness of the trade conditions related to the acquisition and disposal of real property with the related party according to the provisions of Article 15 and Article 16;
- IV. The original acquisition date and price of the related party, the counterparty, and its relationship with the Company and the related party;

V. The monthly cash receipts and payments forecast in the coming year starting from the contracting month, and assessing the necessity of the transaction and the rationality of the use of funds;

VI. The appraisal report issued by the professional appraiser or accountant's opinion obtained in accordance with the provisions stated in the preceding paragraph;

VII. The restrictions and other important agreed matters of this transaction;

The calculation of the transaction amount stated in the preceding paragraph should be handled in accordance with Paragraph 2 of Article 30, and the so-called "within one year" should be retroactively calculated for one year based on the event date. The transactions that are approved by the Audit Committee and the Board of Directors according to the provision of the Regulations are exempted from being incorporated into the retroactive calculation.

For the acquisition or disposal of commercial equipment between the Company and its parent company or subsidiaries, the Board of Directors may authorize the Chairman to make a discretionary decision for a certain amount in accordance with Section 3, Paragraph 1 of Article 7, and then report it in the most recent board meeting afterward for approval:

In the case of reporting matters to the Board of Directors in accordance with the provision stated in Paragraph 1, the opinions of each independent director should be fully considered. If the independent directors have objections or reservations, they should be stated in the minutes of board meeting.

In the case of reporting matters to the Audit Committee for acceptance in accordance with the provisions in Paragraph 1, it should be approved by a majority of the members of the Audit Committee and resolved in the board meeting in accordance with the relevant provisions of Paragraph 4 and 5 of Article 6.

Article 15 The acquisition of real property from related parties should be with the reasonableness of transaction cost assessed in accordance with the following methods:

I. The necessary fund interest and the cost of the buyer by law should be charged according to the transaction price of the related party. The so-called "necessary fund interest cost" is computed according to the weighted average interest rate of the loans in the year the Company purchased the assets, but it shall not be higher than the non-financial industry maximum loan rate announced by the Ministry of Finance.

II. If the related party has provided the subject matter as collateral for a loan from the financial institution, the financial institution will estimate the total value of such subject matter, but the cumulative loan granted by the financial institution

for the subject matter shall exceed 70% of the total estimated value for a loan period more than one year. However, if the financial institution has maintained a relationship with one of the two trading parties, it is not subject to such requirement.

For the acquisition of the same object of land and building, the transaction cost of the land and the building can be assessed separately according to any of the methods stated in the preceding paragraph.

For the acquisition of real property from the related parties, the Company, in addition to assessing the cost of the real property according to the provisions in the Paragraph 1 and Paragraph 2, shall consult the accountant for a review with specific opinions expressed.

For the acquisition of real property from the related parties, in any of the following circumstances, it shall be handled in accordance with the provisions stated in Article 14 instead of the provisions stated in the last three paragraphs:

- (I) The related party has acquired the real property due to inheritance or gift.
- (II) The time for the related party to contract for the acquisition of real property has been more than five years from the contracting date of the transaction.
- (III) Sign a contract for co-construction with the related party, or obtain the real property that is constructed by the related party through the construction on the proprietary land or construction on the leased land.

Article 16 If the valuation result performed by the Company in accordance with the provisions stated in Paragraph 1 and Paragraph 2 is lower than the transaction price, it shall be handled in accordance with the provisions of Article 17. However, if it is due to the following reasons with objective evidence presented and the specific reasonable opinions of the real property appraisers and accountants are obtained, it is not subject to the said requirement:

- I. If the related party has acquired land or a leased land for construction, it has to prove its complying with one of the following conditions:
 - (I) Plain land should be assessed according to the method stipulated in the preceding paragraph. Building is calculated according to the construction cost of the related party plus reasonable construction profit, which exceeds the actual transaction price. The so-called “reasonable construction profit” is based on the lower of the average operating gross profit margin of the related party’s construction department in the last three years or the latest construction industry gross profit margin announced by the Ministry of Finance.
 - (II) The trade of other floors in the same building or in the adjacent areas

completed within one year by the non-related party, and the trade conditions are equivalent judging by the price difference of the reasonable floor or region in the general real property trade practice.

(III) The leasing of other floors in the same building completed within one year by the non-related party, and the lease conditions are equivalent judging by the rent difference of the reasonable floor or region in the general real property lease practice.

II. The Company proves that the real property purchased from the related party are with equivalent conditions to the trading conditions of other non-related party's transactions in the adjacent area for the similar floorage within one year.

The so-called "adjacent area" transaction mentioned in the preceding paragraph is based on the same or adjacent street and distanced from the target subject less than 500 meters away or with similar present value. The so-called "similar floorage" is based on the transaction floorage of the non-related party that is not less than 50% of the transaction floorage of the subject matter. The so-called "within one year" is to calculate price retroactively for one year based on the event date of the acquisition of real property.

Article 17 For the acquisition of real property from the related parties, if the evaluation results are lower than the transaction price according to the provisions stated in Article 15 and Article 16, the following matters shall be handled:

I. For the difference between the transaction price and assessed cost of the real property, a special reserve shall be appropriated in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and it shall not be distributed or capitalized with stock shares distributed. If the invested company under the equity method is found with the aforementioned situations, the Company should have a special reserve appropriated proportionally to the shareholding ratio in accordance with the provisions of Paragraph 1 of Article 41 of the Securities and Exchange Act.

II. The independent directors of the Audit Committee shall handle the matter in accordance with Article 218 of the Company Law.

III. The processes stated in Paragraph 1 and Paragraph 2 should be reported in the shareholders meeting and the details of the transaction should be disclosed in the annual report and the prospectus.

For the special reserve appropriated the Company according to the provision stated in the preceding paragraph, it cannot be used until the assets purchased at a high price is with the loss in valuation recognized, disposed, or properly compensated or resumed to its original form, or concluded as reasonable with proof, and with the

approval of the Financial Supervisory Commission.

For the acquisition of real property from the related party by the Company, if there is any evidence that the transaction is with irregular business practice, it shall also be handled in accordance with the provisions stated in the last two paragraphs.

Section 4 Engaged in Derivative Financial Products Trading

Article 18 The Company shall engage in the transaction of derivative products with attention paid to the following risk management and audit control:

I. Trading principles and guidelines:

(I) Types of derivative product transactions:

The Company may engage in all derivative products as defined in Paragraph 1 of Article 4 of the Procedures.

(II) Operating or hedging strategy:

The transactions of the derivative products referred to in the Procedures may be classified as “not for trading purposes” and “for trading purposes” by holding or issuing purposes.

“For trading purposes” means that the purpose of holding or distributing derivative products is to earn the trading spread, including trading activities that are measured at fair value through profit or loss. Also, it is operated on a flexible and maneuverable basis.

“Not for trading purposes” means that the purpose of holding or distributing derivative products is to circumvent the risks arising from changes in the financial market interest rates, exchange rates, stock prices, and asset prices of the Company now or in the future. Also, it is operated on the principle of stability and conservativeness

(III) Division of powers and responsibilities:

1.Accounting Unit:

(1)Practice bookkeeping and prepare financial statements in accordance with generally accepted accounting principles.

(2)Regular announcements and declarations

2.Finance Unit:

(1)Keep abreast of market information, judge trends and risks, and be familiar with derivative products.

(2)Estimate the Company’s overall foreign exchange and other hedging position demand, avoid risks according to the Company’s policies, and target on revenues and costs.

(3)Master the derivative product position transactions, calculate the realized

and unrealized gains and losses, and control the trading risk.

(4) Coordinate with the use of bank credit line and calculate cash flow in detail in order to handle the settlement task.

3. Audit Unit:

Perform regular and occasional audits in accordance with the internal audit system.

(IV) Performance assessment essentials:

The Finance Department should periodically assess the net profit and loss and provide a transaction position assessment report to the responsible supervisor as a basis for management reference and performance evaluation in order to adjust and improve operational strategies.

(V) Total amount of trade contract:

1. Not for trading purposes:

It is limited to the total amount of assets or liabilities that the Company has had and expected to generate within the year.

2. Total product trade amount:

The total amount of the trade contract at any one point of time does not exceed 10% of the Company's net value.

(VI) The limits for total and individual contract loss:

1. Not for trading purposes:

(1) The estimated loss of a single contract does not exceed 20% of the trade amount converted into New Taiwan Dollar.

(2) The estimated total loss of contracts does not exceed 10% of the trade amount converted into New Taiwan Dollar.

2. Product trade

The maximum loss limit is not set by individual contract, and the same standard contract is used to determine the total contract loss limit for each type of derivative product:

(1) Forward contract or futures: The difference between the market price and the average cost of the holding position is 5%.

(2) Options:

The Company is the buyer: the limit of premium paid is capped at 5% of the total contract amount.

The Company is the seller: In addition to the royalties collected, 5% of the total contract amount is charged.

(3) SWAP and other portfolio: 5% of the total contract amount.

II. Risk management measures: It is handled according to the provisions of Article 19 of the Procedures.

III. Internal audit system: It is handled according to the provisions of Paragraph 2 of Article 21 of the Procedures.

IV. Regular evaluation methods and abnormal situation handling: It is handled according to the relevant provisions of the Procedures.

Article 19 The Company while engaging in derivative products trading should adopt the following risk management measures:

I. The scope of risk management

(I) Credit risk:

The Company's trading partners are the banks that have contacts with the Company or internationally renowned financial institutions that can provide professional information.

(II) Market price risk:

The Company shall control the market price risk of derivative products at any time that is arising from the changes in interest rates and exchange rate or other factors.

(III) Liquidity risk:

To ensure liquidity, the counterparty of the transaction must have sufficient equipment, information, and trading capabilities, and can trade in any market.

(IV) Cash flow risk:

The Company shall maintain sufficient quick assets and financing credits in response to the demand for fund settlement.

(V) Operations risk:

According to the division of powers and responsibilities of each department, the processes of transaction, confirmation, settlement, accounting, and profit and loss control are managed by the respective responsible department in order to reduce the operations risk.

(VI) Law risk:

The documents signed by the Company and the counterparty should be reviewed by internal legal personnel or legal consultants with legal advices provided.

II. Traders engaged in derivative products and operators for confirmation and settlement shall not be the same individuals.

III. The personnel responsible for risk measurement, supervision, and control, and the operators for confirmation and settlement as stated in the preceding paragraph shall be in different departments, and shall report to the Board of Directors or high-level supervisors who are not responsible for trade or the decision-making of the position.

IV. The position of the derivative product intended for trade purpose shall be assessed at least once a week, but the risk-hedging transaction (not for trade purpose) required for the business is to be assessed at least twice a month. The evaluation report shall be submitted to the senior executive authorized by the Board of Directors.

Article 20 The Board of Directors shall strictly supervise and manage the derivative product transaction of the Company according to the following principles:

- I. Designate senior executives to pay attention to the supervision and control of derivative product trading risks.
- II. Regularly assess whether the performance of the derivative product transaction is in line with the established business strategy and whether the risk assumed is tolerable to the Company.

The senior executives authorized by the Board of Directors shall manage the derivative product transactions in accordance with the following principles:

- I. Regularly assess whether the currently used risk management measures are appropriate and whether it is handled in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the Procedures.
- II. Supervise the transaction and profit and loss situation, if abnormal circumstances are found, the necessary countermeasures shall be taken, and report to the Board of Directors immediately. The independent directors shall attend the boarding meeting and express their opinions.

The Company when engaging in the derivative product transactions through the personnel authorized in accordance with the “Procedures for Engaging in Derivative Products” shall report it to the Board of Directors afterward.

Article 21 In the case of a derivative product transaction, the Company shall have a memorandum established with the type and amount of the derivative product transaction, the resolution date of the board meeting, and the respective criteria for prudent assessment according to Paragraph 4 of Article 19, Section 2, Paragraph 1 and Section 1 of Paragraph 2 of Article 20 detailed in the memorandum.

The internal auditors of the Company should regularly understand the adequacy of the internal control for derivative product transactions, and audit the compliance of the trade department in derivative product transactions on a monthly basis with an audit report issued. If major violations are found, the Audit Committee shall be notified in writing.

Section V Business mergers, divisions, acquisitions, and share transfers

Article 22 The Company shall, in the course of convening a board meeting to resolve the proposal for a merger, division, acquisition, or share transfer, commission an accountant, a lawyer, or a securities underwriter to express an opinion on the reasonableness of the conversion ratio, the purchase price, or the distribution of cash or other property to the shareholders and have it presented to the Board of Directors for resolutions in advance. However, for the merged subsidiaries with 100% issued shares or total capital held by the Company directly or indirectly, or, for the mergers between the subsidiaries that are with 100% issued shares or total capital held by the Company directly or indirectly, it is not necessary to obtain an opinion on the reasonableness of the aforementioned transaction criteria from the said experts.

Article 23 The Company shall have the mergers, divisions, or acquisitions contractual contents and related matters included in the public documents presented to the shareholders before the shareholders meeting, together with the expert opinions stated in Paragraph 1 and the shareholders meeting notice for the reference of the shareholder in deliberating the decision of a merger, division, or acquisition. However, for the mergers, divisions, or acquisitions that are exempted from being resolved in the shareholders meeting by law, it is not subject to this requirement. For those companies participating in a merger, division, or acquisition or the shareholders meeting of the Company, if a shareholders meeting cannot be convened or resolved due to the insufficient attendance, insufficient voting rights, or other legal restrictions, or the proposal is rejected in the shareholders meeting, the Company should have the root cause announced to the public immediately, including the follow-up operations and the date on which the shareholders meeting is expected to be held.

Article 24 The companies or the Company participating in a merger, division, or acquisition, unless otherwise provided by other law or for specific reasons approved by the Financial Supervisory Commission, should have the board meeting and shareholders meeting convened on the same day to resolve the merger, division, or acquisition related matters. The companies and the Company participating in the share transfer, unless otherwise provided by other law or for specific reasons approved by the Financial Supervisory Commission, should have the board meeting convened on the same day.

The Company participating in mergers, divisions, acquisitions, or share transfers shall have the following data composed into written records and kept for five years for future reference:

- I. Basic personnel information: It includes the persons who participated in the merger, division, acquisition, or share transfer plan before the news is announced to the public, or their title, name, and identity card number (or passport number of foreigners).
- II. Important event date: It includes the dates of, such as, signing a letter of intent or memorandum, entrusting financial or legal counsels, signing a contract, and the board meetings.
- III. Important documents and meeting minutes: It includes mergers, divisions, acquisitions, or share transfers plans, letters of intent or memoranda, important contracts, and minutes of board meetings.

The Company participating in mergers, divisions, acquisitions, or share transfers shall, within two days from the date of the resolution reached in the board meeting, prepare the data as indicated in Paragraph 1 and Paragraph 2 in the described form and then report to the Financial Supervisory Commission for future reference by the Internet Information System.

The non-listed companies or companies without stock traded at TPEx participating in mergers, divisions, acquisitions, or share transfers should sign an agreement with the Company in accordance with the provisions of Paragraph 3 and Paragraph 4.

Article 25 All individuals who participate in or are aware of the mergers, divisions, acquisitions, or share transfers plans of the Company shall sign a written confidentiality agreement. The contents of the plan shall not be disclosed to the public before the news is announced, nor may they buy the stock shares or stock-based securities from the companies related to the mergers, divisions, acquisitions, or share transfers in their own name or in the name of others.

Article 26 When the Company participates in mergers, divisions, acquisitions, or share transfers, the conversion ratio or purchase price shall not be arbitrarily changed except in the following cases, and the acceptable changes shall be defined in the merger, division, acquisition, or share transfer contract:

- I. Handle cash capital increase; issue convertible corporate bonds, stock dividend, bond with attached warrant, preferred stocks with attached warrants, warrants, and other stock-based securities.
- II. Dispose the major assets of the Company and other activities that affect the Company's financial business.

- III. The occurrence of major disasters and major technological changes that affect the shareholders' equity or securities prices of the Company;
- IV. The adjustment made to the treasury stock repurchased by one of the companies involved in the merger, division, acquisition, or share transfer;
- V. Changes in the number of entities or companies involved in the merger, division, acquisition, or share transfer;
- VI. Other conditions for making changes are detailed in the contract and disclosed to the public.

Article 27 In the case of participation in a merger, division, acquisition, or share transfer, the Company should detail the relevant rights and obligations and the following matters in the contract:

- I. The treatment of default;
- II. The principle of dealing with stock-based securities issued or treasury stock repurchased before the company is eliminated or divided due to a merger.
- III. The shares of treasury stock to be repurchased by the participating company after the base date of conversion ratio calculation and its principle of handling;
- IV. The principle of dealing with the changes in the number of participating entities or companies;
- V. The progress of the project planned and the completion date scheduled;
- VI. The relevant processing procedures to be implemented when the plan is not completed within the time limit, such as, the scheduled date of the shareholders meeting that is to be convened in accordance with the law;

Article 28 After participating in a merger, division, acquisition, or share transfer, and disclosing the information to the public, if any of the participating companies intends to merge, divide, acquire, or transfer shares with other companies, unless the number of participating companies is reduced and it is resolved in the shareholders meeting to authorize the Board of Directors to change the authority, which is then exempted from convening the shareholders meeting to reach a resolution again, the completed procedures or legal act in the original merger, division, acquisition, or share transfer shall be carried out again by all the participating companies.

Article 29 If a company that participates in a merger, division, acquisition, or share transfer is not a public company, the Company should have an agreement signed with it in accordance with Articles 24, Article 25, and Article 28.

Chapter III Information disclosure

Article 30 For the acquisition and disposal of assets by the Company with any of the following situations occurred, prepare the relevant data and then submit it to the website designated by the Financial Supervisory Commission for future reference within two days from the event date:

- I. It is for the acquisition and disposal of real property with the related party, or for the acquisition and disposal of assets other than the real property for an amount exceeding 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million. However, the trade of bonds, R/P and R/S bonds, subscription or R/P of monetary fund issued by domestic securities investment trusts industry is not subject to this requirement.
- II. Initiating mergers, divisions, acquisitions, or share transfers;
- III. The derivative product trade loss reached the limits defined for a master and an individual contract, respectively, according to the Procedures;
- IV. For the acquisition and disposal of commercial equipment conducted with a non-related party for an amount exceeding the quota stated as below:
 - (I) The public company with a paid-in capital less than NT\$10 billion and a transaction amount exceeding NT\$500 million;
 - (II) The public company with a paid-in capital exceeding NT\$10 billion and a transaction amount exceeding NT\$1 billion.
- V. For the acquisition of real property by a construction on the proprietary land, a construction on the leased land, joint construction with unit division, joint construction with percentage division, and joint construction with land/building sale division, the Company expects to invest for an amount doesn't exceeding NT\$500 million.
- VI. It is for the asset transaction or investment in Mainland China other than those stated in the last five paragraphs for an amount exceeding 20% of the Company's paid-in capital or NT\$300 million. However, the following situations are not subject to this requirement:
 - (I) Trade of bonds;
 - (II) Investment professionals conduct security trades at TWSE or TPEx, or subscribe, offer, or issue common bond and general financial bond not involving equity in the primary market, or, security firms for the needs of underwriting business serve as a consultant to the emerging companies to suggest security firms to purchase securities in accordance with the regulations of TWSE.
 - (III) Trade of R/P & R/S bond, subscription or R/P of monetary funds issued by

domestic securities investment trusts;

The transaction amount in the preceding paragraph is calculated as follows:

- I. The amount of each transaction;
- II. The accumulated amount of the acquisition and disposal of the same subject matter with the same counterparty within one year;
- III. The accumulated amount (the amount of acquisition and disposal is accumulated separately) of the acquisition and disposal of real property in the same development project within one year;
- IV. The accumulated amount (the amount of acquisition and disposal is accumulated separately) of the acquisition and disposal of the same marketable securities within one year;

The so-called “within one year” in Paragraph 2 should be retroactively calculated for one year based on the event date. The transactions that are announced in accordance with the Procedures are exempted from being incorporated into the retroactive calculation.

The Company shall, on a monthly basis, submit the derivative products transactions of the Company and its subsidiaries that are not domestic public companies as of the end of last month in the described format to the website designated by the Financial Supervisory Commission before the 10th day of each month.

The mandatory announcement made by the Company with any errors or omissions found at the time being should be corrected and re-announced within two days from the finding day.

For the acquisition and disposal of assets by the Company, the relevant contracts, meeting minutes, memorandum, appraisal reports, and the written opinions of the accountants, lawyers, or securities underwriters should be placed within the Company for at least five years, unless otherwise provided by law.

Article 31 For the transactions declared and reported by the Company in accordance with the provisions stated in the preceding paragraph with one of the following circumstances, it should be reported on the website designated by the Financial Supervisory Commission within two days from the event date:

- I. The relevant contract signed for the original transaction has been changed, terminated, or cancelled.
- II. Mergers, divisions, acquisitions, or share transfers are not completed according to the contractual schedule.
- III. The contents of the original announcement have been changed.

Chapter IV Annex

Article 32 The subsidiary of the Company is not a public company in Taiwan and the matters related to the acquisition and disposal of assets that should be announced in accordance with Chapter III will be handled by the Company.

For the subsidiary stated in the preceding paragraph that is subject to the reporting standards stated in Section 5, Paragraph 1 of Article 30, which refers to an amount exceeding 20% of the paid-up capital or 10% of the total assets, it shall base on the paid-in capital or total assets of the Company.

Article 32-1 For the requirement of “10% of the total assets,” the calculation is based on the total assets in the most recent proprietary or individual financial statements that are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms.”

For the Company’s stock without a par value or with a par value not for NT\$10, the requirement for the transaction amount exceeding “20% of the paid-up capital” is calculated at 10% of the equity of the parent company.

Article 33 The Procedures will be implemented with the approval of the shareholders meeting.

Article 34 The Procedures were enacted on June 25, 2003.

The 1st amendment was made on June 13, 2007.

The 2nd amendment was made on June 13, 2008.

The 3rd amendment was made on June 16, 2009.

The 4th amendment was made on June 10, 2011.

The 5th amendment was made on June 13, 2012.

The 6th amendment was made on June 18, 2013.

The 7th amendment was made on June 11, 2014.

The 8th amendment was made on June 6, 2017.

The 9th amendment was made on June 5, 2018.

Appendix IV :

Yageo Corporation Rules Governing the Election of Directors (Before Amendments)

Article 1: The election of the Company's directors shall be conducted in accordance with the Rules.

Article 2: The election of the Company's directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Law.

The cumulative voting method shall be adopted for the election of the Company's directors. It is possible to print the attendance card number on the ballot instead of the name of the candidate. Each share will have voting rights in number equal to the directors of the Company to be elected, and may be cast for one single candidate or split among multiple candidates.

The number of independent directors and directors of the Company will be elected together as specified in the Rules, with voting rights separately calculated for the number of independent directors and directors.

In addition to the Rules, the election and qualification of independent directors shall be handled in accordance with the Company Law, Securities and Exchange Act, and relevant law and regulations.

Article 3: The election of the Company's independent directors and directors is held together, but with the number of elected calculated separately. The independent directors and directors who receive the ballots representing the highest number of voting rights are elected sequentially according to the respective number of seats to be elected. When two or more persons receive the same number of votes, thus exceeding the specified number of seats, they shall draw lots to determine the winner, with the chairman drawing lots on behalf of any person not in attendance.

Article 4: Before the election begins, the chairman shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting.

Article 5: The ballots shall be prepared and issued by the board of directors according to the attendance card number and with the number of voting rights filled in.

Article 6: If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot. For a non-shareholder, the voter shall enter the candidate's full name and ID card number or passport number. However, when the candidate is a governmental organization or corporate shareholder, the name of the governmental organization or corporate shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered, respectively.

Article 7: A ballot is invalid under any of the following circumstances:

(I) A ballot complying with the Rules is not used.

(II) A blank ballot is placed in the ballot box.

- (III) A ballot is not filled in according to the provisions of Article 6 or is with other words or marks included.
 - (IV) A candidate whose name entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number is provided in the ballot to identify such individual.
 - (V) If the candidate whose name entered in the ballot is not a shareholder, the name, ID Card number, or passport number is not provided, or their name, ID card number, or passport number cannot be verified or are found inconsistent.
 - (VI) There are more than two candidates' names entered in the ballot.
 - (VII) The writing in the ballot is unclear and indecipherable or has been altered.
- Article 8: The valid and invalid votes and voting rights shall be calculated on site immediately after the end of the poll, and the results of the ballot counting, including the list of persons elected as directors and the number of votes with which they were elected, shall be announced by the chairman on the site.
- Article 9: The shareholders meeting of the Company shall issue notifications to the persons elected as directors.
- Article 10: The matters not addressed in the Rules shall be handled in accordance with the Company Law and relevant law and regulations.
- Article 11: The Rules shall be implemented after the approval of the shareholders meeting, and the same shall apply to the amendments.
- Article 12: The Rules were enacted on March 15, 1990.
- The 1st amendment was made on June 18, 2002.
 - The 2nd amendment was made on June 14, 2006.
 - The 3rd amendment was made on June 13, 2007.
 - The 4th amendment was made on June 16, 2009.
 - The 5th amendment was made on June 10, 2011.
 - The 6th amendment was made on June 13, 2012.
 - The 7th amendment was made on June 11, 2014.
 - The 8th amendment was made on June 5, 2018.

Appendix V :

Current Shareholding of Directors

1. The paid-in capital of the Company is NTD 4,271,216,950 , with a total of 427,121,695 outstanding shares.
2. According to Article 26 of the Securities and Exchange Act :
 - (1) The minimum number of shares to be held by the entire directors is 16,000,000 shares.
 - (2) The company has established the audit committee, the minimum shareholding requirements for supervisors do not apply.
3. As of the date for suspending the share transfer for this shareholders meeting, the shareholding of each individual and entire directors stipulated in the shareholders roster is as follows:

Record Date : April 7, 2019

Title	Name	Shareholding on the shareholder's registry	
		Shares	Ratio (%)
Chairman	Tie-Min Chen	34,184,697	8.00%
Director	Hsu Chang Investment Ltd. Representative : Chi-Wen Chang 、 Tzong-Yeng Lin 、 Shih-Chien Yang 、 Victor C. Wang 、 Lai-Fu Lin	4,019,156	0.94%
Independent Director	Jerry Lee	-	0.00%
Independent Director	Hilo Chen	-	0.00%
Independent Director	Tun-Son Lin	-	0.00%
Total		38,203,853	8.94%

Appendix VI :

Impact of Stock Dividend Issuance on the Company's Business Performance, Earnings per Share and Shareholder Return Rate: Not Apply.