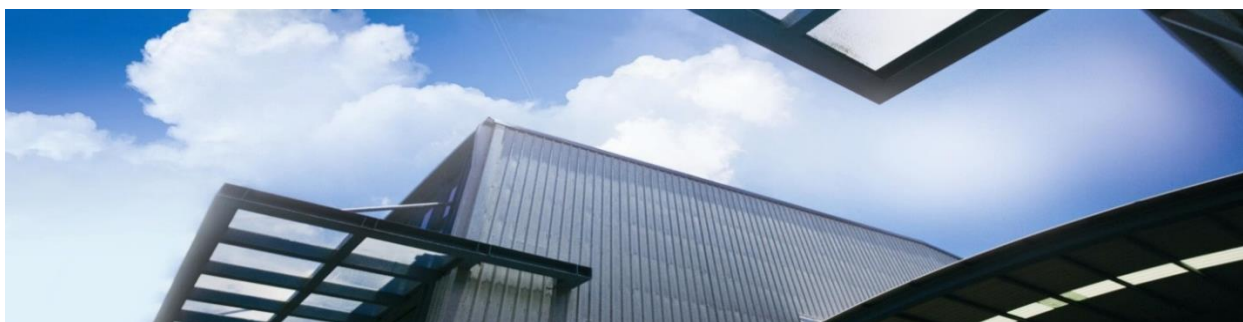




# 世堃塑膠股份有限公司 Shih-Kuen Plastics CO., LTD.

## Handbook for 2019 Annual Shareholders Meeting



Date: June 19, 2019

Venue: 3F, Ma-Dou District Agriculture Office Building  
(56 Xing Sheng North Road, Ma-Dou District, Tainan)

### Translation Summary

This English translation is prepared in accordance with the Mandarin version for reference purposes only. Please prevail the Mandarin version if there are any discrepancy with the translation.

# 世莒塑膠股份有限公司

## SHIH-KUEN PLASTICS CO., LTD.

### Current Shareholding of Directors and Supervisors

Record Date: April 21, 2019

<u>Title</u>	<u>Name</u>	<u>Number of Shares</u>	<u>Shareholding Ratio (%)</u>
Chairman	Lin, Chang-Fu	5,170,180	9.28
Directors	Chen, Chun-Cheng	3,654,253	6.64
	Hong, Zhi-Cheng	2,549,575	4.64
	Huang, Man-Ling	1,484,235	2.70
	Huang, Chao-Yu	1,105,007	2.01
	Chou, Liang-Cheng	-	-
	Chou, Szu-Cheng	-	-
	<b>Total Directors Shareholdings</b>	<b>13,900,250</b>	<b>25.27</b>
Supervisors	Chen, Huann-Wen	1,446,514	2.63
	Ma, Hui- Chen	186,720	0.34
	Chen, Chih-Min	18,711	0.03
	<b>Total Supervisors Shareholdings</b>	<b>1,651,945</b>	<b>3.00</b>

The total paid-up capital of the Company is NT\$550,140,000 and has fully issued a total of 55,014,000 shares.

In accordance with *the Securities Exchange Act*, the required combined shareholding of directors and supervisors are 5,501,400 and 550,140 shares respectively on the book closure date.

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# SHIH-KUEN PLASTICS CO., LTD.

## 2019 ANNUAL MEETING OF SHAREHOLDERS

### Meeting Procedure

**Date:** Wednesday, June 19, 2019

**Time:** 9:00 a.m.

**Venue:** 3F Meeting Room, Ma-Dou District Agriculture Office Building  
(56 Xing Sheng North Road, Ma-Dou District, Tainan)

**Attendants:** All shareholders or their proxy holders

**Chairman:** Mr. Chang-Fu Lin, Chairman of the Board of Directors

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
  - (1) Business Report 2018
  - (2) Supervisor's Review Financial Statement 2018
  - (3) Report on Remuneration Distribution of Employees, Directors and Supervisors, 2018
4. Ratification Items
  - (1) Business Report and Financial Statements, 2018
  - (2) Profit Distribution Proposal, 2018
5. Discussion Items:
  - (1) Amendment to *Memorandum and Article of the Company*
  - (2) Amendment to *Rules for Election of Directors and Supervisors*
  - (3) Amendment to *Procedures for Acquisition or Disposal of Assets*
  - (4) Omit *Policies and Procedures for Financial Derivatives Transactions*
6. Election:

The Company's 12<sup>th</sup> Board of Directors (including two independent directors) and Supervisors
7. Questions and Motions
8. Meeting Adjourned

## **Report Items**

- (1) Business Overview 2018
- (2) Supervisors' Review Report 2018
- (3) Report on Remuneration Distribution of Employees, Directors and Supervisors, 2018

# SHIH-KUEN PLASTICS CO., LTD.

## Business Overview 2018

The operating revenue for FY18 was NT \$1,139,107 thousands, a decrease of 4.03% from NT \$1,186,966 thousands in FY17. Comparing prices of major ingredients in 2017, PVC resin has downed by 6.64% whereas DINP has increased by 7.61% in 2018. The operating expense of FY18 was NT\$864,653 thousands, a 5.56.% decrease comparing to NT\$915,522 thousands in FY17; The operating income increased from NT\$192,593 thousands to NT\$195,531 thousands at 1.53%.

The profit before tax was NT\$217,504 thousands, an increase of NT\$50,733 thousands from NT\$166,771 thousands in FY17; The net profit after tax in FY18 was NT\$174,761 thousands, an increase of NT \$37,584 thousands from NT\$137,177 thousands FY16. The earning per share was NT \$3.18 in FY18.

Looking back to 2018 economic status, optimisms didn't successfully lead to actual performance. This year Trump continuously took strong stand on "Make America Great Again" by renegotiating trade deals with allies especially their largest trade partner, China. After multiple trade talks since mid of 2018, the negotiations are still ongoing with no clear end. The uncertainty of trade war has already damaged both economies and significantly weaken global economy recovery.

Carrying out to 2019, the global economic growth is off to a worse start with various uncertainty caused by rising tension between US and China and political uncertainty in different regions. In past few month, IMF and WTO had downgraded 2019 forecast in several attempts warning the economic slowdown. The underlying risks include weak consumer confidence that impact spending and business investment in greater scale. Taiwan overall economy and plastic industry is already facing slowdown in exports that cripples industrial growth.

To combat uncertainty, volatility and low demands in 2019, Shih-Kuen Plastics would continue to strengthen our key competitiveness. As an important player in the market, strong supply chain is our valuable asset from quality material, timely delivery and favorable purchase cost. Company will also focus on develop stronger alliance with existing clients in our domestic market and oversea. From the internal management perspectives, Shih-Kuen Plastics would offer regular employee training, optimize production efficiency, quality and yield, and controlling operation cost.

In the upcoming year, the goal of Shih-Kuen Plastics remains solid on these strategic but will make vital adjustments reflecting latest market trends. High quality of PVC sheets, strong tide with customers and stable market demands remain to be the company's focal points.

## SHIH-KUEN PLASTICS CO., LTD.

### Supervisors' Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Proposal for Profits Distribution, and Financial Statements audited by the accountants, Yung-Chih Lin, and Tzu-Meng Liu, of the PwC Taiwan. We as the Supervisors of the Company have examined the aforementioned documents and confirmed no unconformities. According to the Article 219 of *Company Act*, we hereby submit this report. Please be advised accordingly.

Submitted to:

The Company's 2019 Annual Shareholders' Meeting

Supervisors

Ma, Hui- Chen  
Chen, Chih-Min  
Chen, Huann-Wen

March 20, 2019

## **Report on Remuneration Distribution of Employees, Directors and Supervisors, 2018**

The Board has approved the following Remuneration Distribution Plan on March 20th, 2019:

1. Remuneration of Directors and Supervisors is NT\$4,537,799.
2. Employee Compensation is NT\$4,537,799
3. Comparing the above-mentioned proposed amount of remuneration NT\$9,075,598 and the accounting estimate NT\$9,385,876, the difference of NT -\$310,278 will be adjusted in the expense of FY19 accordingly.



## Rectification items

### 1. Adoption of the Business Report and Financial Statements, 2018 (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The Company's 2018 Financial Statements, including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement, were approved at the Board on March 20, 2019 and reviewed by the supervisors.
- (2) All the financial reports listed above were audited by accountants, Mr. Yung-Chih Lin and Mr. Tzu-Meng Liu, of PwC Taiwan.
- (3) Operating revenue of FY 18 was NT \$1,139,107 thousands and operating profit was NT \$195,531 thousands; profit before tax was NT\$217,504 thousands, and NT\$174,761 thousands after tax. The earnings per share of FY18 is NT\$3.18.  
Please refer to Business report and financial statements in details, page 14-21.

Resolution:

### 2. Adoption of the Distribution of Remuneration, 2018 (Proposed by the Board of Directors)

Explanatory Notes:

- (1) After adjusting the Retained Earnings of 2018 with legal reserves and associated expenses related to dividends distribution, the Board of Directors has approved the following profit distribution plan: (see Statement of Distribution, Page 22)
  1. Distributing a total of NT \$143,036,400 capital surplus in cash dividends.
  2. Issuing cash dividends only.
- (2) The Board proposes to distribute cash dividends of \$2.60 per share.  
According to *the Company Act*, the approval of the shareholders meeting authorizes the Board of Directors to resolve the ex-dividend date, payment date, and other relevant issues. The Board shall adjust the cash dividends based on the number of actual shares outstanding on the record date.

Resolution:

## Discussion items

1. Amendment of *Memorandum and Article of the Company*  
(Proposed by the Board of Directors)

Explanatory Notes:

The Company propose to amend Article 1, 8 19, 20, 34 and 19-1 of the *Memorandum and Articles of Association*.

Please refer to amendment comparison table in details, page 24-26, appendix 1.

Resolution:

2. Amendment of *Rules for Election of Directors and Supervisors*  
(Proposed by the Board of Directors)

Explanatory Notes:

Following amended Memorandum and Article of the Company, the Company hereby propose to amend Article 4-1, *Rules for Election of Directors and Supervisors*.

Please refer to amendment comparison table in details, page 27-28, appendix 2.

Resolution:

3. Amendment of *Procedures for Acquisition or Disposal of Assets*  
(Proposed by the Board of Directors)

Explanatory Notes:

Conforming with IFRS Article 16 Lease and Article 9 Financial Instrument, the Company hereby proposes to amend the *Procedures for Acquisition or Disposal of Assets*.

Please refer to amendment comparison table in details, page 29-42, appendix 3.

This proposal has been approved at the Board and superiors before submitting to the Shareholders' Meeting.

Resolution:

4. Termination of *Policies and Procedures for Financial Derivatives Transactions*  
(Proposed by the Board of Directors)

Explanatory Notes:

1. Above mentioned *Procedures for Acquisition or Disposal of Assets* has amended clauses associated with managing financial derivatives, the Company hereby proposed to terminate existing *Policies and Procedures for Financial Derivatives Transactions*.
2. Due to the complexity of derivatives products and risk management, the Company would not participate in such investment.

Resolution:

## Elections items

Electing 12<sup>th</sup> Board of Directors (including 2 Independent Directors) and Supervisors  
Explanatory Notes:

- (1) Upon the tenure expiration of 11<sup>th</sup> Board of Directors and Supervisors on June 23, 2019, the election will be conducted at the Annual Shareholders' Meeting.
- (2) Complying with the *Memorandum and Article of the Company*, the election will apply nomination system electing seven (7) Board of Directors including two (2) independent directors, three (3) supervisors, in three-year tenure from June 19, 2019 to June 18, 2022
- (3) Adopting cumulating voting system in the election
- (4) Presenting the list of Independent Directors candidates, approved at 18<sup>th</sup> Board Meeting on March 20, 2019.

	ID Number	Name	Number of Shares Holdings	Education and Experience	Notes
1	N221331095	Chou, Liang-Cheng	0	Bachelor of Law, Fu Jen Catholic University Attorney of Higher Examination-Certified Attorney in Charge, Jia Hwa Law Firm Independent Director, Career Technology Co., Ltd. Supervisor, Shih-Kuen Plastics Co., Ltd. Independent Director, Tons Lighting Co., Ltd. Independent Director, Shih-Kuen Plastics Co., Ltd.	
2	R121292030	Chou, Szu-Cheng	0	PhD in Law, Pecking University Supervisor, Vedan Enterprise Corporation Supervisor, Shih-Kuen Plastics Independent Director, Shih-Kuen Plastics	

Voting Result:

# Questions and Motions

## **Attachments**

- I. Business Report 2018
- II. Balance Sheets
- III. Statements of Comprehensive Income
- IV. Statements of Changes in Equity
- V. Statements of Cash Flow
- VI. Statements of Profit Distribution

## Business Report 2018

The operating revenue for FY18 was NT\$1,139,107 thousands, a decrease of 4.03% from NT\$1,186,966 thousands in FY17. The average price of the PVC resin has dropped by 6.64% whereas DINP price has increased by 7.61%. The average PVC sheet selling price has decreased by 0.64% in FY18.

The operating expense of FY18 was NT\$864,653 thousands, a 5.56% decrease comparing to NT\$915,522 thousands in FY17; the operating income raised from NT\$192,593 thousands to NT\$195,531 thousands at 1.53%.

The profit before tax was NT\$217,504 thousands, an increase of NT \$50,733 thousands from NT\$166,771 thousands in FY16; The net profit after tax in FY18 was NT\$174,761 thousands, an increase of NT\$37,584 thousands from FY17. The earning per share was NT \$3.18.

Followings are analysis of financial conditions, operation results and strategic plans:

### 1. Values of Production and Sales, FY18 and FY17:

(Volume in tons. Value in thousands of New Taiwan Dollars):

PRODUCTION	FY18				FY17			
	Volume	Value			Volume	Value		
Soft PVC	17,506	713,736	81.00 %		18,649	772,752	83.67 %	
Semi-Rigid PVC	3,495	167,472	19.00 %		2,950	150,793	16.33 %	
Total	21,001	\$ 881,208	100.00 %		21,599	\$ 923,545	100.00 %	

SALES	FY18				FY17			
	Volume	Value			Volume	Value		
Soft PVC	17,115	926,450	81.36 %		18,241	997,570	84.18 %	
Semi-Rigid PVC	3,372	212,196	18.64 %		2,942	187,473	15.82 %	
Total	20,487	\$1,138,646	100.00 %		21,183	\$1,185,043	100.00 %	

### 2. Annual Income, FY18 and FY17 (in thousands of New Taiwan Dollars):

	FY18		FY17		Change (%)
	Amount	%	Amount	%	
Operating Revenue	1,139,107	100.00	1,186,966	100.00	(4.03)
Operating Cost	( 864,653 )	( 75.91)	( 915,522 )	( 77.13)	(5.56)
Gross Profit	\$ 274,454	24.09	\$ 271,444	22.87	1.11
Operating Expense	( 78,923 )	( 6.93)	( 78,851 )	( 6.64)	0.09
Operating Income	\$ 195,531	17.16	\$ 192,593	16.23	1.53
Non-Operating Income and Expenses	21,973	1.93	( 25,822 )	( 2.18)	185.09
Profit Before Income Tax	\$ 217,504	19.09	\$ 166,771	14.05	30.42
Income Tax Expense	( 42,743 )	( 3.75)	( 29,594 )	( 2.49)	44.43
Net Income for the Year	\$ 174,761	15.34	\$ 137,177	11.56	27.40

## Attachment I

### 3. Profitability Analysis FY18 and FY17 (in percentage %, except EPS in New Taiwan Dollars):

	FY18	FY17	Change (%)
Return on Assets	14.61	11.67	25.19
Return on Shareholders' Equity	17.23	13.85	24.40
Operating Income to Capital Stock	35.54	35.00	1.54
Income Before Tax to Capital Stock	39.54	30.31	30.45
Net Profitability	15.34	11.56	32.70
Earnings Per Share (NT\$)	\$ 3.18	\$ 2.49	27.71

### 4. Budget Execution FY17 (in thousands of New Taiwan Dollars):

	FY17 Execution		FY17 Budget		Accomplish Rate (%)
	Amount	%	Amount	%	
Operating Revenue	1,139,107	100.00	1,136,787	100.00	100.20
Operating Cost	( 864,653 )	( 75.91 )	( 873,894 )	( 76.87 )	98.94
Gross Profit	274,454	24.09	262,893	23.13	104.40
Operating Expense	( 78,923 )	( 6.93 )	( 79,080 )	( 6.96 )	99.80
Operating Income	\$ 195,531	17.16	\$ 183,813	16.17	106.37
Non-Operating Income and Expenses	21,973	1.93	10,364	0.91	212.01
Profit Before Income Tax	\$ 217,504	19.09	\$ 194,177	17.08	112.01
Income Tax Expense	( 42,743 )	( 3.75 )	( 38,835 )	( 3.42 )	110.06
Net Income for the Year	\$ 174,761	15.34	\$ 155,342	13.66	112.50

### 5. Research and Development:

While Shih-Kuen Plastics continuously supports clients with quality PVC Sheet by fulfilling diverse market demands, the Company offers versatile customization options from printing, cold-crack, high-resistance, waterproof to anti-mod features.

There are the five major product categories available in mass production:

1. Double-Polished Normal Clear & Super Clear PVC Sheet
2. Double-Polished Super Clear PVC Sheet
3. Embossed, Translucent & Opaque PVC Sheet
4. PVC Sheet for Digital Printing and Advertisement
5. Impact-Resistant PVC Sheet

### 6. Strategic Plan:

- I. Developing stronger bond with domestic clients to secure stable order demands and simultaneously expanding international markets.
- II. Establishing long-term supplier relationship to ensure provision of supplies and mitigate price volatility.
- III. Providing regular employees training to excel in professions and managerial skills.
- IV. Optimizing machinery performance to enhance efficiency, product quality, yield, and control production cost.
- V. Improving administrative management and employee reward system, attracting talents to join Shih-Keun Plastics and maintaining company's sustainability.

Chairman:  
Lin, Chang-Fu



General Manager:  
Chen, Chun-Cheng



Chief Accountant:  
Lin, Yu-Chieh



**SHIH-KUEN PLASTICS CO., LTD.****BALANCE SHEETS**

December 31, 2017 and 2018

(in thousands of New Taiwan Dollars)

		2018		2017	
		Amount	%	Amount	%
<b>ASSETS</b>					
<b>Current Assets</b>					
1100	Cash and Cash Equivalents	569,688	47	543,097	46
1150	Notes Receivables, Net	45,164	4	51,074	4
1170	Account Receivables, Net	158,085	13	170,334	14
1200	Other Receivables	94	-	81	-
130X	Inventories	116,010	10	93,141	8
1410	Prepayment	2,491	1	5,063	1
11XX	<b>Total Current Assets</b>	\$ 891,532	74	\$ 862,790	73
<b>Non-Current Assets</b>					
1600	Property, Plant and Equipment	308,629	25	314,849	27
1840	Deferred Income Tax Assets	6,961	1	5,735	-
1920	Guarantee Deposit Paid	508	-	1,258	-
15XX	<b>Total Non-Current Assets</b>	\$ 316,098	26	\$ 321,849	27
1XXX	<b>Total Assets</b>	\$ 1,207,630	100	\$ 1,184,632	100
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
2100	Short-Term Borrowings	827	-	11,536	1
2150	Notes Payables	16,252	1	15,845	2
2170	Accounts Payable	58,884	5	84,237	7
2200	Other Payables	42,028	4	34,341	3
2230	Current Income Tax Liabilities	29,143	2	12,211	1
21XX	<b>Total Current Liabilities</b>	\$ 147,134	12	\$ 162,170	14
<b>Non-Current Liabilities</b>					
2640	Net Defined Benefit Liabilities- Non-Current	23,019	2	25,592	2
2645	Guarantee Deposits Received	1,445	-	4,375	-
25XX	<b>Total Non-Current Liabilities</b>	24,464	2	29,967	2
2XXX	<b>Total Liabilities</b>	\$ 171,598	14	\$ 192,137	16

(continued)



## Attachment II

### EQUITY

#### Share Capital

3110	Share Capital- Common Shares	550,140	46	550,140	47
3200	Capital Surplus	75	-	75	-

#### Retained Earnings

3310	Legal Reserve	190,613	16	176,895	15
3350	Unappropriated Retained Earnings	295,204	24	265,385	22

#### Total Equity - Contingent

#### 3XXX Liabilities & Unrecognized

Contract Commitments \$ 1,036,032 86 \$ 992,495 84

3X2X Total Liabilities and Equity \$ 1,207,630 100 \$ 1,184,632 100

**SHIH-KUEN PLASTICS CO., LTD.****STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2017 and 2018

(in thousands of New Taiwan Dollars, except earnings per share)

	2018		2017	
	Amount	%	Amount	%
4000 <b>Operating Revenue</b>	\$ 1,139,107	100	\$ 1,186,966	100
5000 <b>Operating Costs</b>	( 864,653 )	(76)	( 915,522 )	(77)
5900 <b>Net Operating Margin</b>	\$ 274,454	24	\$ 271,444	23
<b>OPERATING EXPENSES</b>				
6100 Selling Expenses	( 40,125 )	(3)	( 41,857 )	(4)
6200 General and Administrative Expenses	( 29,249 )	(3)	( 28,690 )	(2)
6300 Research and Development Expenses	(8,482)	(1)	(8,304)	(1)
6450 Expected Credit Gain (Loss)	(1,067)			
6000 Total Operating Expenses	( 78,923 )	(7)	( 78,851 )	(7)
6900 Operating Profit	\$ 195,531	17	\$ 192,593	16
<b>NON-OPERATING INCOME AND EXPENSES</b>				
7010 Other Income	7,238	1	5,304	1
7020 Other Gains and Losses	14,735	1	( 31,126 )	(3)
7050 Finance Costs	-	-	-	-
7000 Total Non-Operating Income and Expenses	\$ 21,973	2	\$ ( 25,822 )	(2)
7900 Profit Before Income Tax	\$ 217,504	19	\$ 166,771	14
7950 Income Tax Expense	( 42,743 )	(4)	( 29,594 )	(2)
8200 Net Income for The Year	\$ 174,761	15	\$ 137,177	12
(Other comprehensive income (loss) or related components will not be reclassified to profit or loss)				
8311 Re-measurement of Defined Benefit Obligation	695	-	( 695 )	-
8349 Income Tax	115	-	118	-
(Other related components of comprehensive income will not be reclassified to profit or loss.)				
	810		( 577 )	
8500 Total Comprehensive Income for the Year	\$ 175,571	15	\$ 136,600	12
<b>EARNINGS PER SHARE</b>				
9750 Basic Earnings per Share (in NT \$)	\$ 3.18		\$ 2.49	
9850 Diluted Earnings per Share (in NT \$)	\$ 3.17		\$ 2.49	

# SHIH-KUEN PLASTICS CO., LTD.

Attachment IV

## STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2018

(in thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus		Retained Earnings		Total Equity			
	Common Share		Gain / Disposal of Assets		Legal Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1 ,2017	\$	550,140	\$	75	\$	160,389	277,325	987,929		
Net Income for the Years, Ended Dec. 2017	-		-		-		137,177	137,177		
Other Comprehensive Income, Ended Dec. 31,2017							( 577 )	( 577 )		
Total Comprehensive Income, 2017							136,600	136,600		
Distribution of 2016 Net Income										
Legal Reserve						16,506	( 16,506 )	-		
Cash Dividends						-	( 132,034 )	( 132,034 )		
BALANCE, DECEMBER 31 ,2017	\$	550,140	\$	75	\$	176,895	265,385	992,495		
BALANCE, JANUARY 1 ,2018		550,140	\$	75	\$	176,895	\$	265,385	\$	992,495
Net Income for the Years, Ended Dec. 2018							174,761	174,761		
Other Comprehensive Income, Ended Dec. 31,2018		-		-			810	810-		
Total Comprehensive Income, 2018							175,571	175,571		
Distribution of 2017 Net Income										
Legal Reserve						13,718	(13,718)	-		
Cash Dividends							(132,034)	(132,034)		
BALANCE, DECEMBER 31 ,2018	\$	550,140	\$	75	\$	190,613	\$	295,204	\$	1,036,032

**SHIH-KUEN PLASTICS CO., LTD.****STATEMENTS OF CASH FLOW**

For the years ended December 31, 2017 and 2018

(in thousands of New Taiwan Dollars)

	Year Ended Dec. 31	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax for the year	\$ 217,504	\$ 166,771
<b>Adjustments</b>		
Expected Credit Loss (or Gain)	1,067	
Provision of Bad Debts Account	-	2,103
Depreciation	12,587	12,131
Gain (Loss) on Disposal of Property, Plant and Equipment	(55)	-
Interest Income	( 6,113 )	( 4,675 )
<b>Changes in Operating Assets and Liabilities</b>		
<b>Changes in Operating Assets</b>		
Notes Receivable	5,910	( 6,739 )
Accounts Receivable	11,182	8,127
Other Receivables	(13)	(77)
Inventories	( 22,869 )	( 4,887 )
Prepayments	2,572	( 3,170 )
<b>Changes in Operating Liabilities</b>		
Notes Payable	2,161	( 1,371 )
Accounts Payable	(25,353)	20,462
Other Payables	2,942	3,584
Net Defined Benefit Liabilities-Non-Current	\$ ( 1,878 )	\$ ( 1,724 )
Cash Inflow Generated from Operations	\$ 199,644	\$ 190,535
Interest Received	6,113	4,675
Income Tax Paid	( 26,922 )	( 36,100 )
Net Cash Inflows from Operating Activities	\$ 178,835	\$ 159,110

(continued)

## Attachment V

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash Paid for Acquisition of Property, Plants & Equipment	(6,731)	(7,603)
Cash Received from Disposal of Property, Plants and Equipment	100	-
Prepayment for Equipment	(690)	-
Increase in Prepayment for Equipment	750	3,160
Net Cash Flows Used in Investing Activities	<u>\$ (6,571)</u>	<u>\$ (4,443)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in Short-Term Borrowings	(10,709)	(5,485)
Increase (Decrease) in Guarantee Deposit Received	(2,930)	1,290
Payment of Cash Dividends	(132,034)	(132,034)
Net Cash Flows Used in Financing Activities	<u>\$ (145,673)</u>	<u>\$ (136,229)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 26,591</u>	<u>\$ 18,438</u>
Cash and Cash Equivalents, Beginning	543,097	524,659
Cash and Cash Equivalents, Ending	<u><u>\$ 569,688</u></u>	<u><u>\$ 543,097</u></u>

## SHIH-KUEN PLASTICS CO., LTD. STATEMENTS OF PROFIT DISTRIBUTION 2018

(in New Taiwan Dollars)

Items		Amount
Net Profit Before Tax for the Current Year	\$	217,504,076
Less: Income Tax		( 42,742,567 )
Net Profit After Tax for the Current Year		174,761,509
Less: Legal Reserve (=10% of Profit After Tax 2017)		( 17,476,151 )
Add: Actuarial Gains Adjusted in 2017		809,881
Earnings Available for Distribution in 2017	\$	158,095,239
Add: Unappropriated Retained Earnings, Beginning		119,632,592
Accumulated Distributable Earnings	\$	277,727,831
Less: Cash Dividends (=2.4/shares × 55,014,000 shares)		( 143,032,400 )
Unappropriated Retained Earnings*, Ending	\$	134,691,431

Chairman:

Lin, Chang-Fu



General Manager:

Chen, Chun-Cheng



Chief Accountant:

Lin, Yu-Chien



## **Comparison Tables for Amendment**

- (1) Amendment of “Memorandum and Articles of the Company”
- (2) Amendment of “Rules for Election of Directors and Supervisors”
- (3) Amendment of “Procedures for Acquisition or Disposal of Asset”

## Memorandum and Articles of the Company

Comparison Table for Amendment

Original	After Revision	Rationale
<p>Article 1</p> <p>The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “Shih-Kuen Plastics Co., Ltd.” (hereinafter referred to as the “Company”).</p>	<p>Article 1</p> <p>The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “Shih-Kuen Plastics Co., Ltd.” (hereinafter referred to as the “Company”) <i>Adding official English Company Name in memorandum written in Mandarin.</i></p>	<p>Amendment made in accordance with the Article 392-1, <i>Company Act</i>, updating official company name in English.</p>
<p>Article 8</p> <p>All the shares are registered and the certificates shall be signed or affixed by <u>three or more directors</u> of the Company.</p> <p>The Company may combine printing the shares and exempt from printing the physical certificates pursuant to the Article 162-1 <u>and 162-2</u> of the <i>Company Act</i>.</p>	<p>All the shares are registered and the certificates shall be signed or affixed by the <b>directors representing</b> the Company.</p> <p>The Company may combine printing the shares and exempt from printing the physical certificates pursuant to the Article 162-1 of the <i>Company Act</i>.</p>	<p>According to the Article 162, the <i>Company Act</i>, issuing and printing certificates shall be affixed with the signatures or personal seals of the director representing the Company.</p>
<p>Article 19</p> <p>The Company shall establish the Board constituted by seven (7) directors and three (3) supervisor(s) whom are elected at the Meeting among the individuals of legal capacity, with the three-year term. All Directors and Supervisor(s) shall be eligible for re-election.</p> <p>Said directors shall include two (2) independent directors; the independent directors shall be elected from the list of candidates proposed in the Meeting representing over one-fifth (1/5) of total director seats.</p>	<p>The Company shall establish the Board constituted by seven (7) directors and three (3) supervisor(s) whom are elected at the Meeting among the individuals of legal capacity, with the three-year term. <b><u>The election shall appl candidate nomination system complying with Article 198 and 192-1 of the Company Act.</u></b> All Directors and Supervisor(s) shall be eligible for re-election.</p> <p>Said directors shall include <b>minimum</b> two (2) independent directors; the independent directors shall be elected from the list of candidates proposed in the Meeting representing over one-fifth (1/5) of total director seats.</p>	<p>Revised according to Article 192-1 the <i>Company Act</i>, the Company shall adapt candidate nomination system to elect directors and supervisors.</p> <p>There shall be minimum two independent directors .</p>



<p>The qualification, shareholding, restrictions on part-time jobs, identification of independency, nomination and election of independent directors and other matters to be complied with shall be handled in accordance with <i>the Company Act</i> and other relevant policies of the competent security authority.</p>	<p>The qualification, shareholding, restrictions on part-time jobs, identification of independency, nomination and election of independent directors and other matters to be complied with shall be handled in accordance with <i>the Company Act</i> and other relevant policies set at the <b>Board Meeting</b>.</p> <p>Article 19-1 Conforming with Article 14-4, <i>Securities and Exchange Act</i>, the audit committee shall be composed of all independent directors. The Audit Committee or the committee members shall be responsible for exercising a supervisor’s power prescribed by the <i>Company Act</i>, <i>Securities and Exchange Act</i> and other related laws.</p> <p>This article will be adapted in 2022 after reelecting the Board of Directors replacing existing article regulated Supervisors matters.</p> <p>Upon the establishment of the audit committee, the supervisor shall be released from duty. The provisions regarding supervisor in this Memorandum shall be void with immediate effect.</p>	<p>Updating terms stated in the latest Taiwan’s Corporate Governance Blueprint</p> <p>Updating Article to comply with Article 14-4, the <i>Securities and Exchange Act</i>, revised on Dec. 19, 2018.</p>
<p>Article 21 The Board shall be organized and formed among the directors. The Chairperson shall be elected by the board with more than half of the total seats. The chairperson shall represent the Company externally in charge of the Company’s business operation and convene the Meeting and Board Meeting. Other authorization not specified in the Company Act or this Memorandum will be approved at the Board Meeting.</p>	<p>The Board shall be organized and formed among the directors. The Chairperson shall be elected by the board with more than half of the total seats. The chairperson shall represent the Company externally in charge of the Company’s business operation and convene the Meeting and Board Meeting. Other authorization not specified in the Company Act or this Memorandum will be approved at the Board Meeting.</p> <p>Unless special regulations set other</p>	<p>According to Article 204, the <i>Company Act</i>, adding electronic transmission in meeting notice mean.</p>

	<p>than the <i>Company Act</i>, Board Meetings shall be convened by the chairman with subjects for discussion and reasons sending to every directors and supervisors. In the case of emergency, a meeting of the board of directors may be convened at any time.</p> <p>Directors' meeting may be convened in writing, fax or by electronic transmission.</p>	
<p>Article 24 These Memorandum and Articles were promulgated on 24 September, 1986 and amended on the following dates: ... June 22, 2012 June 25, 2015 June 24, 2016</p>	<p>These Memorandum and Articles were promulgated on 24 September, 1986 and amended on the following dates: ... June 22, 2012 June 25, 2015 June 24, 2016 <b><u>June 19, 2019</u></b></p>	<p>Updating date of amendment.</p>

## Rules for Election of Directors and Supervisors

Comparison Table for Amendment

Original	After Revision	Rationale
<p>Article 4-1 The Company adopts candidate nomination system for electing <u>Independent Directors</u>. The company shall, prior to the share transfer suspension date dedicated before the Shareholders' Meeting, announce the period for accepting the nomination of <u>independent</u> director candidates, the quota of directors to be elected, the place designated for accepting the roster of <u>independent</u> director candidates nominated, and other necessary matters in public notice. The length of the period for accepting the nomination of director candidates shall not be under 10 days.</p> <p>Any shareholder holding 1% or more of the total outstanding shares of the Company may submit a written proposal for <u>independent</u> director candidates. Number of nominees shall not exceed the quota of the <u>independent</u> directors to be elected. This condition shall also apply to candidates nominated by the board of directors of the company. When providing a recommended slate of <u>independent</u> director candidates under the preceding conditions, a shareholder or the board of directors shall include in the documentation attached thereto each nominee's name, educational background, work experience, a written nominee's consent to serve as an independent director if elected as such and the written statement that none of the circumstances in Article 30 of the Company Act exists, and other relevant documentary proof.</p>	<p>The Company adopts candidate nomination system for electing <b><u>directors and supervisors</u></b>. The company shall, prior to the share transfer suspension date dedicated before the Shareholders' Meeting, announce the period for accepting the nomination of director <b><u>and supervisor</u></b> candidates, the quota of directors to be elected, the place designated for accepting the roster of director <b><u>and supervisor</u></b> candidates nominated, and other necessary matters. The length of the period for accepting the nomination of director candidates shall not be under 10 days.</p> <p>Any shareholder holding 1% or more of the total outstanding shares of the Company may submit a written proposal for director <b><u>and supervisor</u></b> candidates. Number of nominees shall not exceed the quota of the directors <b><u>and supervisors</u></b> to be elected. This condition shall also apply to candidates nominated by the board of directors of the company. When providing a recommended slate of director <b><u>and supervisor</u></b> candidates under the preceding conditions, a shareholder or the board of directors shall include in the documentation attached thereto each nominee's name, educational background, work experience, a written nominee's consent to serve as an independent director if elected as such and the written statement that none of the circumstances in Article 30 of the Company Act exists, and other relevant documentary proof.</p>	<p>Conforming to revised Article 192-1, the <i>Company Act</i></p>

<p>When calling a shareholders' meeting for the purpose of independent director elections, the board of directors, or other person having the authority to call a shareholders' meeting, shall review the qualifications of each independent director nominee; except under any of the following circumstances, all qualified nominees shall be included in the slate of <u>independent</u> director candidates:</p> <ol style="list-style-type: none"> <li>1. Do not submit nomination within the published periods.</li> <li>2. Where the shareholding of the nominating shareholder is less than one percent at the time of book closure by the company under Article 165, paragraph 2 or 3 of the <i>Company Act</i>.</li> <li>3. The number of nominees exceeds the number of <u>independent</u> directors to be elected.</li> <li>4. Do not provide the relevant documentary proof required under the preceding paragraph.</li> </ol>	<p>When calling a shareholders' meeting for the purpose of independent director elections, the board of directors, or other person having the authority to call a shareholders' meeting, shall review the qualifications of each independent director nominee; except under any of the following circumstances, all qualified nominees shall be included in the slate of director <b><u>and supervisor</u></b> candidates:</p> <ol style="list-style-type: none"> <li>1. Do not submit nomination within the published periods.</li> <li>2. Where the shareholding of the nominating shareholder is less than one percent at the time of book closure by the company under Article 165, paragraph 2 or 3 of the <i>Company Act</i>.</li> <li>3. The number of nominees exceeds the number of directors <b><u>and supervisors</u></b> to be elected.</li> <li>4. Do not provide the names, education or work experience of the candidates.</li> </ol>	
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## Procedures for Acquisition or Disposal of Assets

Comparison Table for Amendment

Original	After Amendment	
<p>Article 2</p> <p>These procedures are promulgated pursuant to Article 36-1 (<u>File number: 0910006105</u>) of the Taiwan Securities and Exchange Act and Regulations governing acquisition and disposal of assets. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.</p>	<p>These procedures are promulgated pursuant to Article 36-1 of the Taiwan Securities and Exchange Act and Regulations governing acquisition and disposal of assets. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.</p>	<p>Modified according to the latest <i>Regulations Governing the Acquisition and Disposal of Assets by Public Companies</i></p>
<p>Article 3 Scope of Assets</p> <p>Assets of the Company includes: <b>No amendment on item 1</b></p> <p>2. Real Estate: Including construction enterprise inventory and fixed assets. (No change on item 3 and 4)</p> <p>5. Claims from Financial Institutions: receivables, bills purchased &amp; discounted and overdue receivables.</p> <p>6. Derivatives</p> <p>7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p>8. Other major assets</p>	<p>Article 3 Scope of Assets</p> <p>Assets of the Company includes:</p> <p>2. Real Estate: Including <b><u>land, houses, buildings, investment properties, rights to use land,</u></b> construction enterprise inventory and fixed assets.</p> <p>5. <b><u>Right of Use Assets</u></b></p> <p><b><u>6.</u></b> Claims from Financial Institutions: receivables, bills purchased &amp; discounted and overdue receivables.</p> <p><b><u>7.</u></b> Derivatives</p> <p><b><u>8.</u></b> Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p><b><u>9.</u></b> Other major assets</p>	<p>Amending item 2 and item 5, and updating numbering in subparagraph.</p>
<p>Article 4 Definitions</p> <p>1. Financial Derivatives: Refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from <u>assets, interest</u></p>	<p>1. Financial Derivatives: Refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts whose values are derived from <b><u>specific rates, financial instrument price, commodity price,</u></b> foreign</p>	<p>Amended in accordance with laws and regulations</p>

<p><u>rates, foreign exchange rates, indexes or other interests.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2. Assets Acquiring or Disposing from Mergers, Demergers, Acquisitions or Share Transfers: Assets acquired or disposed through any above transaction following Taiwan Business Mergers and Acquisitions Act, Taiwan Financial Holding Company Act, Taiwan Financial Institution Merger Act and other Taiwan acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor ("transfer of shares") under Article 156, paragraph <u>6</u> of the Taiwan Company Act.</p> <p>3. Relating Parties Following definition set in the <u>Article 6, accounting standard set by Accounting Research and Development Foundation (the ARDF)</u></p>	<p>exchange rates, index of prices or other variables; or <b>hybrid products</b> combining the above contracts, and <b>compound contracts</b> combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2. Assets Acquiring or Disposing from Mergers, Demergers, Acquisitions or Share Transfers: Assets acquired or disposed through any above transaction following Taiwan Business Mergers and Acquisitions Act, Taiwan Financial Holding Company Act, Taiwan Financial Institution Merger Act and other Taiwan acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor ("transfer of shares") under Article 156, paragraph <u>3</u> of the Taiwan Company Act.</p> <p>3. Relating Parties: Following definition <u>set in <b>Regulations Governing the Preparation of Financial Reports by Securities Issuers.</b></u></p> <p>No amendment for item 4-9</p> <p><b>10. Securities exchange:</b> <u>Refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is</u></p>	
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	<p><u>located.</u></p> <p><b>11. <u>Over-the-counter venue ("OTC venue", "OTC"):</u></b>  <u>Refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>	
<p>Article 5 Limitation of Acquisition of Real-Estate and Securities for Non-Operation Purpose</p> <p>The Company stipulates followings conditions:  <a href="#">No amendment for item 1-3</a></p>	<p>Article 5 Limitation of Acquisition of Real-Estate, Securities <b>and Right-of-Use</b> for Non-Operation Purpose</p> <p>The Company stipulates followings conditions:</p> <p>4. The total amount of right-of-use assets by the Company and subsidiaries should not exceed 20% of the Company's shareholders' equity.</p>	<p>Amended in accordance with laws and regulations</p>
<p>Article 6</p> <p>Any Professional Appraiser and its appraisal personnel, certified public accountants, lawyers, or securities underwriters whom the Company has acquired appraisal reports and opinions from, <u>shall not be a Related Party of the Company or the other party of the transaction.</u></p>	<p>Any Professional Appraiser and its appraisal personnel, certified public accountants, lawyers, or securities underwriters whom the Company has acquired appraisal reports and opinions from, <b><u>shall comply following conditions:</u></b></p> <p><b>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational</u></b></p>	<p>Amended in accordance with laws and regulations</p>

	<p><u>crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <ol style="list-style-type: none"> <li>2. <u>May not be a related party or de facto related party of any party to the transaction.</u></li> <li>3. <u>If the company is required to obtain appraisal reports from two or more professional appraisers, all parties may not be related parties or de facto related parties of each other.</u></li> </ol> <p><u>When submitting appraisal report, appraisal qualifying above conditions shall comply following standards:</u></p> <ol style="list-style-type: none"> <li>1. <u>Carefully examining professionalism, work-related experience and independency prior to accepting the case.</u></li> <li>2. <u>Appropriately planning and executing adequate work procedures, in order to produce a conclusion as the basis for report or opinion. The related working procedures, data collection, and conclusion shall be fully and accurately specified in the case working papers.</u></li> <li>3. <u>Undertaking evaluation item-by-item examining accuracy, and reasonableness of data sources, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></li> <li>4. <u>Issuing a statement attesting the professional competence and independence of the personnel who prepared the report or opinion, and confirmed their evaluation and information submitted is reasonable and accurate, and complying with applicable laws and regulations.</u></li> </ol>	
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<p>Article 7 Procedures for Managing Real Estate, Equipment <u>and</u> Other Fixed Assets</p> <p>7.1 Evaluation and Handling Procedure Any acquisition and disposal of <u>real estate, equipment and other fixed assets</u> conducted in Company <u>must follow the Procedure.</u></p> <p>7.2 Setting Conditions and Authorization Procedure <b>No amendment on item 1 and 3</b></p> <p>2. Fixed Assets: Either price comparison, bargain process and tender process shall be performed for acquisition or disposal of real estate or equipment. Publicly announced present value, assessed present value and actual sold price for the real estate in the neighborhood. The acquisition or disposal of real estate with amount over NT\$50 million should be reviewed and appraised by the unit responsible therefor and implemented after approval by the Board, while the Board can authorize the Chairperson to handle the matter and report to the Board for recognition on an after-the-event basis.</p> <p>7.1.3 Responsible Parties When acquiring or disposing real estate or other fixed assets, the shall first comply with preceding conditions to obtain approval and procedure and assign to responsible department and administration departs to execute such arrangement.</p> <p>7.1.4 Appraisal Report of Real Estate and Fixed Assets</p>	<p>Article 7 Procedures for Managing Real Estate, Equipment, Other Fixed Assets <b><u>and Rights-of-Use Assets Thereof</u></b></p> <p>7.1 Evaluation and Handling Procedure Any acquisition and disposal <b><u>real estate, equipment and other fixed assets or rights-of-use assets thereof</u></b> conducted in Company must follow the Procedure.</p> <p>7.2 Setting Conditions and Authorization Procedure</p> <p>2. Fixed Assets: Either price comparison, bargain process and tender process shall be performed for acquisition or disposal of real estate, equipment <b><u>or right-of-use assets thereof.</u></b> Publicly announced present value, assessed present value and actual sold price for the real estate in the neighborhood. The acquisition or disposal of real estate with amount over NT\$50 million should be reviewed and appraised by the unit responsible therefor and implemented after approval by the Board, while the Board can authorize the Chairperson to handle the matter and report to the Board for recognition on an after-the-event basis.</p> <p>7.1.3 Responsible Parties When acquiring or disposing real estate, other fixed assets <b><u>or right-of-use assets thereof,</u></b> the shall first comply with preceding conditions to obtain approval and procedure and assign to responsible department and administration departs to execute such arrangement.</p> <p>7.1.4 Appraisal Report of Real Estate, Fixed Assets <b><u>and Right-of-Use Assets thereof</u></b></p>	<p>Amended in accordance with laws and regulations</p>
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<p>Except transactions with government institutions, contracting third parties to construct on land owned or rented by the Company, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate or <u>machinery</u> equipment by the Company whose amount reaches 20% of the Company's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event and the following provisions should be complied with:</p> <p><a href="#">No amendment on item 1-2</a></p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ul style="list-style-type: none"> <li>i. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>ii. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ul> <p><a href="#">No amendment on item 4-5</a></p>	<p>Except transactions with <b>Taiwan</b> government institutions, contracting third parties to construct on land owned or rented by the Company, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate, equipment <b><u>or other rights-of-use assets thereof</u></b> by the Company whose amount reaches 20% of the Company's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event and the following provisions should be complied with:</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, <b><u>unless all the appraisal results for the assets to be acquired are higher or lower than the transaction amount,</u></b> a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ul style="list-style-type: none"> <li>i. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>ii. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</li> </ul>	
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<p>Article 8 The Procedures for Managing Securities <a href="#">No amendment on item 1-3</a></p> <p>8.4 Opinions from Professionals</p> <p>8.4.1 The Company acquiring or disposing of securities shall obtain professional opinion from certified public accountant for the assessment and reference of transaction price:</p> <ol style="list-style-type: none"> <li>1. Acquiring or disposing of securities not traded on the stock exchange or on OTC markets.</li> <li>2. Acquiring or disposing of privately placed securities.</li> </ol> <p>8.4.2 <a href="#">No Amendment</a></p>	<p>Article 8 The Procedures for Managing Securities</p> <p>8.4 Opinions from Professionals</p> <p>8.4.1 The Company acquiring or disposing of securities shall, <b><u>prior to the Date of the Event</u></b>, obtain professional opinion from certified public accountant for the assessment and reference of transaction price.</p> <ol style="list-style-type: none"> <li>1. Acquiring or disposing of securities not traded on the stock exchange or on OTC markets.</li> <li>2. Acquiring or disposing of privately placed securities.</li> </ol>	<p>Amended in accordance with laws and regulations</p>
<p>Article 9 Procedures for Acquisition or Disposal of Real Estate by Related Party</p> <p>9.1 When the Company <u>purchase or exchange</u> real estate from or to a related party, in addition to ensuring the compliance with the provision of Article 7, the following procedures and conditions shall also be carefully examined. The Company shall also review if the counterparties are related parties base on definition set by regulation and actual relationship.</p> <p>9.2 Reviewing Procedure Following information needed to approved by the Board and Supervisors prior acquisition and disposal of real estate from related parties:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of real estate.</li> </ol> <p><a href="#">No amendment from item 2-6</a></p> <p>9.3 Evaluation Process of Reasonableness of Transaction Costs</p> <p>9.3.1 The Company, when acquiring real</p>	<p>Article 9 Procedures for Acquisition or Disposal of Real Estate <b><u>and the Right of Use</u></b> by Related Party</p> <p>9.1 When the Company <b><u>acquire or dispose</u></b> real estate from or to a related party, in addition to ensuring the compliance with the provision of Article 7, the following procedures and conditions shall also be carefully examined. The Company shall also review if the counterparties are related parties base on definition set by regulation and actual relationship.</p> <p>9.2 Reviewing Procedure Following information needed to approved by the Board and Supervisors prior acquisition and disposal of real estate <b><u>and right-of-use assets thereof</u></b> from related parties:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of <b><u>assets and right-of-use assets thereof</u></b>.</li> </ol> <p>9.3 Evaluation Process of Reasonableness of Transaction Costs</p> <p>9.3.1 The Company, when acquiring real</p>	<p>Amended in accordance with laws and regulations</p>

<p>estate from a Related Party shall, evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. <a href="#">No Amendment</a></li> <li>2. <a href="#">No Amendment</a></li> </ol> <p>9.3.2 Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in Article 9.3.1.</p> <p>9.3.3 The Company that acquires real estate from a Related Party and appraises the cost of the real estate in accordance with the provisions of Article 9.3.1 and 9.3.2 and shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>9.3.4 If the actual cost of real estate is lower than value stated in both Article 9.3.1 and 9.3.2, the Company shall follow Article 9.3.5 to proceed acquisition and disposal of assets. Followings conditions are exempted with objective evidences and reasonableness obtained from professional real estate appraiser and certified accountants:</p> <ol style="list-style-type: none"> <li>1. <a href="#">No Amendment</a></li> <li>2. Where the Company acquiring real estate from a Related Party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</li> </ol>	<p>estate or <b><u>right-of-use assets thereof</u></b> from a Related Party shall, evaluate the reasonableness of the transaction costs by the following means:</p> <p>9.3.2 Where land and structures thereupon are combined as a single property purchased <b><u>or rented</u></b> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in Article 9.3.1.</p> <p>9.3.3 The Company that acquires real estate from a Related Party and appraises the cost of the real estate and <b><u>right-of-use assets thereof</u></b> in accordance with the provisions of Article 9.3.1 and 9.3.2 and shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>9.3.4 If the actual cost of real estate or <b><u>right-of-use assets thereof</u></b> is lower than value stated in both Article 9.3.1 and 9.3.2, the Company shall follow Article 9.3.5 to proceed acquisition and disposal of assets. Followings conditions are exempted with objective evidences and reasonableness obtained from professional real estate appraiser and certified accountants:</p> <ol style="list-style-type: none"> <li>2. Where the Company acquiring real estate or <b><u>right-of-use assets thereof</u></b> from a Related Party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the</li> </ol>	
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<p>Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction, within one year refers to one year from the actual date of acquisition of the real estate.</p> <p>9.3.5 If the actual cost of real estate is lower than value stated in both Article 9.3.1 and 9.3.2, the Company shall follow steps listed below. In addition, the Company may not utilize the special reserve until it has recognized a loss on declining market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming the rationality of the transaction, and received the Taiwan authority's approval.</p> <p>1. A special reserve shall be set aside in accordance with Article 41-1 of <i>Taiwan Securities Exchange Act</i> against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. When a public company uses the equity method to account for its investment in the</p>	<p>preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction, within one year refers to one year from the actual date of acquisition of the real estate.</p> <p>9.3.5 If the actual cost of real estate or <b><u>right-of-use assets thereof</u></b> is lower than value stated in both Article 9.3.1 and 9.3.2, the Company shall follow steps listed below. In addition, the Company may not utilize the special reserve until it has recognized a loss on declining market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming the rationality of the transaction, and received the Taiwan authority's approval.</p> <p>1. A special reserve shall be set aside in accordance with Article 41-1 of <i>Taiwan Securities Exchange Act</i> against the difference between the real estate and or <b><u>right-of-use assets thereof</u></b> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. When a public company uses the equity method to</p>	
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<p>Company, the special reserve shall be set aside pro rata in a proportion in accordance with the same regulations.</p> <p><a href="#">No Amendment from item 2-3</a></p> <p>9.3.6 When the Company acquires real estate from a Related Party meeting one of the following circumstances, the acquisition shall be conducted in accordance with the provisions of paragraph 1-2 of Article 9 and the provisions of the preceding three conditions do not apply:</p> <ol style="list-style-type: none"> <li>1. Related Party acquired real estate through inheritance or as a gift.</li> <li>2. Over five years gap between signing contract of the real estate to the current transaction.</li> <li>3. Acquired real estate via joint development contract with the Related Party.</li> </ol> <p>9.3.7 When the Company obtains real estate from a Related Party, it shall also comply with the Article 9.3.5 if there is evidence indicating that the acquisition was not an arm’s length transaction.</p>	<p>account for its investment in the Company, the special reserve shall be set aside pro rata in a proportion in accordance with the same regulations.</p> <p>9.3.6 When the Company acquires real estate or <b><u>right-of-use assets thereof</u></b> from a Related Party meeting one of the following circumstances, the acquisition shall be conducted in accordance with the provisions of paragraph 1-2 of Article 9 and the provisions of the preceding three conditions do not apply:</p> <ol style="list-style-type: none"> <li>1. Related Party acquired real estate or <b><u>right-of-use assets thereof</u></b> through inheritance or as a gift.</li> <li>2. Over five years gap between signing contract of the real estate or <b><u>right-of-use assets thereof</u></b> to the current transaction.</li> <li>3. Acquired real estate or <b><u>right-of-use assets thereof</u></b> via joint development contract with the Related Party.</li> </ol> <p>9.3.7 When the Company obtains real estate or <b><u>right-of-use assets thereof</u></b> from a Related Party, it shall also comply with the Article 9.3.5 if there is evidence indicating that the acquisition was not an arm’s length transaction.</p>	
<p>Article 10 Procedure for Managing Membership or Other Intangible Assets</p> <p>10.1 Evaluation Process The Company shall comply with internal audit and the Procedures to acquire or dispose membership or intangible assets.</p> <p>10.2 Setting Conditions and Authorization Procedure</p>	<p>Article 10 Procedure for Managing Membership or Other Intangible Assets</p> <p>10.1 Evaluation Process The Company shall comply with this Procedures to acquire or dispose membership, intangible assets <b><u>or right-of-use assets thereof.</u></b></p> <p>10.2 Setting Conditions and Authorization Procedure</p>	<p>Amended in accordance with laws and regulations</p>

<p>1. <b>No amendment</b></p> <p>2. When managing intangible assets, the values of assets and deals conditions shall be evaluated based on professional appraisal report and market value. The proposal shall report to the chairman when the total value is under 10% of the Company's total equity or NTD 20 million. The approved acquisition or disposal will report in the next Board meeting. Acquisition or Disposal of intangible assets with values over NTD 20 million shall be approved at the Board Meeting.</p> <p>3. <b>No amendment</b></p> <p>10.3 Responsible Parties After the acquisition or disposal of intangible assets are appraised by the Board of Directors, the corresponding department and Finance division would be responsible for implementation.</p> <p>10.4 Opinions from Professionals Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant. Certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the ARDF.</p>	<p>2. When managing intangible assets <b><u>or right-of-use assets thereof</u></b>, the values of assets and deals conditions shall be evaluated based on professional appraisal report and market value. The proposal shall report to the chairman when the total value is under 10% of the Company's total equity or NTD 20 million. The approved acquisition or disposal will report in the next Board meeting. Acquisition or Disposal of intangible assets with values over NTD 20 million shall be approved at the Board Meeting.</p> <p>10.3 Responsible Parties After the acquisition or disposal of intangible assets <b><u>or rights-of-use of assets thereof</u></b> are appraised by the Board of Directors, the corresponding department and Finance division would be responsible for implementation.</p> <p>10.4 Opinions from Professionals Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets <b><u>or rights-of-use of assets thereof</u></b> reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant <b><u>prior to the Date of the Event</u></b>. Certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the ARDF.</p>	
<p>Article 12 Procedure for Managing Financial Derivatives 12.1 Principles and Guidelines 12.1.1 Instruments</p>	<p>Article 12 Procedure for Managing Financial Derivatives 12.1 Principles and Guidelines 12.1.1 Instruments</p>	<p>Amended in accordance with laws and</p>

<p>1. Derivatives referred to <u>herein mean any trading contracts with worth derived from assets, interest rates, foreign exchange rates, indexes or other interest-generating products (such as forward, options, futures, swaps or hybrid financial product consisting aforementioned products)</u></p> <p>2. <b>No amendment</b>  <b>No amendment from 12.2-12.3</b></p> <p>12.4 Regular Evaluation System</p> <p>1. <b>No amendment</b></p> <p>2. <b>No amendment</b></p> <p>12.5 <b>No amendment</b></p>	<p>1. Derivatives referred to <b><u>products defined in the Article 4-1 in the Procedure.</u></b></p> <p>12.4 Regular Evaluation System <b><u>and Handling of Abnormal Situations</u></b></p>	<p>regulations</p>
<p>Article 14 Public Disclosure of Information Procedure</p> <p>14.1 Circumstance required to disclose</p> <p>1. Acquiring real estate properties from Related Parties:  <b>No Amendment from item 2-4</b></p> <p>2. When the values of asset transaction (other than preceding four circumstance) from financial institution, or an investment in mainland China is over 20% or exceeds paid-in capital or NT\$300 million; this shall exempt from following conditions:</p> <p>(1) Trading of government bonds;</p> <p>(2) <b>No amendment</b></p> <p>(3) <b>No amendment</b></p> <p>(4) <b>No amendment</b></p> <p>(5) Acquiring real estate properties from construction-based Company and trading with non-Related Parties, and the value of transaction is under NT \$500 million.</p> <p>(6) When land is acquired under an arrangement build on the Company's own land, build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint</p>	<p>Article 14 Public Disclosure of Information Procedure</p> <p>14.1 Circumstance required to disclose</p> <p>1. Acquiring <b><u>or disposing</u></b> real estate properties from Related Parties;</p> <p>2. When the values of asset transaction (other than preceding four circumstance) from financial institution, or an investment in mainland China is over 20% or exceeds paid-in capital or NT\$300 million; this shall exempt from following conditions:</p> <p>(1) Trading of <b><u>domestic</u></b> government bonds;</p> <p>(5) Acquiring real estate properties <b><u>and right of the use</u></b> from construction-based Company and trading with non-Related Parties, and the value of transaction is under NT \$500 million.</p> <p>(6) When land is <b><u>trading with non-related parties</u></b> under an arrangement build on the Company's own land, build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership</p>	<p>Amended in accordance with laws and regulations</p>



<p>construction and separate sale, the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>3. <a href="#">No amendment</a>  14.2 <a href="#">No Amendment</a>  14.3 <a href="#">No Amendment</a></p>	<p>percentages, or joint construction and separate sale, the amount the Company expects to invest in the transaction is less than NT\$500 million.</p>	
<p>Article 17 Implementation and Amendment  The Procedures shall be approved by the Board of Directors, supervisors and the Shareholders' Meeting. Any amendment is subject to the same procedures.</p> <p>If the board raised any disagreement and submit with record or documentation, the Company shall submit such document to every supervisor.</p> <p>This article was enacted on 11 November, 1999.  The first amendment was made on June 3, 2003.  The second amendment was made on June 26, 2009.</p>	<p>Article 17 Implementation and Amendment  The Procedures shall be approved by the Board of Directors, supervisors and the Shareholders' Meeting. Any amendment is subject to the same procedures.</p> <p>If the board raised any disagreement and submit with record or documentation, the Company shall submit such document to every supervisor.</p> <p>This article was enacted on 11 November, 1999.  The first amendment was made on June 3, 2003.  The second amendment was made on June 26, 2009.  <u><b>The third amendment was made on June 19, 2019.</b></u></p>	

## **Appendix**

- I. Rules and Procedures of Shareholders' Meeting
- II. Memorandum and Articles of the Company
- III. Rules for Election of Directors and Supervisors
- IV. Procedures for Acquisition or Disposal of Assets

# SHIH-KUEN PLASTICS CO., LTD.

## Rules and Procedures of Shareholders Meeting

Adopted by Ordinary Resolution on June 21, 2012

### Article 1

The present regulations and procedures are established in accordance with Article 6 of *the Corporate Governance Best Practice Principles* for TWSE/GTSM Listed Companies to set guidelines for the governance, supervision, and management of the shareholders' meeting of Shih-Kuen Plastics Ltd. 世堃塑膠股份有限公司, trading under “世坤” (hereinafter referred to as the Company).

### Article 2.

Unless relevant laws and regulations or the Company's Articles of Association provided, the Company's Shareholders' Meeting (the "Meeting") shall be conducted in accordance with the *Rules and Procedures of Shareholders' Meetings* (the “Rules and Procedures”).

### Article 3

Unless otherwise specified in laws and regulations, the Meeting shall be convened by the board of directors. The Company shall deliver meeting notice and proxy form to major shareholders thirty (30) days prior the Annual Shareholders' Meetings and fifteen (15) days prior the special shareholders meetings. For shareholders holding under one thousand (1000) shares, meeting notices will only be announced on Market Observation Post System (MOPS) simultaneously.

The election or dismissal of directors or supervisors, amendments of memorandum and rules of the Company, the dissolution, merger and demerger of the Company, or any matter under paragraph 1, Article 185 of *the Company Act*, Articles 26-1 and 43-6 of *the Securities and Exchange Act*, or Articles 56-1 and 60-2 of *the Regulations Governing the Offering and Issuance of Securities by Securities Issuers* shall be stated in the meeting notice and shall not be proposed in Questions and Motions.

### Article 4

For each Meeting, every shareholder may appoint a proxy to attend a general meeting and vote on his/her behalf by presenting the proxy statement which specifies the scope of authorization. Every shareholder may only submit a proxy form to designate one proxy for each Meeting. Proxy appointment shall be delivered to the Company at least five (5) days prior to the meeting

date. If the Company receives more than one written proxies from the same shareholder, the first application delivered to the Company shall prevail unless a declaration is made to revoke the previous proxy appointment.

After submitting the proxy form to the Company, shareholders who would like to attend the Meeting in person or exercise their rights through electronic transmission shall file a written notice of proxy cancellation two (2) days before the meeting date. If the cancellation notice is received after the deadline, votes casted by the proxy at the Meeting shall prevail.

**Article 5**

The Meeting shall be held at the head office of the Company or other appropriate venue where is convenient for the shareholders to attend. The time for commencing the said meeting shall be held between 9:00 a.m. to 3:00 p.m. local time. The opinions of independent directors shall be fully considered with respect to the location and the time of the Meeting.

**Article 6**

The Company shall specify the time and location and other important matters of attention in the Meeting notice. The registration of shareholders shall begin at least thirty (30) minutes before meetings commences. The registration counter shall be clearly indicated and have sufficient staff available for checking in shareholders. Shareholders and proxies attending the Meeting shall present the Attendance Cards, sign-in cards or other certifications to the Meeting. The proxy solicitors shall also provide document for identity verification.

The Company shall prepare an attendance list for the meeting registration; attending shareholders may either sign on the attendance list or submit the Attendance Card to complete the registration.

The company shall prepare each shareholder and proxy meeting handbook, annual report, attendance card, voting card for the meeting and the relevant document. Where voting powers of election of directors at a shareholders' meeting are to be exercised, a printed ballot shall also be sent to the shareholders as well.

When shareholder is the government or juristic person, multiple representatives may attend the Meeting, but only juristic person shall be designated to attend the meeting.

**Article 7**

The Chairperson of the Board of Directors shall preside the Meeting if it is convened by the Board. In the event the Chairperson is unable to perform his/her duties, the vice Chairperson shall preside over the meeting. If Vice Chairperson cannot attend the Meeting, the Chairperson shall appoint an executive director or other director instead. In the absence of chairperson designation, the Board shall elect among themselves an acting Chairperson.

Acting Chairperson to preside the Meeting shall be part of the Board of Directors for minimum six (6) months and be familiar with the Company's financial and business operations. The provision shall also apply to the juristic person shareholders.

It is advisable the meeting called by the Boards is attended by over half of the total number of the Board.

If the Meeting is convened by other duly authorized person other than the Chairperson, the person shall be the chairperson to preside at the Meeting. When there are two (2) or more person(s), the chairperson of the meeting shall be elected from among themselves.

The Company may also appoint designated counsels, CPA or other related persons to attend the Meeting.

#### **Article 8**

The Company shall videotape and record the entire meeting process, including registration of attendees, meeting proceedings, election and vote-count in every Meeting. Videos and recordings shall be preserved for at least one (1) year. Relevant videos and files shall be retained until the litigation is concluded based on Article 189 of the *Company Act*.

#### **Article 9**

Attendance at the Meetings shall be determined based on the number of outstanding shares. The number of shares represented by shareholders attending the Meeting shall be calculated based on the attendance list and check-in cards submitted by the shareholders.

Chairperson shall call the Meeting to order at the time scheduled for the Meeting. If the attending shareholders are under the half of the total number of issued shares, the Chairperson shall postpone the Meeting. The postponements shall be limited to two (2) times at the most and Meeting shall not be postponed for longer than one (1) hour.

If the quorum is not reached after two (2) postponement and the number of shareholders represents under one-third (1/3) of the total shares, the Chairperson shall announce the adjournment of the Meeting. Under this situation, a tentative resolution shall be adopted according to Paragraph 1, Article 175 of the *Company Act*. All the shareholders shall be notified of any tentative resolution, and the meeting shall be held within one (1) month. Once the number of shares reached the majority of the total shares before the Meeting adjourned, the Chairperson shall re-submit the tentative resolution for voting, according to Article 174 of the *Company Act*.

#### **Article 10**

The Board shall set the agenda for the Meeting convened by the board of directors. The Meeting shall proceed in accordance with the agenda without shareholders' resolution.

The above provision applies *mutatis mutandis* to the Meeting convened by other duly authorized person, other than the Chairperson of the Board.

Without shareholders' resolution, the Chairperson shall not adjourn the Meeting before all the discussion items (including Questions and Motions) listed in the agenda are completed.

The shareholders cannot designate any other person as Chairperson and continue the Meeting after the Meeting is adjourned. However, in the event that the Chairperson violates the Rules and Procedures and adjourns the Meeting, the shareholders may elect, by a majority of votes represented by attending shareholders, a new chairperson to continue the Meeting.

The proposed resolutions should be given ample time for sufficient discussion and explanation. If the Chairperson deems it's appropriate to close the discussion, he/she may announce to end the discussion and go into voting.

#### **Article 11**

Prior making speech, shareholders shall specify the speaking subject, the account name and attendance number on the speech slip. The sequence of speeches shall be determined by the Chairperson. If the shareholder does not speak after slip submission, no speech is deemed. In case the contents of the speech is inconsistent with the speech slip, the contents of actual spoken speech shall prevail.

Unless otherwise permitted by the Chairperson, each shareholder shall not speak more than twice on the same proposal; each speech shall be within five (5) minutes. If speech given at the Meeting violates the above provision or exceeds the scope of the discussion item, the Chairperson may terminate such speech.

No shareholder shall interrupt the speeches of the other shareholders unless otherwise permitted by the chairperson. Any violation of the provision shall be stopped by the chairperson.

If there are two or more representatives acting on the behalf of the juristic person at the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholders, the chairperson shall respond in person or direct relevant personnel to respond at the Meeting.

#### **Article 12**

Vote counts at the Meeting shall be based on the number of shares. The shares without voting rights are excluded from the total number of outstanding shares.

If shareholders are the interest parties related to any proposal and agenda, they shall not exercise the voting right on behalf of other shareholders. These numbers of shares shall be subtracted from the total voting rights representing the attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, one person can be concurrently appointed as a proxy by two (2) or more shareholders; the voting rights represented by this person shall be under three percent (3%) of the total issued shares; The voting right over three percentage (3%) shall be excluded.

#### **Article 13**

Shareholders are entitled to one vote for each share held. This does not apply to shareholders who are restricted by the conditions listed in the Paragraph 2, Article 179 of *the Company Act*.

Votes may be exercised in writing or electronic transmission in accordance of Paragraph 1, Article 177 of *the Company Act*. The voting approaches adopt in the Meeting shall be clearly indicated in the Meeting notice. Shareholders who exercises their votes in writing or electronic transmission shall be deemed to have attended meetings in person; they shall also be deemed to have waived his/her rights with respect to the Questions and Motions and amendments to the original proposals. It is therefore advisable that the Company should avoid the submission of Questions and Motions and amendments to original proposals.

Shareholders shall deliver their voting declaration in writing or electronic transmission to the Company at least two (2) days prior to the scheduled meeting; If there is more than one (1) declarations received by the Company, the first declaration shall prevail unless an explicit statement to revoke the previous declaration. In case shareholders would like to attend the Meeting in person after submitting the written or electronic declaration, they shall also submit separate declaration at least two (2) days prior to the meeting date. In the absence of a timely rescission of the previous declaration of intention, the votes exercised in writing or electronic transmission shall prevail.

When shareholders submitted declaration in writing or electronic transmission and designate a proxy to attend the Meeting on their behalf, the authorized proxy for the said shareholder shall prevail.

Except otherwise specified in relevant laws or the Memorandum and Articles of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders at the Meeting. Chairperson or appointed directors shall announce total votes represented at the Meeting before voting; If Chairperson confirms no objection is voiced regarding proposed items, the resolution is adopted as equivalent to the voting result. If not, the proposed items will follow voting procedure. If there is amendment to or substitute for a discussion item, the Chairperson shall decide the voting sequence. Once resolution has been adopted, no further voting is necessary.

Chairperson shall appoint the person(s) monitoring the voting procedure and checking the ballots while the former appointee shall also be a shareholder(s). Vote-count during a shareholders meeting shall be conducted publicly at the meeting venue. The results, including the numbers of votes, shall be announced immediately after counting and filing to records.

#### **Article 14**

The election of directors and supervisors shall be conducted in accordance with the *Rules for Election of Directors* and the applicable laws. The results of the election should be announced at the meeting and disclose the information including the names of elected directors and the number of votes. The ballots shall be sealed with the signature of the person(s) monitoring the voting and retained for at least one (1) year. The Company shall retain the ballots until the litigation is concluded based on Article 189 of the *Company Act*.

#### **Article 15**

Resolutions of the Meeting shall be recorded in the meeting minutes including the voting methods,

discussion process and every result adopted at the Meeting. Minutes shall be signed or sealed by the Chairperson of the meeting and distributed to all shareholders within twenty (20) days after the Meeting. Meeting minutes can be distributed in electronic formats and must upload to MOPS for public disclosure.

The meeting minutes shall accurately record meeting time and place as well as the full name of the Chairperson; Minutes shall be carefully kept as the Company's important file throughout the life of the Company. If no objection is voiced after solicitation by the shareholders, the resolution shall be deemed approved with the statement "the resolution is adopted based on the unanimous concurrence of shareholders". In the case of objection, the meeting minutes shall record the voting approach, the vote-count and the percentage of shareholders.

#### **Article 16**

On the day of the Meeting, the Company shall compile a statistical statement of the number of shares obtained by the solicitors through solicitation and by the proxies, and make an official disclosure at the place of the Meeting. Public announcement of any resolution in respect of any information proscribed by the law and Taipei Exchange (TPEX) shall be made timely on the Market Observation Post System MOPS. Any relevant laws and regulations or the regulations of Taiwan Stock Exchange Corporation, the Company shall upload the contents of such resolutions to the MOPS within the prescribed time period.

#### **Article 17**

All staff members including administrative officers and security should wear badge and arm band to indicate their positions.

Shareholders shall only use microphones supplied at the Meeting. Any violation shall be refrained from speaking by the Chairperson. If shareholders refuse to obey the instructions given by the Chairperson and violate the Rules, he or she may be escorted out of the Meeting.

#### **Article 18**

The chairperson shall, at his/her discretion, sets time for intermission during the Meeting. In case of force majeure occurs, the Chairperson may temporarily suspend or resume the Meeting to different time. If the Meeting venue is no longer available for continuous use or not all Agenda items (including Questions and Motions) have been addressed, shareholders shall resolve to resume the Meeting at another location within five (5) days, in accordance with Article 182 of *the Company Act*.

#### **Article 19**

*Rules and Procedures of Shareholders' Meeting* shall be effective from the date it is approved at Shareholders' Meeting. The same procedure applies to the case of revision.



# SHIH-KUEN PLASTICS CO., LTD.

## Memorandum and Articles of the Company

### Chapter 1 General Provisions

#### Article 1

The Company shall be incorporated as a company limited by shares under *the Company Act* and its name shall be “Shih-Kuen Plastics Co., Ltd.” (hereinafter referred to as the “Company”).

#### Article 2

The scope of business of the Company shall be as follows:

1. Manufacturing customized soft and semi-rigid Polyvinyl Chloride (PVC) sheet, PVC film, material for plastics goods (e.g. printing advertisement, cases, bags, rainwear, plastics injection, etc.), adhesive PVC sheet, and offering import and export solution of PVC raw material.
2. Trading and material processing of shoes, non-woven fabric.
3. Other business not prohibited or restricted by law, except by special permission.

#### Article 3

To achieve the goal of diversification, the Company’s reinvestment to other companies shall exceed forty percent (40%) of paid-up capital, and has authorized the Board to implement the matters concerned.

#### Article 4

The Company may make guarantee for business necessity and has authorized the Board to implement the matters concerned.

#### Article 5

The Company, locates in Tainan, may expand branches or factories at other locations to satisfy operation needs. It’s subject to resolution of the Board.

#### Article 6

Public notices of the Company are handled in accordance with *the Company Act* and other relevant regulations.

## Chapter 2 Shares

### Article 7

The total capital stock of the Company, NT \$ 550,140,000 divided into total of 55,014,000 common shares at NT \$10 each, has been fully issued.

### Article 8

All the shares are registered and the certificates shall be signed or affixed by three or more directors of the Company. The Company may combine printing the shares and exempt from printing the physical certificates pursuant to the Article 162-1 and 162-2 of the *Company Act*.

### Article 9

Registration of share transfers shall be suspended in the following circumstances: sixty (60) days prior the Meeting, thirty (30) days before a special shareholders meeting, and five (5) days prior to the record date for distribution of dividend, bonuses or other benefits.

### Article 10

Once the Company's shares are issued to the public, all shares are handled in accordance with the regulations stipulated in the *Regulations Governing the Administration of Shareholder Services of Public Companies*.

### Article 11

The Company may convert the issued shares into a larger denomination in accordance with the request of licensed security custody agency.

## Chapter 3 Shareholders' Meetings

### Article 12

The Meeting shall be convened by the board of directors once in six (6) months from the closing of each fiscal year. The shareholders' special meeting may be called whenever it is deemed necessary with meeting notices.

### Article 13

Meeting notices should be delivered to all shareholders thirty (30) days prior the general meetings and fifteen (15) days before the special meetings. Notice shall specify meeting date, venue, reasons of meeting, discussion agenda and public announcement.

**Article 14**

If shareholders are unable to attend the Meeting, they may appoint a proxy to attend and vote on their behalf at the Meeting. Proxy holders shall present the proxy form at the Meeting registration check-in. All proxy appointments must comply with Article 177 of *the Company Act and Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies*.

**Article 15**

The Meetings shall be chaired by the Chairperson of Board. If the person is absent, he/she shall designate a director as the representative. If the shareholders meeting is called by convener other than the board, the Chairperson shall be assumed by the convener. If there are more than two conveners, the chairperson shall be elected among the conveners.

**Article 16**

Each shareholder is entitled to one vote per share held. Shares held by the Company itself in accordance with the laws does not have voting right.

**Article 17**

Unless otherwise required by *the Company Act*, all proposals shall be resolved by the majority at the Meeting representing minimum fifty percent (50%) of the shareholding and more than half of the total votes.

**Article 18**

Resolutions adopted at the Meeting shall be recorded in the meeting minutes, specifying meeting date, venue, the name of the Chairperson, the voting methods, a summary of the meeting procedure and the Meeting results. Minutes must be sealed and signed by the Chairperson and delivered to shareholders in twenty (20) days. The Company shall retain all the meeting minutes, attendance list and the proxy forms.

## Chapter 4 Directors and Supervisors

**Article 19**

The Company shall establish the Board constituted by seven (7) directors and three (3) supervisor(s) whom are elected at the Meeting among the individuals of legal capacity, with the three-year term. All Directors and Supervisor(s) shall be eligible for re-election.

Said directors shall include two (2) independent directors; the independent directors shall be elected from the list of candidates proposed in the Meeting representing over one-fifth (1/5) of total director seats.

The election of independent and non-independent directors shall be held at the same time, while the vote counts shall be calculated separately.

The qualification, shareholding, restrictions on part-time jobs, identification of independency, nomination and election of independent directors and other matters to be complied with shall be handled in accordance with *the Company Act* and other relevant policies of the competent security authority.

#### **Article 20**

If the tenure of current directors and supervisors expire before the time of final account closing of the year, the tenure would be extended until the newly elected take office. If the reelection is not held during the extended period, the competent authority may, ex officio, order the Company to complete the reelection within a specific time limit, otherwise the directors and supervisors will be discharged automatically upon the expiry date it orders.

#### **Article 21**

The Board shall be organized and formed among the directors. The Chairperson shall be elected by the board with more than half of the total seats. The chairperson shall represent the Company externally in charge of the Company's business operation and convene the Meeting and Board Meeting. Other authorization not specified in the Company Act or this Memorandum will be approved at the Board Meeting.

#### **Article 22**

Where vacancies of the Board exceed one-third of the total number of the Directors or all the independent directors are dismissed, the Board shall convene a special shareholders' meeting within sixty (60) days to elect new Directors until the incumbent term expires.

#### **Article 23**

The Board of Directors hold the following responsibilities and authorities:

4. Guarantee on Behalf of the Company
5. Dispose Company's Whole or Partial Properties.
6. Appoint and Remove Public Accountants for the Company
7. Amend the Memorandum and Article of the Company
8. Draft Annual Budget of the Fiscal Year
9. Establish or Withdraw Subsidiaries
10. Reinvest Other Properties or Approved Items
11. Approve and Amend Important Contracts
12. Propose Profit Allocation
13. Propose Capital Increase or Reduction Plans

Supervisors hold the following responsibilities and authorities:

- (1) Audit the Company's Financial Performance
- (2) Review the Company's Financial Statements
- (3) Correct or Report Any Violation on Matters of Human Resource, Sales, and Accounting
- (4) Other Duties and Power Authorized by the Rules

#### **Article 24**

The resolutions of the Board, unless otherwise required by *the Company Act*, shall be passed by the majority of the Board of Directors when the attendance rate is at least fifty percent (50%) at Meeting. Directors shall attend Board meetings in person. Otherwise, he/she shall issue an authorization letter to designate another director to act on his/her behalf; One director may only represent only one other director

#### **Article 25**

When the Chairperson of the Board is on leave or unable to perform his duties, the designed proxy shall be made in accordance with Article 208 of *the Company Act*. Supervisors shall attend the Meeting to deliver opinions and perform duties as prescribed in the rules, but do not have voting rights.

#### **Article 26**

Resolutions adopted at Meeting shall be recorded in the minutes, which shall be sealed and signed by the chairperson. Meeting minutes shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting, and the Company shall retain all the meeting records (including check in list, proxy form) according to the regulations.

#### **Article 27**

Regardless the Company's financial performance in the fiscal year, directors and supervisors are entitled with transportation allowance. The rule of travelling allowance is established based on industry standard and Board's resolution.

#### **Article 27-1**

Executive pay and bonus shall follow industry standards and authorize the Board to stipulate the remuneration policy.

## **Chapter Five      Managerial Officers**

#### **Article 28**

The Company shall appoint one or more managerial personnel(s) managing all affairs of the Company. The employment, discharge and remuneration thereof shall follow Article 29 of *the Company Act*.

## Chapter Six      Accounting

### Article 29

The fiscal year for the Company starts from January 1st to December 31st of every calendar year. The final account closing shall be conducted at the end of every fiscal year, and the Board shall prepare and propose the following reports:

- I. Business report
- II. Financial statements
- III. Proposal of profit allocation or loss covering

All the documents will be submitted to the supervisor for audit 30 days prior to the Meeting.

### Article 29-1

If there is surplus after recovering previous loss, the retained earnings (before tax) shall be distributed based on the following proposals:

1. Remuneration to directors and supervisor not exceeding 5%
2. Employee bonus shall exceed 2%

The boards shall first determine distributing employee bonus through cash or stock dividends at the Board Meeting, representing two-third (2/3) or more of directors and adopting by a large majority vote, then submit employee bonus proposal for resolution at the Meeting.

The entitlement of employee bonus may be specified in the *Memorandum and Article of the Company*. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive share bonus may be specified in the Articles of Incorporation

### Article 30

In consideration of the current status and development stage in a long run, the Company adopts the dividend policy seeking the optimal balance between the capital needs, operating expenditure and shareholder interests. When there is surplus upon closing of accounts, the Company shall first settle outstanding taxes and accumulated losses from the preceding years.

The remaining shall be set aside legal reserve (10%) and special reserve according to the regulations.

The allocation of the balance including bonuses, dividends, retained earnings or otherwise, shall be proposed by the Board and resolved in the Meeting.

Shareholders' Dividends and bonus shall be assigned 30% - 95% of Accumulated Distributable Retained Earnings. cash dividend shall be at least 10% of total shareholders' dividends and bonus. When the cash dividends to be distributed is under NT \$0.3/share, the dividends will be distributed as stock dividends instead. Taking into account the profit growth or capital investment in the future, the board shall adjust remuneration plan in the Meeting.

## Chapter 7 Appendix

### Article 31

Other details of organization regulation and rules of procedure will be established by the Board of Directors.

### Article 32

Matters not specified in these Memorandum and Articles of the Company shall be governed by *the Company Act, the Securities and Exchange Act* and other relevant legislations.

### Article 33

The Memorandum and Articles of the Company shall be implemented after resolution at the Meeting; Further amendment shall follow the same procedure and be adopted at the Meeting.

### Article 34

These Memorandum and Articles were promulgated on 24 September, 1986 and amended on the following dates:

- |                       |                        |                    |
|-----------------------|------------------------|--------------------|
| (1) March 15, 1987    | (8) June 27, 1997      | (15) May 30, 2002  |
| (2) May 20, 1987      | (9) October 30, 1997   | (16) June 3, 2003  |
| (3) May 24, 1993      | (10) April 22, 1998    | (17) June 4, 2004  |
| (4) June 30, 1993     | (11) April 22, 1999    | (18) June 10, 2005 |
| (5) December 27, 1993 | (12) November 11, 1999 | (19) June 22, 2012 |
| (6) October 11, 1996  | (13) May 6, 2000       | (20) June 26, 2015 |
| (7) November 20, 1996 | (14) May 26, 2001      | (21) June 24, 2016 |

# SHIH-KUEN PLASTICS CO., LTD.

## Rules for Election of Directors and Supervisors

### Article 1

Unless otherwise provided in the Company Law or the Articles of Incorporation of the Company, the directors and supervisors of the Company shall be elected in accordance with the rules specified herein.

### Article 2

The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's Directors. Each Board member shall have the necessary knowledge, skill and experience to perform their duties the abilities that must be present in the Board as a whole are as follows:

1. Operational Judgement.
2. Business Management.
3. Leadership
4. Decision-Making.
5. Industry Knowledge.
6. Accounting and Financial Analysis.
7. Risk Management
8. Understanding of International Market.

### Article 3

Supervisors of the Company shall meet the following qualifications:

1. Integrity and Practicality
2. Impartial Judgment
3. Professional Knowledge.
4. Broad Experience.
5. Ability to Read Financial Statements.

### Article 4

Nominees of Independent Directors shall adopt standards specified in the Article 30-1 and Article 27, *Company Act*.

Independent Directors of the Company shall meet the following qualifications:

1. More than five-years working experience in the field of business, finance, law or commerce.



2. May concurrently serve as an independent director of more than three public companies.
3. Do not meet following conditions within the preceding year:
  - (1) An employee, directors or supervisor of the Company and its affiliates. Independent directors and supervisors are exempted from this condition.
  - (2) Directly or indirectly holding more than 1% of Company's total issued shares or top 10 natural person shareholder.
  - (3) A spouse, relative within the second degree of the persons in the preceding 2 conditions.  
A director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings.
  - (4) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
  - (5) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

#### **Article 4-1**

The Company adopts candidate nomination system for electing Independent Directors. The company shall, prior to the share transfer suspension date dedicated before the Shareholders' Meeting, announce the period for accepting the nomination of independent director candidates, the quota of directors to be elected, the place designated for accepting the roster of independent director candidates nominated, and other necessary matters in public notice. The length of the period for accepting the nomination of director candidates shall not be under 10 days.

Any shareholder holding 1% or more of the total outstanding shares of the Company may submit a written proposal for independent director candidate. Number of nominees shall not exceed the quota of the directors to be elected. This condition shall also apply to candidates nominated by the board of directors of the company. When providing a recommended slate of independent director candidates under the preceding conditions, a shareholder or the board of directors shall include in the documentation attached thereto each nominee's name, educational background, work experience, a written nominee's consent to serve as an independent director if elected as such and the written statement that none of the circumstances in Article 30 of the Company Act exists, and other relevant documentary proof.

When calling a shareholders' meeting for the purpose of independent director elections, the board of directors, or other person having the authority to call a shareholders' meeting, shall review the qualifications of each independent director nominee; except under any of the following circumstances, all qualified nominees shall be included in the slate of independent director candidates:

1. Do not submit nomination within the published periods.
2. Where the shareholding of the nominating shareholder is less than one percent at the time of book closure by the company under Article 165, paragraph 2 or 3 of the *Company Act*.
3. The number of nominees exceeds the number of independent directors to be elected.
4. Do not provide the relevant documentary proof required under the preceding paragraph.

#### **Article 5**

The election shall adopt the candidate nomination system, conformed to the Article 192-1 of the *Company Act*, and the shareholders shall elect the directors and supervisors from the list of the nominated candidates presented by the Board and shareholders.

#### **Article 6**

The election of the Company's directors shall be on the basis of open-ballot and accumulative voting method. Each share will have voting rights in number equal to the directors or supervisors to be elected and the vote may be cast for a single candidate or split among multiple candidates.

#### **Article 7**

The Board of Directors shall prepare separate ballots for Directors and supervisors in numbers corresponding to the Directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

#### **Article 8**

In the election, candidates who acquire more votes will win the seats of directors and supervisors. If two or more persons acquire the same votes and exceeds the seats available, such persons shall draw lots to determine the winners, with the Chairman drawing lots on behalf of the candidate not in attendance.

#### **Article 9**

At the beginning of the election, the Chairman shall appoint several shareholders as poll watchers and ballot counters. persons each to check and record the ballots.

The ballot box used for voting shall be prepared by the Board and shall be checked publicly by the poll watchers before voting.

#### **Article 10**

If the candidate is a shareholder of the Company, voters must enter the candidate's account name and shareholders account number in the "candidate" column. For non-shareholders, voters shall fill in the "candidate" column with candidate's full name and ID number.

If candidate(s) is one or multiple government agency(s), juristic-person(s) or a legal entity(s), the full name of each government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.

#### **Article 11**

Ballots shall be deemed void under the following conditions:

1. Ballots not prepared by this Company;
2. Blank Ballots placed in the ballot box;
3. Writing is illegible or being erased or altered
4. If the candidate is a shareholder of the Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect
5. Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate.
6. The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;

#### **Article 12**

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

#### **Article 13**

The Company shall issue notifications to the directors elected.

#### **Article 14**

These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

# SHIH-KUEN PLASTICS CO., LTD.

## Procedures for Acquisition or Disposal of Assets

### Article 1 Purpose

"Procedures for Acquisition or Disposal of Assets" (the "Procedures") outlined herein are set up to manage the Company's property consolidating purpose of information disclosure.

### Article 2 Applicable Rules and Regulations

These procedures are promulgated pursuant to Article 36-1 (File number: 0910006105) of the *Taiwan Securities and Exchange Act and Regulations* governing acquisition and disposal of assets. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

### Article 3 Scope of Assets

Assets of the Company includes:

1. Tangible Assets: any long-term and short-term investment including stocks, government bonds, corporate bonds, financial bonds, domestic beneficiary certificates, foreign mutual funds, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real Estate: Including construction enterprise inventory and fixed assets.
3. Memberships
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims from Financial Institutions: receivables, bills purchased & discounted and overdue receivables.
6. Derivatives
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets

### Article 4 Definitions

#### 4.1 Financial Derivatives:

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

#### 4.2 Assets Acquiring or Disposing from Mergers, Demergers, Acquisitions or Share Transfers:

Assets acquired or disposed through any above transaction following Taiwan Business Mergers and Acquisitions Act, Taiwan Financial Holding Company Act, Taiwan Financial Institution Merger Act and other Taiwan acts, or to transfer of shares from another company through issuance of new shares of

its own as the consideration therefor ("transfer of shares") under Article 156, paragraph 8 of the Taiwan Company Act.

#### 4.3 Relating Parties

Following definition set by Article 6, accounting standard set by Accounting Research and Development Foundation (the ARDF)

#### 4.4 Subsidiaries

Following definition set by Article 5 & 7, accounting standard set by Accounting Research and Development Foundation (the ARDF)

#### 4.5 Professional Appraiser:

Any appraisers/appraisal institutions specialized in real estate or other lawful appraisers or appraisal institutions of real estate and equipment.

#### 4.6 Date of the Event

Used herein should mean, in principle, the contracting day, the payment day, the transaction day, the title transferring day, the day of a board resolution or other date when the transaction party and the transaction amount can be ascertained (whichever is earlier); for investments required to be approved by Taiwan authority, the Date of the Event will be any of the above-mentioned dates or the date on which the approval letter of Taiwan authority is received, whichever is earlier

#### 4.7 Investment in Mainland China

Investment in this area approved by Taiwan's Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

#### 4.8 Within the Preceding Year

The year prior to the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

#### 4.9 Recent Financial Statement

Prior the subject of acquisition and disposal of assets, financial statements of the Company reviewed and audited by certified accountants which has been published in accordance with applicable regulations.

### **Article 5 Limitation of Acquisition of Real-Estate and Securities for Non-Operation Purpose**

The Company stipulates followings conditions:

1. The total amount of acquisition of all real estate by the Company and its Subsidiaries should not exceed 20% of the Company's shareholders' equity.
2. The total amount of all security investments by the Company and subsidiaries should not exceed 20% of the Company's shareholders' equity.
3. The amount of investment by the Company and subsidiaries in each respective security should not exceed 10% of the Company's shareholders' equity.

**Article 6**

Any Professional Appraiser and its appraisal personnel, certified public accountants, lawyers, or securities underwriters whom the Company has acquired appraisal reports and opinions from, shall not be a Related Party of the Company or the other party of the transaction.

**Article 7 Procedures for Managing Real Estate, Equipment and Other Fixed Assets****7.1 Evaluation and Handling Procedure**

Any acquisition and disposal conducted real estate, equipment and other fixed assets conducted in Company must follow the Procedure.

**7.2 Setting Conditions and Authorization Procedure****1. Real Estate:**

Market values, appraisal values and actual transaction price nearby are important reference. The acquisition or disposal of real estate with amount over NT\$50 million should be reviewed and appraised by the unit responsible therefor and implemented after approval by the Board, while the Board can authorize the Chairperson to handle the matter and report to the Board for recognition on an after-the-event basis.

**2. Fixed Assets:**

Either price comparison, bargain process and tender process shall be performed for acquisition or disposal of real estate or equipment. Publicly announced present value, assessed present value and actual sold price for the real estate in the neighborhood. The acquisition or disposal of real estate with amount over NT\$50 million should be reviewed and appraised by the unit responsible therefor and implemented after approval by the Board, while the Board can authorize the Chairperson to handle the matter and report to the Board for recognition on an after-the-event basis.

3. Any objectives or opinions raised after Procedures are approved by the director, he or she shall submit written option or record to the Company and delivered to every supervisor.

**7.3 Responsible Parties**

When acquiring or disposing real estate or other fixed assets, the shall first comply with preceding conditions to obtain approval and procedure and assign to responsible department and administration departs to execute such arrangement.

**7.4 Appraisal Report of Real Estate and Fixed Assets**

Except transactions with government institutions, contracting third parties to construct on land owned or rented by the Company, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate or machinery equipment by the Company whose amount reaches 20% of the Company's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event and the following provisions should be complied with:

1. If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction should be approved by the Board in

advance. The above procedures should also be followed in case the transaction terms are changed subsequently.

2. If the transaction price is over NT\$1 billion, the Company should retain at least two Professional Appraisers to perform the appraisal
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
4. Within 3 months period between the date of the appraisal report issued by a professional appraiser and the contract execution date; where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
5. The Company for acquisition or disposal of assets through auction procedures at courts, the appraisal report or certified public accountant's opinion can be replaced by documents issued by the courts.

## **Article 8 The Procedures for Managing Securities**

### 8.1 Evaluation and Procedure

Purchasing and selling long and short-term securities shall follow the Procedure and standards.

### 8.2 Setting Conditions and Authorization Procedure

#### 8.2.1

Trading securities with publicly quoted prices in the active market shall be decided in accordance with the market information by the responsible unit. The respective transaction amount below NT\$50 million (included) shall be approved by the Chairman authorized by the Board. The respective transaction amount above NT\$50 million shall be approved by the Board before implementation.

#### 8.2.2

Trading securities without publicly quoted prices in the active market shall, before the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, with consideration of net value per share, profit-making ability, and future expanding potential. The respective transaction amount below NT\$50 million (included) shall be approved by the Chairman authorized by the Board. The respective transaction amount above NT\$50 million shall be approved by the Board before implementation.

### 8.2.3

The Procedures shall be approved by the Board of Directors, supervisors and the Shareholders' Meeting. Any amendment is subject to the same procedures.

If the board raised any disagreement and submit with record or documentation, the Company shall submit such document to every supervisor.

### 8.3 Responsible Parties

After approval according to preceding conditions, Finance Division would be in charge such asset management.

### 8.4 Opinions from Professionals

8.4.1 The Company acquiring or disposing of securities shall obtain professional opinion from certified public accountant for the assessment and reference of transaction price.

1. Acquiring or disposing of securities not traded on the stock exchange or on OTC markets.
2. Acquiring or disposing of privately placed securities.

8.4.2 The Company for acquisition or disposal of assets through auction procedures at courts, the appraisal report or certified public accountant's opinion can be replaced by documents issued by the courts.

## **Article 9 Procedures for Acquisition or Disposal of Assets by Related Party**

9.1 When the Company purchase or exchange real estate from or to a related party, in addition to ensuring the compliance with the provision of Article 7, the following procedures and conditions shall also be carefully examined. The Company shall also review if the counterparties are related parties base on definition set by regulation and actual relationship.

### 9.2 Reviewing Procedure

Following information needed to approved by the Board and Supervisors prior acquisition and disposal of real estate from related parties:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real estate from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with Article 3 item 1 and 4.
4. The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization.
6. Restrictive covenants and other important stipulations associated with the transaction



### 9.3 Evaluation Process of Reasonableness of Transaction Costs

#### 9.3.1

The Company, when acquiring real estate from a Related Party shall, evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the Related Party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer under Taiwan law. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the Related Party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a Related Party of one of the trading counterparties.

#### 9.3.2

Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in Article 9.3.1.

#### 9.3.3

The Company that acquires real estate from a Related Party and appraises the cost of the real estate in accordance with the provisions of Article 9.3.1 and 9.3.2 and shall also engage a CPA to check the appraisal and render a specific opinion.

#### 9.3.4

If the actual cost of real estate is lower than value stated in both Article 9.3.1 and 9.3.2, the Company shall follow Article 9.3.5 to proceed acquisition and disposal of assets.

Followings conditions are exempted with objective evidences and reasonableness obtained from professional real estate appraiser and certified accountants:

1. Where the Related Party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the Related Party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the Related Party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where the Company acquiring real estate from a Related Party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction, within one year refers to one year from the actual date of acquisition of the real estate.

#### 9.3.5

If the actual cost of real estate is lower than value stated in both Article 9.3.1 and 9.3.2, the Company shall follow steps listed below. In addition, the Company may not utilize the special reserve until it has recognized a loss on declining market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming the rationality of the transaction, and received the Taiwan authority's approval.

1. A special reserve shall be set aside in accordance with Article 41-1 of *Taiwan Securities Exchange Act* against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. When a public company uses the equity method to account for its investment in the Company, the special reserve shall be set aside pro rata in a proportion in accordance with the same regulations.
2. Supervisors shall act according to the Article 218 in *the Company Act*.
3. Actions taken pursuant to Article 9.5.5 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and investment prospectus.

## 9.3.6

When the Company acquires real estate from a Related Party meeting one of the following circumstances, the acquisition shall be conducted in accordance with the provisions of paragraph 1-2 of Article 9 and the provisions of the preceding three conditions do not apply:

1. Related Party acquired real estate through inheritance or as a gift.
2. Over five years gap between signing contract of the real estate to the current transaction.
3. Acquired real estate via joint development contract with the Related Party.

## 9.3.7

When the Company obtains real estate from a Related Party, it shall also comply with the Article 9.3.5 if there is evidence indicating that the acquisition was not an arm's length transaction.

**Article 10 Procedure for Managing Membership or Other Intangible Assets**

## 10.1 Evaluation Process

The Company shall comply with internal audit and the Procedures to acquire or dispose membership or intangible assets.

## 10.2 Setting Conditions and Authorization Procedure

1. The values of membership shall be reviewed fair market values for the basis of transaction terms and trading values. The transaction amount below NT\$50 million (included) or 1% of Company's paid-in capital shall be approved by the General Manager and submit the report to the Board Meeting in the most recent period after the transaction. For the amount above the limit, it shall be approved by the Board before implementation.
2. In acquiring or disposing intangible assets, the terms and price shall be determined based on the expert's appraisal report or the fair market value. The transaction amount below NT\$200 million (included) or 10% of Company's paid-in capital shall be approved by the General Manager and submit the report to the Board Meeting in the most recent period after the transaction. For the amount above the limit, it shall be approved by the Board before implementation.
3. Where the Company's acquisition or disposal of assets requires the approval of the Board pursuant to the Procedures or the applicable laws, rules, and regulations, if any Director has objection and supports with written statement and documents, the Company shall submit the Director's opinion to every Supervisors.

## 10.3 Responsible Parties

After the acquisition or disposal of intangible assets are appraised by the Board of Directors, the corresponding department and Finance division would be responsible for implementation.

## 10.4 Opinions from Professionals

Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant.

Certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No. 20 published by the ARDF.

#### **Article 11 Procedures for Managing Claims from Financial Institutions**

The Company does not intend to acquire or dispose claims of financial institution as general rules. For exception, proposal of acquisition or disposible of claims of financial institutions shall be reviewed and appraised by the Board, and stipulate Procedure for evaluation and execution.

#### **Article 12 Procedure for Managing Financial Derivatives**

##### 12.1 Principles and Guidelines

###### 12.1.1 Instruments

1. Derivatives referred to herein mean any trading contracts with worth derived from assets, interest rates, foreign exchange rates, indexes or other interest-generating products (such as forward, options, futures, swaps or hybrid financial product consisting aforementioned products)
2. Managing margin trading shall comply with this Procedure whereas bond with Repurchase Agreement (aka RP) is not applicable.

###### 12.1.2 Strategies

Financial derivatives are mainly used for hedging purpose to limit the Company's net exposure. Possessing foreign currency shall align with the Company's operational needs and on the basis of internal netting of income against expense, and asset against liability. Using financial derivatives to control currency risk and save currency exchange cost. For other strategies not mentioned above shall be reviewed carefully and get appraised at the Board.

###### 12.1.3 Division and Authorization Delegation

1. Finance Department

- (1) Trading Operator

- A. Responsible for investment strategies of Company's financial products
    - B. In every two weeks, trading operators shall gather info to forecast market trend and evaluate potential risks as the basis of investment strategies.
    - C. They shall only act according to approved strategies within authorization.
    - D. When trading operator evaluates the existing investment strategies are no longer applicable to dynamic financial market, they shall submit evaluation report and revised strategies to General Manager. The new investment strategies will be affected after approval.

- (2) Accounting Staff

- A. Confirming transactions
    - B. Examining the transaction has been conducted within the authorized scope in accordance with the established strategy.

- C. Conducting monthly evaluation and providing the evaluation report to the General Manager.
  - D. Attending to accounting matters.
  - E. Releasing public announcement or reporting in accordance with regulations set by Securities and Futures Commission
- (3) Closing Personnel: Executing closing-related tasks.
- (4) Authorization for Derivative Products
- A. Delegated Amount of each trading contract

Competent Manager	Total Authorization Limit (Including Accumulative Non-Offset)
President	US dollar settlement (or equivalent currencies) for over 6-month cost of importing PVC resin or exporting sales
General Manager	US dollar settlement (or equivalent currencies) for under 6-month cost of importing PVC resin or exporting sales
Financial Manager	Authorized by General Manager
Operator	Authorized by Finance Manager

- B. For other transaction purpose not listed above, it shall review at the Board Meeting before implementation.
- C. If directors have any objection regarding this Procedure, they shall submit record or writing to the Board and every supervisor for review.

## 2. Auditing Department

Auditing department is required to evaluate the suitability of the internal control system, examine conformity of Procedures, and to produce report with trading cycle analysis on a monthly basis. Should there be any violation found, a written report is needed to notify the Board of Directors.

## 3. Performance Evaluation

### (1) Hedging Purpose

- A. The diffidence between the currency trading cost on the Company's bookkeeping and the actual derivative trading cost will be the basis of performance evaluation.
- B. To fully monitor and evaluate transaction risk, the Company will review investment performance in monthly basis.
- C. Finance department shall provide insight of foreign currencies and oversea market trends to G for the reference of managerial strategies.

### (2) Special Purpose

Accounting staff shall prepare performance report bases on the actual profit and loss. Reports would submit to management for evaluation purpose.

#### Setting Contract Values and Loss Limits

- A. Total Contract Values
  - a. Hedging Purpose

Finance department shall monitor overall derivative positions to avoid transaction risks. When the transaction amount is over two third of total values (before write-off), it shall report to General Manager for approval.

b. Special Purpose

Based on market prediction, financial department shall prepare corresponding investment strategies and submit the reports at the next meeting of the Board of Directors for ratification. The maximum total value (before write-off) of special purpose derivative shall be under USD 1 million. The transaction above USD 1 million should be approved by Board of Directors.

B. Setting Loss Limit

- a. The purpose of hedging purpose is for risk management; thus, the Company does not stipulate loss limit for such investment.
- b. Loss limit is required for special-purpose derivative investment. When the loss exceeds 10% of transaction values, it shall directly report to General Manager and to Board Meeting discussing any actions deemed necessary to correct the situation
- c. The loss of individual contract shall not exceed US \$20,000 and 5% of contract values.
- d. The maximum loss on total special purpose derivatives is US \$30 million.

## 12.2 Risk Management

### 12.2.1 Credit Risk Control

The changes of various factors in the market may cause risk for operating the derivative products, so the market risk management shall follow the principles as below:

1. Counterparties: Mainly the renowned financial institutions home and abroad.
2. Products: Limited to the products provided by the renowned financial institutions home and abroad.
3. Authorization: The total value before write-off shall be limited under 10% of authorized amount in one counterparty, unless it is specially granted by the General Manager.

### 12.2.2 Market/Price Risk Control

The Company would trade on public foreign exchange market suggested by Banks, not consider Future Markets currently.

### 12.2.3 Fluidity Risk Control

To guarantee the market fluidity, it shall mainly select the products with high fluidity (The can achieve even-up in the market any time). The financial institutions entrusted for transaction must have adequate information and capability of conducting transaction in any market any time.

### 12.2.4 Cash Flow Control

To guarantee stable turnover of working capitals, the capitals used in derivative transactions shall be limited to the self-owned capitals. Moreover, the operation amount shall consider the capital demands of predicted cash income and expense in the next three months.

#### 12.2.5 Operational Risk Control

1. Risk should be avoided by ensuring that the Company's authorized limits and operational procedures have been duly complied with, and such procedures shall be incorporated into the Company's internal audit process.
2. The trading staffs engaged in derivative transaction cannot be appointed as the staffs responsible for confirmation and closing.
3. Risk evaluation, monitoring and handling personal shall assign to different departments; they shall report directly to the Board or senior management who is not responsible for trading or hedging position policy-making.
4. The positions held in respect of derivative products transactions shall be evaluated at least once a week; provided, however, hedging transactions based on operation need shall be evaluated at least twice a month. The evaluation report thereof shall be submitted to a senior manager authorized by the Board.

#### 12.2.6 Product Risk Control

The trading personal shall possess complete sets of professional knowledge on derivative products. They have to request bank to fully disclose any investment downside in order to prevent loss caused by the misused of derivative products.

#### 12.2.7 Legal Risk Control

The documents to be reviewed and signed by the financial institutions, specialist of foreign exchange and legal consultant, so as to avoid legal risk in the future.

#### 12.3 Internal Audit

1. Internal auditor is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments follow the Procedures, and to produce report with trading cycle analysis on a monthly basis. Should there be any violation found, a written report is needed to notify the supervisors in documentation
2. Internal auditors of the Company shall submit the aforementioned audit report and the status of annual audit implementation to the Securities and Futures Commission (SFC) by the end of February of next year, and shall also report if irregularities have been addressed to the SFC no later than the end of May of next year.

#### 12.4 Regular Evaluation System

1. Board should authorize senior management regularly monitor and evaluate such trading in accordance with these Regulations Procedures and within the Company's permitted scope of tolerance. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

2. Derivatives trading positions held shall be evaluated at least once(1) per week; however, positions for hedge trades required by business shall be evaluated at least twice (2) per month. Evaluation reports shall be submitted to auditing department first, and submit to the general manager with auditing opinions.

#### 12.5 Monitoring Standard

1. The Board shall designate senior management personnel to continuously monitoring and controlling derivatives trading risk with the following principles:
  - (1) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the company.
  - (2) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
3. Company shall report to the soonest meeting of the board of directors after authorizing the relevant personnel to handle derivatives trading in accordance with the Procedures.
4. Company engaging in derivatives trading shall establish a log book detailing of the types and amounts of derivatives trading engaged in, approval dates by the Board, and the matters required to be carefully evaluated under subparagraph 4-2 and subparagraph 5-1 and 5-2 of this Article, shall be recorded in detail in the log book.

### **Article 13 Procedures for Conducting Merger, Demerger, Acquisition, Or Transfer of Shares**

#### 13.1 Evolution and Handling Process

##### 13.1.1

The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board for deliberation and adoption.

##### 13.1.2

If the Company participates in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders detailing important contract and matters relevant at shareholders meeting and includes expert opinion referred to Article 13.1(1) in the shareholders meeting notice. It served as reference in deciding whether to approve the merger, demerger, or acquisition.

Where a provision of another Taiwan act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.



If the proposal is rejected due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected at shareholders meeting, the Companies participating in the merger, demerger or acquisition shall immediately disclose reason, follow-up measures, and the preliminary date of the next shareholders meeting in public.

#### 13.1.3

The Company, when participating in a merger, demerger, or acquisition, shall convene a Board meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another Taiwan act provides otherwise or the Taiwan authority is notified in advance of extraordinary circumstances and grants consent.

#### 13.1.4

The Company, when participating in a transfer of shares, shall call a Board meeting on the day of the transaction, unless Financial Supervisory Commission R.O.C notifies in advance of extraordinary circumstances and grants consent.

#### 13.1.5

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic Identification Information for Personnel:  
Including the occupation, full names, and ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of Events:  
Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important Documentation and Meeting Minutes:  
Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of director meetings.

#### 13.1.6

When participating in a merger, demerger, acquisition, or transfer of company's shares which are listed on an exchange or trading shares on OTC market, the Company shall submit information listed in preceding 2 paragraphs to the FSC online within 2 days from the date of passage of a resolution by the board meeting.

#### 13.1.7

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares not listed on an exchange nor OTC market, the Company shall sign an agreement with

such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

### 13.2 Other Considerations

#### 13.2.1. Confidentiality in Advance

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written confidentiality agreement and shall not disclose the content of the plan prior to public announcement shall not trade, in their own names or another person's, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

#### 13.2.2 Principle of altering share exchange ratio or acquisition price

The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. An action, such as a disposal of major assets that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
4. An adjustment where the Company participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock in accordance with Taiwan law.
5. An increase or decrease in the number of entities or the Company participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

#### 13.2.3 Items Required in the Contract

According to Article 317 of *Company Act* and Article 22 of *Business Mergers and Acquisition Act*, the contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the Company participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under Taiwan law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.

5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting under applicable laws, rules, and regulations if the plan exceeds the deadline without completion, and relevant procedures.

#### 13.2.4 Change in Number of Companies Participating in the Merger, Demerger, Acquisition or Share Transfer

After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out a new the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

### **Article 14 Public Disclosure of Information Procedure**

#### 14.1 Circumstance required to disclose

1. Acquiring real estate properties from Related Parties;
2. Investment in mainland China;
3. Merger, demerger, acquisitions or share transferring;
4. The loss of trading derivatives reaches the limits of all or individual contract set forth in the Procedure for Financial Derivatives Transactions.
5. When the values of asset transaction (other than preceding four circumstance) from financial institution, or an investment in mainland China is over 20% or exceeds paid-in capital or NT\$300 million; this shall exempt from following conditions:
  - (1) Trading of government bonds;
  - (2) Executing by professional investors on securities exchanges or OTC markets.
  - (3) Trading bond under repurchase and resale agreement
  - (4) Acquiring and disposing operational equipment to non-Related Parties, and the vales of transaction is under NT \$500 million.
  - (5) Acquiring real estate properties from construction-based Company and trading with non-Related Parties, and the value of transaction is under NT \$500 million.
  - (6) When land is acquired under an arrangement build on the Company's own land, build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.

6. The total values of transaction discussed above shall be calculated as follows:
  - (1) The amount of any individual transaction
  - (2) The cumulative amount of the same type of underlying asset with the same trading counterparty within the preceding year.
  - (3) The cumulative amount of real estate acquisitions and disposals within the same development project within the preceding year.
  - (4) The cumulative amount of acquisitions and disposals of the same security within the preceding year

#### 14.2 Announcement and Reporting Time

When the Company acquire and dispose assets meeting the circumstance specified in Article 14.1, filing public announcement shall be made within two days from the Date of the Event.

#### 14.3 Public Announcement Procedure

1. All information is submitted to Financial Supervisory Commission of Taiwan online.
2. A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
3. All items should be published again if any information required to be disclosed is missing during the original publication.
4. The contracts, meeting minutes, log books, appraisal reports, and opinions of certified public accounts, lawyers or securities underwriters in connection with the Company's acquisition or disposal of assets shall, except as otherwise specified by relevant Taiwan laws, be kept in the Company for at least five years.
5. If any of the following conditions occurred after public announcement, the Company shall file public announcement again within two days from the Date of occurrence of the Event.
  1. Amendment, termination or cancellation of the original agreement;
  2. Merger, spin-off, acquisition or share transfer not completed as scheduled in the agreement.

#### Article 15 Procedure for Subsidiaries

1. Subsidiaries shall also rules stipulated in *Regulations Governing the Acquisition and Disposal of Assets by Public Companies*, and get approved at the subsidiary's Board Meeting. Procedures shall submit to Shareholders Meetings of the mother Company and subsidiaries. Any amendment is subject to the same procedures.
2. Acquisition or disposal of assets by this Company's Subsidiary should follow this Procedure.
3. If subsidiaries are not public trading company in Taiwan, acquiring or disposing asses shall reach the reporting standard specified in chapter 3 of *Regulations Governing the Acquisition and Disposal of Assets by Public Companies*. The Company should publish and report for such Subsidiary.

4. The reporting standard of subsidiaries is under 20% of the Company's total equity.

#### **Article 16 Penalties for Violations**

The Company's managers and persons-in-charge shall follow the Procedures in order to prevent the Company from incurring any losses. Should there be any violation of the applicable laws, rules, and regulations or the Procedures, subsequent castigation is subject to the related Personnel Articles of the Company

#### **Article 17 Implementation and Amendment**

The Procedures shall be approved by the Board of Directors, supervisors and the Shareholders' Meeting. Any amendment is subject to the same procedures.

If the board raised any disagreement and submit with record or documentation, the Company shall submit such document to every supervisor.

This article was enacted on 11 November, 1999.

The first amendment was made on June 3, 2003.

The second amendment was made on June 26, 2009.