

Stock Code: 1507



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**Yungtay Engineering Co., Ltd.  
2019 Annual Shareholders' Meeting  
Agenda Handbook**

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**(Translation)**

**Date: June 18, 2019**

**Venue: 3F, No. 260, Section 2, Bade Road, Taipei City  
(Central Motion Picture Co. Auditorium)**

The English version is the translation of the Chinese version and if there is any conflict in the handbook between the meaning of Chinese words or terms in the Chinese version and English words or terms in the English version, the meaning of the Chinese version shall prevail.

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Yungtay Engineering Co., Ltd.  
2019 Annual Shareholders' Meeting  
**Agenda**

Time: June 18, 2019 at 9 a.m.

Venue: Central Motion Picture Co. Auditorium, 3F, No. 260, Section 2, Bade Road, Taipei City

1. Chairman Call Meeting to Order
2. Chairman's Address
3. Status Report
  - (1) 2018 Business Report
  - (2) Audit Committee's Review of 2018 Financial Statements
  - (3) Distribution of Remuneration of Employees and Directors in 2018
  - (4) Report on the Amendment of Rules and Procedures of Board of Directors Meetings
4. Matters for Ratification
  - (1) Ratification of 2018 Financial Statements
  - (2) Ratification of 2018 Earnings Distribution Proposal
5. Matters for Discussion
  - (1) Discussion of the Amendment to Articles of Incorporation : The conversion of ordinary directors from the non-nominating system to the nomination system
  - (2) Discussion of the Amendment to Procedures for Acquisition or Disposal of Assets
  - (3) Discussion of the Amendment to Procedures for Capital Lending to Others and Endorsements & Guarantees
6. Extempore Motions
7. Meeting Adjourned

## Status Report

1. 2018 Business Report

Refer to Page 42 of the Handbook.

2. Audit Committee’s Review of 2018 Financial Statements

Refer to Page 43 of the Handbook.

3. Distribution of remuneration of employees and directors in 2018

Explanation: The proposal for the distribution of remuneration of employees and directors in 2018, amounting to NT\$38,249,471 and the NT\$4,249,941, distributed by cash, with the ratio of 4.05% and 0.45% respectively, was resolved and passed at the Board of Directors.

4. Report on the amendment of Rules and Procedures of Board of Directors Meetings

Explanation: According to the Taiwan Stock Exchange’s template of the “○○ Corporation Standard Operating Procedures for Responding to Requests from Directors” on March 6, 2019 and Q&A of the “Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers”, amend Articles 1, 2, 4, and 8 of the Rules and Procedures of Board of Directors Meetings of the Company. Please refer to the comparison table.

The comparison table of amendment to the Articles of “Rules and Procedures of Board of Directors Meetings” of the Company

AFTER Amendment	BEFORE Amendment	Explanation
Article 1: To establish a strong governance system and sound supervisory capabilities for the Company <u>and</u> Board of Directors, strengthen management capabilities, <u>assist directors in performing their duties and improve effectiveness of the Board of Directors</u> , these Rules are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies <u>and the Standard Operating Procedures for Responding to Requests from Directors of Co., Ltd.</u>	Article 1: To establish a strong governance system and sound supervisory capabilities for the Company's Board of Directors <u>and to</u> strengthen management capabilities, these Rules are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.	1. According to the template of the “○○ Corporation Standard Operating Procedures for Responding to Requests from Directors” promulgated by Taiwan Stock Exchange Corporation, Articles 1, 2, 4, and 8 are amended per instructions before June 30, 2019.
Article 2: With respect to the board of directors meetings of the Company, the main	Article 2: With respect to the board of directors meetings of the Company, the main	

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for board meetings shall be handled in accordance with the provisions of these Rules.</p> <p><u>Except as otherwise provided by law and regulation or by the articles of incorporation, matters concerning the responding to requests from directors of the Company shall be as set out in Article 4 and Article 8 of these Rules.</u></p>	<p>agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for board meetings shall be handled in accordance with the provisions of these Rules.</p>	
<p>Article 4: The designated unit responsible for the board meetings of the Company shall be <u>Corporate Governance Department under Administration Division</u>. The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting. A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings, <u>and the unit responsible for board meetings shall provide it within 5 days</u>. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors. <u>The Company's Corporate Governance Supervisor is responsible for handling the requirements of the directors, and shall handle it as soon as possible with 5 days in accordance with the principle of promptly and effectively assisting the directors in performing their duties.</u></p>	<p>Article 4: The designated unit responsible for the board meetings of the Company shall be Administration Division.  The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting. A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.</p>	
<p>Article 8: When a board meeting is held, the</p>	<p>Article 8: When a board meeting is held, the</p>	

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p><u>Corporate Governance Department</u> shall furnish the attending directors with relevant materials for ready reference.</p> <p><u>The directors of the Company shall be provided with appropriate and timely information in such form and quality as to enable the directors to make decisions and to perform their duties as Directors with the relevant information. All directors of the Company should be able to obtain the assistance of the Corporate Governance Supervisor to ensure that the procedures of the Board of Directors and all applicable laws and regulations are followed, and to ensure good information exchange between board members and between the directors and the management.</u></p> <p>As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by this Corporation may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.</p> <p>The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.</p> <p>If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the</p>	<p><u>management (or the designated unit responsible for the board meetings)</u> shall furnish the attending directors with relevant materials for ready reference.</p> <p>As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys, or other professionals retained by this Corporation may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.</p> <p>The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.</p> <p>If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the</p>	

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.</p> <p>The number of "all directors," as used in the preceding paragraph, shall be counted as the number of directors then actually in office.</p>	<p>quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.</p> <p>The number of "all directors," as used in the preceding paragraph, shall be counted as the number of directors then actually in office.</p>	

## Matters for Ratification

Case 1 (Proposed by the Board of Directors)

Proposal: Please ratify the Company's 2018 Business Report, Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended December 31, 2018.

Explanation: The 2018 Business Report (please refer to Page 42 of the Handbook) and Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company (please refer to Page 44 to 66 of the Handbook), which have been audited and certified by CPAs Jen chi Chen and Xiu Li Chen of Jiang Sheng & Co., CPAs. Please approve.

Resolution:

Case 2 (Proposed by the Board of Directors)

Proposal: Please ratify the Company's 2018 proposal for earnings distribution.

Explanation: Please refer to the table below for the earnings distribution.

### 2018 Earnings Distribution Proposal

Unit: NT\$

Current year earnings available for distribution:	
Prior year accumulated undistributable earnings	3,301,804,525
Add: Effect of retrospective application of IFRS 9	6,249,518
Add: Net income after tax for the year	674,746,710
Less: Re-measurement on defined benefits obligation	(5,827,414)
Less: Re-measurement on defined benefits obligation of associates accounted for using equity method	(39,635)
Add: Income tax benefit related to items that will not be reclassified subsequently	1,134,834
Total distributable earnings for this year	3,978,068,538
Distribution items:	
Legal reserve	67,474,671
Special reserve	923,118
Shareholders' dividends (NT\$0.9 per share by cash)	369,738,000
Shareholders' bonuses (NT\$0.9 per share by cash)	369,738,000
Retained unappropriated earnings at the end of the year	3,170,194,749

Note: Cash dividends are rounded to the nearest NT\$1, and the total amount of cash dividends less than NT\$1 will be accounted for as other income.

Resolution:



## Matters for Discussion

Case 1 (Proposed by the Board of Directors)

Proposal: Please discuss the amendment to Articles of Incorporation.

Explanation: For the purpose to improve corporate governance, facilitate shareholders to exercise shareholder rights and respond to the initiative of the competent authorities to promote the nomination system for director candidates, amend the Articles of Incorporation of the Company. Please refer to the comparison table.

The comparison table of amendment to the Articles of “Articles of Incorporation” of the Company

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>Article 20: The Company shall have 7 to 15 directors, <u>and adopt a candidates nomination system for election of the directors. The directors shall be elected from among the nominees listed in the roster of director candidates by the shareholders.</u> The term of office shall be three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities.</p> <p>The Company’s independent directors shall be 2 to 4 in number and shall not less than one-fifth of directors seats, and the method of nomination and election together with other matters for compliance with respect to independent directors shall be prescribed by the Company Act and the security competent authority.</p> <p>The Board of Directors shall set up an audit committee, which consists of all independent directors, and its powers and related matters shall be stipulated by the Securities and Exchange Act and other applicable laws.</p>	<p>Article 20: The Company shall have 7 to 15 directors, <u>to be elected by the shareholders’ meeting from among candidates with legal capacity.</u> The term of office shall be three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities.</p> <p>The Company’s independent directors shall be 2 to 4 in number and shall not less than one-fifth of directors seats, and the method of nomination and election together with other matters for compliance with respect to independent directors shall be prescribed by the Company Act and the security competent authority.</p> <p>The Board of Directors shall set up an audit committee, which consists of all independent directors, and its powers and related matters shall be stipulated by the Securities and Exchange Act and other applicable laws.</p>	<p>For the purpose to improve corporate governance, facilitate shareholders to exercise shareholder rights and respond to the initiative of the competent authorities to promote the nomination system for director candidates, this provision of the Articles of Incorporation shall be revised.</p>

Resolution:

Case 2 (Proposed by the Board of Directors)

Proposal: Please discuss the amendment to Procedures for Acquisition or Disposal of Assets.

Explanation: According to November 26, 2018 Order No. Financial-Supervisory-Securities-Corporate-1070341072 of the Financial Supervisory Commission, amend the Procedures for Acquisition or Disposal of Assets of the Company. Please refer to the comparison table.

The comparison table of amendment to the articles of “Procedures for Acquisition or Disposal of Assets” of the Company

AFTER Amendment	BEFORE Amendment	Explanation
<p>Article 2: The Company shall handle the acquisition or disposal of assets in compliance with these Procedures; provided, where <u>financial</u> laws or regulations provide otherwise, such provisions shall govern.</p>	<p>Article 2: The Company shall handle the acquisition or disposal of assets in compliance with these Procedures; provided, where <u>another</u> laws or regulations provide otherwise, such provisions shall govern.</p>	<p>The amendment is made according to the laws and regulations.</p>
<p>Article 3: The term "assets" as used in these Procedures includes the following:</p> <ol style="list-style-type: none"> <li>1. Long-term or short-term investments in stocks, government bonds, corporate bonds, financial bonds, domestic beneficiary certificates, Overseas mutual fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property, and <u>construction enterprise inventory</u>) and equipment.</li> <li>3. Memberships</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li><u>5. Right-of-use assets.</u></li> <li><u>6. Claims of financial institutions</u> (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li><u>7. Derivatives.</u></li> <li><u>8. Assets acquired or disposed of in connection with mergers, demergers,</u></li> </ol>	<p>Article 3: The term "assets" as used in these Procedures includes the following:</p> <ol style="list-style-type: none"> <li>1. Long-term or short-term investments in stocks, government bonds, corporate bonds, financial bonds, domestic beneficiary certificates, Overseas mutual fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property, and <u>rights to use land</u>) and equipment.</li> <li>3. Memberships</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li><u>5. Claims of financial institutions</u> (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li><u>6. Derivatives.</u></li> <li><u>7. Assets acquired or disposed of in connection with mergers, demergers,</u></li> </ol>	<ol style="list-style-type: none"> <li>1. According to the application of IFRS 16 Leases, Subparagraph 5 is added to expand the scope of right-of-use assets, and "land use rights" set forth in original Subparagraph 2 is moved to Subparagraph 5.</li> <li>2. Original Subparagraphs 5 to 8 are moved to Subparagraphs 6 to 9.</li> </ol>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>acquisitions, or transfer of shares in accordance with law.</p> <p><u>9.</u> Other major assets.</p>	<p>acquisitions, or transfer of shares in accordance with law.</p> <p><u>8.</u> Other major assets.</p>	
<p>Article 4: Terms used in these Procedures are defined as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3, paragraphs 8 of the Company Act.</p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports</p>	<p>Article 4: Terms used in these Procedures are defined as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, <u>and compound contracts combining the above products,</u> whose value is derived from <u>assets, interest rates,</u> foreign exchange rate, index, or other <u>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) contracts.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraphs 8 of the Company Act.</p> <p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports</p>	<p>1. According to the definition of IFRS 9 Financial Instruments, the scope of derivatives set forth in Subparagraph 1 is amended.</p> <p>2. According to the amendment to the Company Act promulgated on August 1, 2018, which took effect on November 1, 2018, "Paragraph 8, Article 156" cited in Subparagraph 2 is replaced by "Article 156-3".</p> <p>3. As futures commission merchants operating proprietary trading business, securities investment trust enterprises, and securities investment consulting enterprises are experts in securities investment and may trade in securities frequently for the purpose of hedging or utilization of funds, they are included in the scope of investment professionals. To simplify the regulations, the fifth point of the supplementary regulations under the Order</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>by Securities Issuers.</p> <p>4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>7. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where</u></p>	<p>by Securities Issuers.</p> <p>4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>Tai-Cai-Zheng-Yi-Zi No. 0920001151 issued by the Securities and Futures Bureau, Financial Supervisory Commission on March 21, 2003 is included herein. According to the scope of professional institutional investors set forth in Article 3 of the Regulations Governing Offshore Structured Products, Subparagraph 7 is added to define the scope of investment professionals; the aforesaid order is abolished.</p> <p>4. To clearly define the scope of "securities exchange" and "over-the-counter venue" at home and abroad, respectively, Subparagraphs 8 and 9 are added according to Article 5 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities and Article 2 of the Regulations Governing Securities Trading on the Taipei Exchange.</p>

AFTER Amendment	BEFORE Amendment	Explanation
<p><u>they are located.</u></p> <p>8. Securities exchange: "<u>Domestic securities exchange</u>" refers to the <u>Taiwan Stock Exchange Corporation</u>; "<u>foreign securities exchange</u>" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</p> <p>9. Over-the-counter venue ("OTC venue", "OTC"): "<u>Domestic OTC venue</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; "<u>foreign OTC venue</u>" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</p>		
<p>Article 5 :</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>meet the following requirements</u>:</p> <p>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime.</u> <u>However, this provision does not apply if 3 years have already passed.</u></p>	<p>Article 5 :</p> <p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>not be a related party of any party to the transaction.</u></p>	<p>1. To simplify the regulations, the fourth point of the supplementary regulations under the Order Tai-Cai-Zheng-Yi-Zi No. 0920001151 issued by the Securities and Futures Bureau, Financial Supervisory Commission on March 21, 2003 regarding the instructions to the professional appraisers and their officers, certified public accounts, attorneys, or securities underwriters engaged by public companies is included herein. According to Subparagraph 4,</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p><u>since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>2. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p><u>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is</u></p>		<p>Article 53 of the Securities and Exchange Act regarding negative qualifications for directors, supervisors, and managerial officers and Subparagraph 15, Paragraph 1, Article 8 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers regarding the integrity of issuers or responsible persons, Subparagraphs 1 to 3, Paragraph 1 are added to define the negative qualifications for related experts; the aforesaid order is abolished.</p> <p>2. According to the Article 9 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers regarding the CPA's opinion on the reasonableness of an appraisal report on investment property, including evaluation, audit, and statement, Paragraph 2 is added to define the responsibility of external experts, including the evaluation, audit, and statement of appraisal reports or opinions</p>

AFTER Amendment	BEFORE Amendment	Explanation
<p><u>reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		<p>provided by related experts.</p>
<p>Article 9 :</p> <p>In acquiring or disposing of real property, equipment, <u>or right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, <u>or special price</u> as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed <u>whenever there is any subsequent change</u> to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a</li> </ol>	<p>Article 9 :</p> <p>In acquiring or disposing of real property, equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed <u>for any future changes</u> to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a</li> </ol>	<ol style="list-style-type: none"> <li>1. A government agency referred to in Paragraph 1 shall mean a central and local government agency of the Republic of China. As trading with central and local government agencies of the Republic of China is subject to tenders or bids in accordance with related regulations, the possibility of price manipulation is relatively low, so an expert opinion can be exempt; as to trading with foreign government agencies, related regulations and bargaining mechanisms are relatively unclear, it is not included in the scope of exemption herein. "A government agency" is therefore replaced by "a domestic government agency" in Paragraph 1.</li> <li>2. According to the application of IFRS 16 Leases, Paragraph 1 is amended to include right-of-use assets herein.</li> <li>3. The amendment to Subparagraph 1,</li> </ol>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>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> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>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> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>Paragraph 1 is made according to the laws and regulations.</p>
<p>Article 11 : Where the Company acquires or disposes of intangible assets <u>or right-of-use assets thereof or memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the</p>	<p>Article 11 : Where the Company acquires or disposes of <u>memberships or</u> intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by</p>	<p>The amendments are made for the same reasons described in Explanations 1 and 2 under Article 9.</p>



<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
provisions of Statement of Auditing Standards No. 20 published by the ARDF.	the ARDF.	
<p><u>Article 12</u> :</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article <u>33</u>, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	<p><u>Article 11-1</u> :</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article <u>32</u>, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	The article number is changed, and the article number cited is adjusted.
<p><u>Article 13</u> :</p> <p>(Omitted)</p>	<p><u>Article 12</u> :</p> <p>(Omitted)</p>	The article number is changed.
<p><u>Article 14</u> :</p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article <u>12</u> herein.</p> <p>When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p>	<p><u>Article 13</u> :</p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article <u>11-1</u> herein.</p> <p>When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p>	The article number is changed, and the article number cited in Paragraph 2 is adjusted.
<p><u>Article 15</u> :</p> <p>When the Company intends to acquire or dispose of real property <u>or</u></p>	<p><u>Article 14</u> :</p> <p>When the Company intends to acquire or dispose of real property from or to a</p>	1. The article number is changed, and the article numbers cited in

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p><u>right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the Board of Directors :</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</li> <li>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds</li> </ol>	<p>related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and the Board of Directors :</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</li> <li>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds</li> </ol>	<p>Subparagraph 3, Paragraph 1 and Paragraph 2 are adjusted.</p> <ol style="list-style-type: none"> <li>2. Government bonds referred to in Paragraph 1 shall mean domestic government bonds. As the credibility of bonds issued by the central and local governments of the Republic of China is easy to access, the passage of the Board of Directors and the adoption of supervisors can be exempt; the credibility of foreign government bonds varies, so foreign government bonds are not included in the scope of exemption herein. "Government bonds" are therefore replaced by "domestic government bonds" in Paragraph 1. According to the application of IFRS 16 Leases, Paragraph 1 is amended to include right-of-use assets herein.</li> <li>3. Considering the necessity and needs of transfer (including trading or sublease) of equipment purchased or leased for business use or the possibility for the sublease of real</li> </ol>

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<p>utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 33, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board of Directors need not be counted toward the transaction amount. With respect to the <u>types of transactions listed below, when to be conducted between the Company, subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the Company's Board of Directors may delegate the board chairman to decide such matters when the transaction is within NT\$300 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>1. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p>2. <u>Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>The Company submit a matter for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent</p>	<p>utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 32, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board of Directors need not be counted toward the transaction amount. With respect to the <u>acquisition or disposal of business-use equipment between the Company and subsidiaries</u>, the Company's Board of Directors may delegate the board chairman to decide such matters when the transaction is within NT\$300 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>The Company submit a matter for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent</p>	<p>property leased between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares based on the overall business planning, with a relatively low transaction risk, Paragraph 3 is amended to stipulate that the chairman of the Board may be delegated to decide on the acquisition or disposal of equipment or right-of-use assets thereof held for business use or the acquisition or disposal of real property right-of-use assets held for business use between the aforesaid companies.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>Before the Company submit a matter for resolution by the Board of Directors pursuant to paragraph 1, it shall first be approved by one-half or more of all audit committee members and then submitted to the Board of Directors for a resolution.</p> <p>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p>	<p>director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>Before the Company submit a matter for resolution by the Board of Directors pursuant to paragraph 1, it shall first be approved by one-half or more of all audit committee members and then submitted to the Board of Directors for a resolution.</p> <p>If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p>	
<p><u>Article 16</u> :</p> <p>The Company that acquires real property <u>or right-of-use assets thereof</u> 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. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is 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.</li> <li>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</li> </ol>	<p><u>Article 15</u> :</p> <p>The Company that acquires real property 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. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is 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.</li> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>1. The article number is changed.</li> <li>2. According to the application of IFRS 16 Leases, Paragraphs 1 to 4 are amended to include the acquisition of real property right-of-use assets from related parties through leases herein.</li> <li>3. Considering the possibility for the sublease of real property leased between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares based on the overall business</li> </ol>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The Company that acquires real property <u>or right-of-use assets thereof</u> from a related party and appraises the cost of the real property <u>or right-of-use assets thereof</u> in accordance with <u>the preceding two</u> paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with <u>the preceding</u> article, and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</li> <li>3. The real property is acquired through</li> </ol>	<p>financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The Company that acquires real property from a related party and appraises the cost of the real property in accordance with <u>Paragraphs 1 and Paragraphs 2</u> shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article <u>14</u>, and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. The real property is acquired through</li> </ol>	<p>planning, with a relatively low risk of involving unconventional transactions, Subparagraph 4, Paragraph 4 is added to exclude such a transaction from the evaluation of the reasonableness of the transaction cost (transaction price of real property acquired from related parties or payment for the lease of real property) set forth herein. As such a transaction does not apply to this article, it is subject to neither the proof of the reasonableness of transaction prices set forth in Article 17 and nor the appropriation of special reserve set forth in Article 18.</p> <p>4. Paragraph 3 and the preface under Paragraph 4 are amended according to the laws and regulations.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p><u>4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p>	
<p><u>Article 17 :</u> When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 18. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>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:</p> <p>A. 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</p>	<p><u>Article 16 :</u> When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>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:</p> <p>A. 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</p>	<p>1. The article number is changed, and the article number cited in the preface under Paragraph 1 is adjusted.</p> <p>2. According to the real property leasing practices, the acquisition of real property right-of-use assets from related parties may base the reasonableness of transaction prices on the transactions involving neighboring land leased by unrelated parties within the preceding year. Therefore, original Item 3, Subparagraph 1, Paragraph 1 is merged into Item 2, Subparagraph 1, Paragraph 1. As lease transactions are added, Item 2, Subparagraph 1, Paragraph 1, Subparagraph 2, Paragraph 1, and</p>

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<p>related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring 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 <u>sale or leasing</u> practices.</p> <p>2. Where the Company acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving 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</p>	<p>related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring 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.</p> <p><u>C. 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.</u></p> <p>2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving 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</p>	<p>Paragraph 2 are amended.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or</u> <u>obtainment of the right-of-use assets thereof.</u></p>	<p>parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	
<p><u>Article 18</u> :</p> <p>Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with <u>the preceding two</u> articles are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</li> <li>2. The audit committee members shall supervise the implementation of the preceding subparagraphs of the Company.</li> <li>3. Actions taken pursuant to the subparagraphs 1 and subparagraphs 2</li> </ol>	<p><u>Article 17</u> :</p> <p>Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with <u>Articles 15 and Articles 16</u> are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</li> <li>2. The audit committee members shall supervise the implementation of the preceding subparagraphs of the Company.</li> <li>3. Actions taken pursuant to the subparagraphs 1 and subparagraphs 2</li> </ol>	<ol style="list-style-type: none"> <li>1. The article number is changed.</li> <li>2. According to the application of IFRS 16 Leases, the preface under Paragraph 1, Subparagraph 1, Paragraph 1, and Paragraphs 2 and 3 are amended to include the acquisition of real property right-of-use assets from related parties through leases in the handling measures when the appraised price is lower the transaction price.</li> <li>3. The former paragraph of Subparagraph 2, Paragraph 1 is amended to stipulate that the independent directors on the Audit Committee, if established, shall be responsible for supervision.</li> <li>4. The preface under Paragraph 1 and Subparagraph 3 are</li> </ol>



<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Securities and Exchange Act competent authority has given its consent.</p> <p>When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Securities and Exchange Act competent authority has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>amended according to the laws and regulations.</p>
<p><u>Article 19</u> : (Omitted)</p>	<p><u>Article 18</u> : (Omitted)</p>	<p>The article number is changed.</p>
<p><u>Article 20</u> : (Omitted)</p>	<p><u>Article 19</u> : (Omitted)</p>	<p>The article number is changed.</p>
<p><u>Article 21</u> : (Omitted)</p>	<p><u>Article 20</u> : (Omitted)</p>	<p>The article number is changed.</p>
<p><u>Article 22</u> :</p> <p>The Company engaging in derivatives trading shall adopt the following risk management measures:</p> <ol style="list-style-type: none"> <li>1. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.</li> <li>2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</li> </ol>	<p><u>Article 21</u> :</p> <p>The Company engaging in derivatives trading shall adopt the following risk management measures:</p> <ol style="list-style-type: none"> <li>1. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.</li> <li>2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</li> </ol>	<ol style="list-style-type: none"> <li>1. The article number is changed.</li> <li>2. The amendment to Subparagraph 4 is made.</li> </ol>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.</p> <p>4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel <u>authorized</u> by the Board of Directors.</p> <p>5. Other important risk management measures.</p>	<p>3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.</p> <p>4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel <u>submitted</u> by the Board of Directors.</p> <p>5. Other important risk management measures.</p>	
<p><u>Article 23</u> :</p> <p>Where the Company engaging in derivatives trading, the Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.</li> <li>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.</li> </ol> <p>Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are</li> </ol>	<p><u>Article 22</u> :</p> <p>Where the Company engaging in derivatives trading, the Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.</li> <li>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.</li> </ol> <p>Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are</li> </ol>	<ol style="list-style-type: none"> <li>1. The article number is changed.</li> <li>2. The amendment to Paragraph 3 is made according to the laws and regulations.</li> </ol>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>faithfully conducted in accordance with these Procedures and the procedures for engaging in derivatives trading formulated by the company.</p> <p>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.</p> <p>The company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>	<p>faithfully conducted in accordance with these Procedures and the procedures for engaging in derivatives trading formulated by the company.</p> <p>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.</p> <p>The company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>	
<p><u>Article 24</u> :</p> <p>The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article <u>22</u> and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of <u>the preceding</u> article shall be recorded in detail in the log book.</p> <p>The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all audit committee members shall be</p>	<p><u>Article 23</u> :</p> <p>The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article <u>21</u> and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article <u>22</u> shall be recorded in detail in the log book.</p> <p>The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all audit committee members shall be</p>	<p>1. The article number is changed.</p> <p>2. The amendment is made according to the laws and regulations, and the article number cited in Paragraph 1 is adjusted.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
notified in writing.	notified in writing.	
<u>Article 25</u> : (Omitted)	<u>Article 24</u> : (Omitted)	The article number is changed.
<u>Article 26</u> : (Omitted)	<u>Article 25</u> : (Omitted)	The article number is changed.
<p><u>Article 27</u> :</p> <p>The Company shall convene a board of directors meeting and shareholders meeting on the day of the transaction with a company participating in a merger, demerger, or acquisition to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Securities and Exchange Act competent authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company shall call a board of directors meeting on the day of the transaction with a company participating in a transfer of shares, unless another act provides otherwise or the Securities and Exchange Act competent authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company shall prepare a full written record of the following information and retain it for 5 years for reference:</p> <ol style="list-style-type: none"> <li>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor,</li> </ol>	<p><u>Article 26</u> :</p> <p>The Company shall convene a board of directors meeting and shareholders meeting on the day of the transaction with a company participating in a merger, demerger, or acquisition to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Securities and Exchange Act competent authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company shall call a board of directors meeting on the day of the transaction with a company participating in a transfer of shares, unless another act provides otherwise or the Securities and Exchange Act competent authority is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company shall prepare a full written record of the following information and retain it for 5 years for reference:</p> <ol style="list-style-type: none"> <li>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor,</li> </ol>	<ol style="list-style-type: none"> <li>1. The article number is changed.</li> <li>2. The amendment to Paragraph 5 is made according to the laws and regulations.</li> </ol>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the Securities and Exchange Act competent authority for recordation.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of <u>the preceding two paragraphs</u>.</p>	<p>the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the Securities and Exchange Act competent authority for recordation.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of <u>Paragraphs 3 and Paragraphs 4</u>.</p>	
<u>Article 28</u> : (Omitted)	<u>Article 27</u> : (Omitted)	The article number is changed.
<u>Article 29</u> : (Omitted)	<u>Article 28</u> : (Omitted)	The article number is changed.
<u>Article 30</u> : (Omitted)	<u>Article 29</u> : (Omitted)	The article number is changed.
<u>Article 31</u> : (Omitted)	<u>Article 30</u> : (Omitted)	The article number is changed.
<p><u>Article 32</u> :</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public</p>	<p><u>Article 31</u> :</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public</p>	<p>1. The article number is changed.</p> <p>2. The amendment is made according to the laws and regulations, and the article number</p>

AFTER Amendment	BEFORE Amendment	Explanation
company whereby the latter is required to abide by the provisions of Article <u>27</u> , Article <u>28</u> , and <u>the preceding article</u> .	company whereby the latter is required to abide by the provisions of Article <u>26</u> , Article <u>27</u> , and <u>Article30</u> .	cited is adjusted.
<p><u>Article 33</u> :</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Exchange Act competent authority's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic government bonds</u> or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limit on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</li> <li>4. Where the type of asset acquired or disposed is equipment <u>or right-of-use assets thereof</u> for business use, the trading counterparty is not a related party, and the transaction amount</li> </ol>	<p><u>Article 32</u> :</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the Securities and Exchange Act competent authority's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limit on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</li> <li>4. Where the type of asset acquired or disposed is equipment thereof for business use, the trading counterparty is not a related party, and the transaction amount meets</li> </ol>	<ol style="list-style-type: none"> <li>1. The amendment to "government bonds" referred to in Subparagraph 1, Paragraph 1 is made. As the credibility of bonds issued by the central and local governments of the Republic of China is easy to access, the announcement can be exempt; the credibility of foreign government bonds varies, so foreign government bonds are not included in the scope of exemption herein. "Government bonds" are therefore replaced by "domestic government bonds".</li> <li>3. According to the application of IFRS 16 Leases, Subparagraphs 1 and 4, Paragraph 1 and Subparagraph 3, Paragraph 2 are amended to include right-of-use assets herein.</li> <li>4. According to the laws and regulations, the announcement of related party transactions is set forth in Subparagraph 1, Paragraph 1, while the unrelated party transactions are set</li> </ol>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>meets any of the following criteria:</p> <p>A. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>B. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets thereof</u> within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol>	<p>any of the following criteria:</p> <p>A. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>B. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol>	<p>forth in Subparagraph 6, Paragraph 1. The amendment to Subparagraph 5, Paragraph 1 herein is made for clarification.</p> <p>5. The amendment to Subparagraph 3, Paragraph 1 is made according to the laws and regulations.</p> <p>6. The amendments to Paragraphs 4 and 6 are made.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Exchange Act competent authority by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the Securities and Exchange Act competent authority by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	
<p><u>Article 34</u> : (Omitted)</p>	<p><u>Article 33</u> : (Omitted)</p>	<p>The article number is changed.</p>
<p><u>Article 35</u> : (Omitted)</p>	<p><u>Article 34</u> : (Omitted)</p>	<p>The article number is changed.</p>
<p><u>Article 36</u> : Information required to be publicly announced and reported in accordance with the provisions of <u>the preceding</u> chapter on acquisitions and disposals of</p>	<p><u>Article 35</u> : Information required to be publicly announced and reported in accordance with the provisions of Chapter <u>3</u> on acquisitions and disposals of assets by</p>	<p>1. The article number is changed. 2. The amendment is made according to the laws and regulations,</p>



<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>assets by the Company's subsidiary that is not a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital of the Company or the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be the calculation applicable to a subsidiary referred to in the preceding paragraph in determining whether, <u>relative to</u> 20 percent of paid-in capital or 10 percent of total assets, it reaches a threshold requiring public announcement and regulatory filing under Article <u>33</u>, paragraph 1.</p>	<p>the Company's subsidiary that is not a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital of the Company or the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be the calculation applicable to a subsidiary referred to in the preceding paragraph in determining whether, <u>reaches</u> 20 percent of paid-in capital or 10 percent of total assets, it reaches a threshold requiring public announcement and regulatory filing under Article <u>32</u>, paragraph 1.</p>	<p>and the article number cited in Paragraph 2 is adjusted.</p> <p>3. The amendment to Paragraph 1 is made according to the laws and regulations.</p>
<p><u>Article 37</u> : (Omitted)</p>	<p><u>Article 36</u> : (Omitted)</p>	<p>The article number is changed.</p>
<p><u>Article 38</u> : (Omitted)</p>	<p><u>Article 37</u> : (Omitted)</p>	<p>The article number is changed.</p>
<p><u>Article 39</u> : (Omitted)</p>	<p><u>Article 38</u>: (Omitted)</p>	<p>The article number is changed.</p>

Resolution:

Case 3 (Proposed by the Board of Directors)

Proposal: Please discuss the amendment to Procedures for Capital Lending to Others and Endorsements & Guarantees.

Explanation: According to March 7, 2019 Order No. Financial-Supervisory-Securities-Auditing-1080304826 of the Financial Supervisory Commission, amend the Procedures for Capital Lending to Others and Endorsements & Guarantees of the Company. Please refer to the comparison table.

The comparison table of amendment to the articles of “Procedures for Capital Lending to Others and Endorsements & Guarantees” of the Company

AFTER Amendment	BEFORE Amendment	Explanation
<p>Article 2 :</p> <p>Under Article 15 of the Company Act, the Company shall not loan funds to any shareholders or any other person except under the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Companies and firms having business relationship with the Company.</li> <li>2. Companies and firms in need of funds for a short-term period with the Company, provided that such financing amount shall not exceed 40 percent of the lender's net worth.</li> </ol> <p>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</p> <p>The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the Company's short-term financing.</p> <p>The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, <u>nor to loans of fund to the public company by any overseas company in which the public company holds, directly or indirectly, 100% of the voting shares.</u> However, <u>the Company shall still prescribe limits</u></p>	<p>Article 2 :</p> <p>Under Article 15 of the Company Act, the Company shall not loan funds to any shareholders or any other person except under the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Companies and firms having business relationship with the Company.</li> <li>2. Companies and firms in need of funds for a short-term period with the Company, provided that such financing amount shall not exceed 40 percent of the lender's net worth.</li> </ol> <p>The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.</p> <p>The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the Company's short-term financing.</p> <p>The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, <u>the provisions of Article 9,10 concerning the setting of the amount limits and the durations of loans shall still apply.</u></p>	<p>1. As the Financial Supervisory Commission (the FSC) considers inter-company loans of funds between overseas companies in which a public company holds, directly or indirectly, 100% of the voting shares to be inter-departmental utilization of funds in nature, and overseas companies are not subject to Article 15 of the Company Act, the restriction in Subparagraph 2, Paragraph 1 shall not be applicable to inter-company loans of funds between overseas companies in which a public company holds, directly or indirectly, 100% of the voting shares.</p> <p>To increase the flexibility of capital allocation within a</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p><u>on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the durations of such loans.</u></p> <p><u>When a responsible person of a company violates paragraph 1 or the proviso of the preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the company suffers damage, the responsible person also shall be liable for damages.</u></p>		<p>group and given that overseas companies are not subject to Article 15 of the Company Act, Paragraph 4 is amended to stipulate that the loans of funds between overseas companies in which a public company holds, directly or indirectly, 100% of the voting shares and the public company are not subject to 40% of the net worth and a term of one year. To manage risks appropriately and avoid public companies from loaning large-amount funds that may damage the shareholders' equity, short-term loans made to subsidiaries in which public companies hold, directly or indirectly, 100% of the voting shares shall be subject to the restriction in Subparagraph 2, Paragraph 1.</p> <p>2. According to Article 15 of the Company Act, where an inter-company or inter-firm short-term financing facility is necessary, the financing amount shall not exceed 40% of the lender's net worth.</p>

AFTER Amendment	BEFORE Amendment	Explanation
		Therefore, the maximum amount of short-term loans shall be governed according to Article 15 of the Company Act.
<p>Article 6 :</p> <p>Administration Division of the Company shall designate persons-in-charge responsible for announcing and reporting the previous month's loan and endorsements/ guarantees balances of head office and subsidiaries by the 10th day of each month.</p> <p>The term "announcing and reporting" as used in the preceding paragraph means the process of entering data to the information reporting website designated by the Securities and Exchange Act competent authority.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the <u>loan of funds or endorsement/ guarantee</u>, whichever date is earlier.</p>	<p>Article 6 :</p> <p>Administration Division of the Company shall designate persons-in-charge responsible for announcing and reporting the previous month's loan and endorsements/ guarantees balances of head office and subsidiaries by the 10th day of each month.</p> <p>The term "announcing and reporting" as used in the preceding paragraph means the process of entering data to the information reporting website designated by the Securities and Exchange Act competent authority.</p> <p>"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the <u>transaction</u>, whichever date is earlier.</p>	As loaning of funds or making of endorsements /guarantees is not yet a transaction in nature, Paragraph 2 is amended.
<p>Article 8 :</p> <p><u>The Company adopts or amends the Procedures for Capital Loaning to Others, the Procedures or amended procedures</u> shall require the approval of <u>one-half or more of all</u> audit committee <u>members</u>, and furthermore <u>shall be submitted for a resolution by the Board of Directors, and</u> after passage by the Board of Directors, submit the Procedures for approval by the shareholders' meeting ; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the</p>	<p>Article 8 :</p> <p>The Procedures shall require the approval of <u>the</u> Audit Committee, and furthermore after passage by the Board of Directors, submit the Procedures for approval by the shareholders' meeting ; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion <u>to the Audit Committee and</u> for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p>	<ol style="list-style-type: none"> <li>1. The amendment to Paragraph 1 is made to adopt the prior review system for the Audit Committee.</li> <li>2. The amendment to Paragraph 2 is made according to Article 14-3 of the Securities and Exchange Act. According to Article 14-5 of the Securities and Exchange Act, the authority of the Audit Committee includes</li> </ol>

AFTER Amendment	BEFORE Amendment	Explanation
<p>dissenting opinion for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p>When the Company submits the Procedures for Capital Loaning to Others for discussion by the Board of Directors under the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinion. <u>If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.</u></p> <p><u>If the approval of one-half or more of all audit committee members as required in Paragraph 1 is not obtained, the Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</u></p> <p><u>The terms "all audit committee members" in paragraph 1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p>	<p>When the Company submits the Procedures for Capital Loaning to Others for discussion by the Board of Directors under the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinion. <u>Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors meeting.</u></p>	<p>the adoption of or amendment to the handling procedures for financial or operational actions of material significance, such as extension of monetary loans to others. Therefore, Paragraphs 3 and 4 are added according to Article 6 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
<p>Article 9 :</p> <p>The Company's aggregate amount of loans to others shall not exceed 40 percent of the Company's Net Worth. According to the reasons for loans, the limit permitted for individual borrowers shall not exceed the following :</p> <p>1. When loaning funds to other companies with which the Company has business relations, the amount of loans shall not exceed the business transactions between both parties in the most recent year, and not exceed</p>	<p>Article 9 :</p> <p>The Company's aggregate amount of loans to others shall not exceed 40 percent of the Company's Net Worth. According to the reasons for loans, the limit permitted for individual borrowers shall not exceed the following :</p> <p>1. When loaning funds to other companies with which the Company has business relations, the amount of loans shall not exceed the business transactions between both parties in the most recent year, and not exceed</p>	<p>The amendment to Subparagraph 2, Paragraph 1 is made for clarification.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>20 percent of the maximum limits in the preceding paragraph. The business transactions between both parties means the amount of purchase or re-sale, whichever is higher.</p> <p>2. The counterparty for a short-term financing is limited to the Company's affiliated enterprises with operational needs, and the amount of loans shall not exceed 20 percent of the maximum limits in Paragraph 1.</p> <p>The terms "net worth" as used in the preceding paragraph means the balance of total assets less total liabilities (i.e. shareholders' equity); and 40 percent is calculated based on cumulative balance of short-term financings.</p>	<p>20 percent of the maximum limits in the preceding paragraph. The business transactions between both parties means the amount of purchase or re-sale, whichever is higher.</p> <p>2. The counterparty for a short-term financing is limited to the Company's affiliated enterprises with operational needs, and the amount of loans shall not exceed 20 percent of the maximum limits in <u>the preceding</u> paragraph.</p> <p>The terms "net worth" as used in the preceding paragraph means the balance of total assets less total liabilities (i.e. shareholders' equity); and 40 percent is calculated based on cumulative balance of short-term financings.</p>	
<p>Article 16 :</p> <p>Before making a loan of funds to others, the company shall carefully evaluate whether the loan is in compliance with these Procedures. The company may loan funds to others only after the evaluation results have been submitted to and resolved upon by the Board of Directors. The company shall not empower any other person to make such decision.</p> <p>Loans of funds between the Company and subsidiaries, or between the subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p>The "certain monetary limit" mentioned</p>	<p>Article 16 :</p> <p>Before making a loan of funds to others, the company shall carefully evaluate whether the loan is in compliance with these Procedures. The company may loan funds to others only after the evaluation results have been submitted to and resolved upon by the Board of Directors. The company shall not empower any other person to make such decision.</p> <p>Loans of funds between the Company and subsidiaries, or between the subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p>The "certain monetary limit" mentioned</p>	<p>The amendment to Paragraph 4 is made according to the amendment to Article 8 herein.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>in the preceding paragraph on authorization for loans extended by the Company or any subsidiaries to any single entity shall not exceed 10 percent of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 2, Paragraph 3.</p> <p>If the Company has appointed independent directors, when it loans funds to others, it shall take into full consideration each independent director's opinions. <u>If an independent director expresses any dissent or reservation, it shall be noted</u> in the minutes of the board of directors meeting.</p>	<p>in the preceding paragraph on authorization for loans extended by the Company or any subsidiaries to any single entity shall not exceed 10 percent of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 2, Paragraph 3.</p> <p>If the Company has appointed independent directors, when it loans funds to others, it shall take into full consideration each independent director's opinions ; <u>independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included</u> in the minutes of the board of directors meeting.</p>	
<p>Article 20 :</p> <p>If the Company has appointed independent directors, when it makes endorsements/guarantees for others, it shall take into full consideration each independent director's opinions. <u>If an independent director expresses any dissent or reservation, it shall be noted</u> in the minutes of the board of directors meeting.</p>	<p>Article 20 :</p> <p>If the Company has appointed independent directors, when it makes endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; <u>independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included</u> in the minutes of the board of directors meeting.</p>	<p>The amendment to the latter paragraph of this article is made according to Paragraph 2, Article 11 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies.</p>
<p>Article 26 :</p> <p>Balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. The aggregate balance of endorsements/guarantees by the Company and subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</li> <li>2. The balance of endorsements/ guarantees by the Company and</li> </ol>	<p>Article 26 :</p> <p>Balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. The aggregate balance of endorsements/guarantees by the Company and subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</li> <li>2. The balance of endorsements/ guarantees by the Company and</li> </ol>	<p>To clearly define the long-term investments, Subparagraph 3, Paragraph 1 is amended according to Subparagraph 1, Paragraph 4, Article 9 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>

<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
<p>subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The balance of endorsements/guarantees by the Company and subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>carrying value of equity method</u> investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in the latest financial statement.</p> <p>4. The amount of new endorsements/guarantees made by the Company or subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company in Taiwan any matters that such subsidiary is required to announce and report pursuant to Subparagraph 4 of the preceding paragraph.</p>	<p>subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>3. The balance of endorsements/guarantees by the Company and subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>long-term</u> investment in, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in the latest financial statement.</p> <p>4. The amount of new endorsements/guarantees made by the Company or subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company in Taiwan any matters that such subsidiary is required to announce and report pursuant to Subparagraph 4 of the preceding paragraph.</p>	
<p>Article 28 :</p> <p>The Company shall notify the Audit Committee in writing of any material violation of the loaning of funds and making of endorsements/guarantees that are inconsistent with the provisions of the Procedures or exceeds the limit, and the related rectification plan shall be submitted to the Audit Committee.</p>	<p>(Addition)</p>	<p>1. This article is added according to Article 26-2 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p> <p>2. To strengthen corporate governance, this article stipulates that the Audit Committee, if established, shall be informed of any</p>



<b>AFTER Amendment</b>	<b>BEFORE Amendment</b>	<b>Explanation</b>
		violations, departures, or excesses with respect to the loaning of funds and making of endorsements/ guarantees in writing, and related rectification plans shall be submitted to the Audit Committee.
<u>Article 29</u> : (Omitted)	<u>Article 28</u> : (Omitted)	The article number is changed.

Resolution:

## Extempore Motions

## Attachment

## 2018 Business Report

Dear Shareholdings,

In 2018, the Company's consolidated revenue was NT\$14,859,000,000, a decrease of 11.3% compared to the previous year; the profit attributable to owners of parent was about NT\$675,000,000 and the earnings per share was NT\$1.65.

In terms of research and development, the cost of research and development in 2018 was about NT\$468,000,000, a decrease of 3.05% compared to the previous year. We have committed ourselves to the research and development including high-speed elevators, heavy-load room less elevator development, traction machine for replacement and renovation, and control panel system. This year, we will continue to develop elevator control systems and component integration, to develop permanent magnet hosts designed for high-speed elevators, to do the green energy design for elevator, to develop IoT, and to develop elevator intelligent function, etc.

The market trend of 2019 is affected by international economic and trade conflicts. With the worldwide economic growth slowing down, various international financial institutions are making downward adjustments on global economic growth projection, suggesting risks of global economic downturn. Along with uncertainties of the US-China trade war, real property market, which is the leading force of the Chinese capital market, will subject to greater risks of downturn. However, the Chinese government will strive to stabilize the real property market, hence the real property market and elevator market in China should not vary much comparing to the previous year. It is expected that Yungtay China's sales number of elevators would be about 10,500 units in 2019. Yungtay (Taiwan) has experienced an overall real property market trend of stable pricing and rising quantity. Developers had stronger confidence in initiating projects, number of construction permits and area of new construction both showed an increase in percentage nationwide, along with the adoption of Urban Renewal Act amendments. But with the unsold real property stock in Taiwan, it is expected that the real property market is still in a correction. Yungtay (Taiwan) expects the sales number of elevators would be about 3,160 units in 2019.

We still keep on adhering to the business philosophy that Technology is NO.1, Quality is NO.1 and Service is NO.1, as well as devoting ourselves to the implementation of green energy technology for the purpose of creating a new generation of environmental protection. We also sustain to be on duty for the whole year to handle the condition of elevator all day long, provide the best repair and maintenance service with smart mobile device, strive to develop replacement market for old elevators and further maximize profits for all shareholders. Lastly, may I extend our most heartfelt thanks to each shareholder and may you continue to spur us on.

Wishing you all the best of health and success in your endeavors.

Chairman : Ray Chun Su



President : Fong Chieh Tsai



Chief Accountant : Chun Hsu Chen



## **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for distribution of earnings. Jiang Sheng & Co., CPAs was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company.

According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely,  
2019 Annual Shareholders' Meeting

Yungtay Engineering Co., Ltd.  
Chairman of the Audit Committee : Yung Ming Hsieh



March 15, 2019

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Yungtay Engineering Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Yungtay Engineering Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018, and 2017, and the consolidated statements of comprehensive income, cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

## **Key Audit Matters**

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

### Recognition of sales

Please refer to Note 6(21) to the consolidated financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 93.83% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter. Please refer to Note 4(20) to the consolidated financial statements for the details of the information and accounting policy about the recognition of sales.

Our key audit procedures performed in respect of the above area included: review the material contracts in order to evaluate the sales of elevators, maintenance and related products and services to be recognized in the right time and to be reasonable.

### Evaluation of inventories

The carrying amount of inventories was NT\$5,233,556 thousand, which accounted for 24% of the total assets in the consolidated balance sheet and could have a material impact on the consolidated financial statements. Inventories tended to be obsolete and caused damaged easily because of rapid development of technology in the production of elevator and uncertainty in the demand market. The estimate of net

realizable value of inventories is subject to the management's subjective judgment. Consequently, the evaluation of inventories' measurement at the lower of cost or net realizable value, together with the provision of the allowance for the inventories decline loss, has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included: understood and tested the design and operating effectiveness of internal controls of inventories; obtained the evaluation data of net realizable value of inventories prepared by management; implemented the computation through the way of sampling to assure the correctness of the provision of the allowance for the inventories decline and verified and compared the contract price of recent actual sales to understood if there was any decline happened to the inventories. Moreover, observed year-end inventory physical count and executed sampling of inventory physical count to assess the adequacy of the methods used by management to identify and monitor if there was any obsolescent inventories.

### **Other Matter**

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as



applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of audit committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Jen-Chi and Chen, Xiu-li.

陳仁志 陳秀麗



A member of Russell Bedford International

Taipei, Taiwan (Republic of China)

March 15, 2019

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

  
 Yungtay Engineering Co., Ltd. and its Subsidiaries  
 Consolidated Balance Sheets - Asset  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	31-Dec-18		31-Dec-17	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 3,875,535	18	4,135,644	17
1110	Financial assets at fair value through profit or loss -current	6(2)	529,668	2	211,202	1
1121	Financial assets at fair value through other comprehensive income-current	6(3)	86,156	-	-	-
1125	Available-for-sale financial assets	6(4)	-	-	95,957	-
1150	Notes receivable, net	6(5)	387,530	2	311,188	1
1170	Accounts receivable, net	6(5)	3,292,254	16	3,334,774	14
1200	Other receivables		8,736	-	19,774	-
130x	Inventories	6(6)	5,233,556	24	6,535,659	27
1410	Prepayments	6(7)	64,509	-	406,875	2
1460	Non-current assets held for sale	6(8)	52,167	-	50,272	-
1478	Refundable deposits	6(9)	220,233	1	415,775	2
1470	Other current assets		91	-	5,923	-
1480	Incremental costs of obtaining contracts-current	6(7)	154,208	1	-	-
11xx	Total current assets		<u>13,904,643</u>	<u>64</u>	<u>15,523,043</u>	<u>64</u>
15xx	Non-current assets					
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	87,824	-	-	-
1543	Non-current financial assets at cost	6(10)	-	-	88,932	-
1550	Investments accounted for using equity method	6(11)	375,889	2	381,021	2
1600	Property, plant and equipment	6(12)	5,419,088	26	5,811,956	25
1760	Investment property, net	6(13)	818,112	5	856,203	4
1780	Intangible assets	6(14)	52,622	-	185,577	1
1840	Deferred tax assets	6(24)	633,188	2	737,997	3
1915	Prepayments for equipment	6(12)	7,494	-	17,143	-
1920	Refundable deposits	6(9)	79,978	-	62,886	-
1940	Long-term notes receivable		22,029	-	540	-
1985	Long-term prepaid rents	6(15)	234,033	1	244,682	1
1990	Advances to employees and official business		9,624	-	13,337	-
1990	Other non-current assets, others	12(1)	5,520	-	5,520	-
15xx	Total non-current assets		<u>7,745,401</u>	<u>36</u>	<u>8,405,794</u>	<u>36</u>
1xxx	Total assets		<u>\$ 21,650,044</u>	<u>100</u>	<u>23,928,837</u>	<u>100</u>

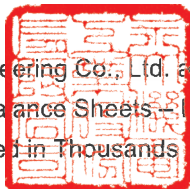
(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its Subsidiaries  
 Consolidated Balance Sheets - Liabilities and Equity  
 (Amounts Expressed in Thousands of New Taiwan Dollars)



Code	Account	Note	31-Dec-18		31-Dec-17	
			Amount	%	Amount	%
21xx	Current liabilities					
2130	Contract liabilities	6(17)	\$ 6,049,968	28	-	-
2120	Financial liabilities at fair value through profit or loss	6(2)	-	-	5,529	-
2150	Notes payable		332,280	2	355,411	1
2170	Accounts payable		1,699,789	8	2,002,065	8
2200	Other payables	6(16)	856,354	4	1,007,579	4
2230	Current tax liabilities		233,190	1	67,039	-
2310	Advances received	6(17)	-	-	7,438,298	31
2313	Deferred revenue	6(21)	269,051	1	322,221	1
2399	Other current liabilities		8,776	-	1,772	-
21xx	Total current liabilities		<u>9,449,408</u>	<u>44</u>	<u>11,199,914</u>	<u>45</u>
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	6,096	-	6,868	-
2630	Long-term deferred revenue	6(21)	91,131	-	125,680	1
2640	Net defined benefit liabilities-non-current	6(19)	513,522	2	716,714	4
2645	Deposit received	6(18)	118,298	1	114,725	-
25xx	Total non-current liabilities		<u>729,047</u>	<u>3</u>	<u>963,987</u>	<u>5</u>
2xxx	Total liabilities		<u>10,178,455</u>	<u>47</u>	<u>12,163,901</u>	<u>50</u>
31xx	Total equity attributable to owners of parent					
3100	Capital stock	6(20)	4,108,200	19	4,108,200	17
3200	Capital surplus	6(20)	270,267	1	264,835	1
3300	Retained earnings	6(20)				
3310	Legal reserve		3,009,594	14	2,896,805	12
3350	Unappropriated earnings		3,978,068	18	4,236,232	18
3400	Other equity	6(20)				
3410	Exchange differences on translation of foreign operations		24,756	-	155,476	1
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		(25,679)	-	-	-
3425	Unrealized gain (loss) on financial assets available-for-sale		-	-	(8,719)	-
3500	Treasury stock	6(20)	(69,411)	-	(69,411)	-
31xx	Equity attributable to owners of parent		<u>11,295,795</u>	<u>52</u>	<u>11,583,418</u>	<u>49</u>
36xx	Non-controlling interest		<u>175,794</u>	<u>1</u>	<u>181,518</u>	<u>1</u>
3xxx	Total equity		<u>11,471,589</u>	<u>53</u>	<u>11,764,936</u>	<u>50</u>
3x2x	Total liabilities and equity		<u>\$ 21,650,044</u>	<u>100</u>	<u>23,928,837</u>	<u>100</u>

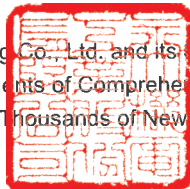
(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its subsidiaries  
Consolidated Statements of Comprehensive Income  
(Amounts Expressed in Thousands of New Taiwan Dollars)



Code	Account	Note	2018		2017	
			Amount	%	Amount	%
4000	Operating revenue	6(21)	\$ 14,858,628	100	16,752,217	100
5000	Operating costs	6(6)	(11,422,890)	(77)	(12,297,354)	(73)
5900	Gross profits from operations		3,435,738	23	4,454,863	27
6000	Operating expenses					
6100	Selling expenses		(770,035)	(5)	(1,050,712)	(6)
6200	Administrative expenses		(1,221,885)	(8)	(1,442,280)	(9)
6300	Research and development expenses		(468,184)	(3)	(482,948)	(3)
	Total operating expenses		(2,460,104)	(16)	(2,975,940)	(18)
6900	Net operating income		975,634	7	1,478,923	9
7000	Non-operating income and expenses					
7010	Other income	6(22)	76,041	1	33,729	-
7020	Government grants	6(22)	11,891	-	43,452	-
7020	Other gains and losses	6(22)	(17,358)	-	4,571	-
7050	Finance costs	6(22)	(105)	-	(89)	-
7060	Share of (loss) profit of associates accounted for using equity method	6(10)	8,566	-	(11,683)	-
	Total non-operating income and expenses		79,035	1	69,980	-
7900	Income before income tax		1,054,669	8	1,548,903	9
7950	Income tax expenses					
7951	Current income tax expenses	6(24)	(226,827)	(2)	(152,092)	(1)
7952	Deferred income tax expenses	6(24)	(96,099)	(1)	(239,642)	(1)
8000	Current income from continuing operations		731,743	5	1,157,169	7
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		731,743	5	1,157,169	7
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit of loss:					
8311	Re-measurement of defined benefits plans	6(19)	(5,827)	-	(97,225)	-
8316	Unrealized loss on investment in equity instruments designated as at fair value through other comprehensive	6(20)	(9,801)	-	-	-
8321	Share of remeasurement of defined benefits plans of associates		(40)	-	(1,263)	-
8326	Share of unrealized loss on investment in equity instruments designated as at fair value through other comprehensive income of associates	6(20)	(909)	-	-	-
8349	Income tax benefit related to items that will not be reclassified subsequently	6(24)	1,135	-	16,529	-
	Total items not reclassified into gains and losses		(15,442)	-	(81,959)	-
8360	Items that may be reclassified subsequently to profit of loss:					
8361	Exchange differences on translation of foreign financial statements	6(20)	(126,295)	(1)	(205,088)	(1)
8362	Unrealized gains (losses) on available-for-sale financial assets	6(20)	-	-	(7,743)	-
8370	Share of other comprehensive gains and losses of associates accounted for using equity method	6(20)	(4,425)	-	(3,938)	-
	Total items to be reclassified into gains and losses		(130,720)	(1)	(216,769)	(1)
8500	Total comprehensive income for the year		\$ 585,581	4	858,441	6
8600	Profit attributable to					
8610	Profit attributable to owners of parent		\$ 674,747	5	1,127,886	7
8620	Profit attributable to non-controlling interests		\$ 56,996	-	29,283	-
			\$ 731,743	5	1,157,169	7
8700	Comprehensive income attributable to					
8710	Comprehensive income attributable to owners of parent		\$ 528,585	4	829,158	7
8720	Comprehensive income attributable to non-controlling interests		\$ 56,996	-	29,283	-
			\$ 585,581	4	858,441	7
	Earnings per share (in NT dollar)	6(25)				
9750	Basic earnings per share (in NT dollar)		\$ 1.65		2.76	

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

**Yungtay Engineering Co., Ltd. and its Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
(Amounts Expressed in Thousands of New Taiwan Dollars)

(Amounts in thousands of New Taiwan Dollars)

Account	Retained earnings			Other equity			Total	Non-controlling interests	Total equity		
	Capital share	Capital surplus	Legal reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income				Unrealized gains (loss) on financial assets	Treasury share
Balance as of January 1, 2017	\$ 4,108,200	256,332	2,741,305	4,331,773	365,147	-	(1,821)	(69,411)	11,731,725	176,760	11,910,505
Appropriation & distribution of earnings in 2016											
Legal reserve			155,500	(155,500)							
Cash dividends				(985,968)					(985,968)		(985,968)
Adjustments of capital surplus for company's cash dividends received by subsidiaries		5,112							5,112		5,112
Overdue dividends unclaimed		3,319							3,319		3,319
Adjustments to share of changes in equities of associates		72							72		72
Net income in 2017				1,127,866					1,127,866	29,283	1,157,169
Other comprehensive income (loss) in 2017				(81,959)	(209,671)	(7,098)			(298,728)		(298,728)
Total comprehensive income (loss) in 2017				1,045,927	(209,671)	(7,098)			829,158	29,283	858,441
Non-controlling interests from cash dividends distributed by subsidiaries										(26,545)	(26,545)
Balance as of December 31, 2017	\$ 4,108,200	264,835	2,896,805	4,236,232	155,476		(8,719)	(69,411)	11,583,418	181,518	11,764,936
Balance as of January 1, 2018	\$ 4,108,200	264,835	2,896,805	4,236,232	155,476		(8,719)	(69,411)	11,583,418	181,518	11,764,936
Effect of retrospective application of IFRS9				6,250		(14,969)	8,719				
Restated balance as of January 1, 2018	\$ 4,108,200	264,835	2,896,805	4,242,482	155,476	(14,969)		(69,411)	11,583,418	181,518	11,764,936
Appropriation & distribution of earnings in 2017											
Legal reserve			112,789	(112,789)							
Cash dividends				(821,640)					(821,640)		(821,640)
Adjustments of capital surplus for company's cash dividends received by subsidiaries		4,259							4,259		4,259
Overdue dividends unclaimed		1,170							1,170		1,170
Adjustments to share of changes in equities of associates		3							3		3
Net income in 2018				674,747					674,747	56,996	731,743
Other comprehensive income (loss) in 2018				(4,732)	(130,720)	(10,710)			(146,162)		(146,162)
Total comprehensive income (loss) in 2018				670,015	(130,720)	(10,710)			528,565	56,996	585,561
Non-controlling interests from cash dividends distributed by subsidiaries										(62,720)	(62,720)
Balance as of December 31, 2018	\$ 4,108,200	270,267	3,009,594	3,978,068	24,756	(25,679)		(69,411)	11,285,795	175,794	11,471,589

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

Yengtay Engineering Co., Ltd. and its Subsidiaries  
Consolidated Statements of Cash flows  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2018	2017
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	\$ 1,054,669	1,548,903
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss) that would not affect the cash flows		
A20100	Depreciation expense	384,751	393,667
A20200	Amortization expense	13,909	17,105
A20300	Provision for bad debt expense	(6,632)	78,508
A20400	Financial asset at fair value through profit or loss	4,756	879
A20900	Interest expense	105	89
A29900	Expenses recognized from long-term prepaid rents	6,462	9,431
A21200	Interest income	(63,635)	(27,175)
A21300	Dividend income	(12,406)	(6,554)
A22300	Share of loss (gain) of associates accounted for using equity method	(8,566)	11,683
A22500	Loss (gain) on disposal of property, plant and equipment, net	(10,123)	(3,603)
A22500	Loss on obsolescence of property, plant and equipment	3,045	18,168
A22500	Gain on disposal of other non-current assets	-	(3,780)
A22700	Loss on disposal of Investment property	467	96
A23000	Gain on disposal of non-current assets available-for-sale	-	464
A23100	Loss (gain) on disposal of investments	-	-
A23700	Allowance for inventory valuation	(49,759)	16,316
A23700	Impairment loss on goodwill	(590)	-
A23700	Loss arising from the dedine of goodwill	123,888	74,292
A23800	Gain on reversal of impairment losses on non-current assets available-for-sale	414	5,478
A24100	Unrealized foreign exchange loss	29,705	28,380
A20010	Total adjustments to reconcile profit (loss)	<u>415,791</u>	<u>613,444</u>
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31110	(Increase) decrease in financial assets held for sale	-	291,188
A31115	(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(316,474)	-
A31130	(Increase) decrease in notes receivable, net	(97,831)	(20,419)
A31150	(Increase) decrease in accounts receivable, net	36,923	887,553
A31180	(Increase) decrease in other receivables	9,309	3,698
A31200	(Increase) decrease in inventory	1,351,531	1,481,159
A31230	(Increase) decrease in prepayments	119,427	77,825
A31240	(Increase) decrease in other current assets	246	(465)
A31270	(Increase) decrease in incremental costs of obtaining contracts-current	68,731	-
A31000	Total change in operating assets	<u>1,171,862</u>	<u>2,720,539</u>
A32000	Change in operating liabilities		
A32125	Increase (decrease) in contract liabilities	(1,388,330)	-
A32130	Increase (decrease) in notes payable	(23,131)	(29,345)
A32150	Increase (decrease) in accounts payable	(302,276)	(536,446)
A32180	Increase (decrease) in other payables	(136,240)	(255,683)
A32210	Increase (decrease) in unearned revenue	-	(1,928,798)
A32230	Increase (decrease) in other current liabilities	256	164
A32240	Increase (decrease) in defined benefit liabilities, net	(209,019)	(861,347)
A23990	Increase (decrease) in deferred revenue	(87,719)	(71,693)
A32000	Total change in operating liabilities	<u>(2,146,459)</u>	<u>(3,683,148)</u>
A30000	Total change in operating assets and liabilities	<u>(974,597)</u>	<u>(962,609)</u>



  
 Yengtay Engineering Co., Ltd. and its Subsidiaries  
 Consolidated Statements of Cash flows  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2018	2017
A20000	Total adjustments	(558,806)	(349,165)
A33100	Interest received	65,335	28,037
A33200	Dividends received	20,703	30,156
A33300	Interest paid	(105)	(89)
A33500	Income tax paid	(60,096)	(320,869)
AAAA	Net cash generated from operating activities	<u>(532,969)</u>	<u>936,973</u>
BBBB	Cash flow from investing activities		
B00030	Reduction in capital from financial assets at fair value through other comprehensive income	1,108	-
B02600	Disposal of non-current assets available-for-sale	-	4,887
B02700	Acquisition of property, plant and equipment (Note 6(26))	(71,837)	(194,050)
B02800	Proceeds from disposal of property, plant and equipment	56,873	25,797
B02800	Proceeds from disposal of other assets-golf certificate	-	9,300
B03800	Decrease in refundable deposits	177,750	152,137
B04500	Acquisition of intangible assets	(3,768)	(6,607)
B05500	Disposal of investment property	8,021	3,513
B06700	Decrease in other non-current assets	4,413	3,387
B07100	(Increase) in prepayments on equipment	(7,492)	(16,394)
BBBB	Net cash flows in investing activities	<u>165,068</u>	<u>(18,030)</u>
CCCC	Cash flows from financing activities		
C03100	Decrease in deposits received	3,573	(31,832)
C04300	Increase in other non-current liabilities	-	(447)
C04500	Cash dividends paid	(880,101)	(1,007,401)
C09900	Other-overdue dividends unclaimed	1,170	3,319.00
CCCC	Net cash flows from financing activities	<u>(875,358)</u>	<u>(1,036,361)</u>
DDDD	Impact of change in exchange rate on cash and cash equivalents	<u>(71,519)</u>	<u>(107,975)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	(260,109)	(225,393)
E00100	Cash and cash equivalents at the beginning of year	4,135,644	4,361,037
E00200	Cash and cash equivalents at the end of year	<u>\$ 3,875,535</u>	<u>4,135,644</u>

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Yungtay Engineering Co., Ltd.

### Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

## **Key Audit Matters**

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

### Recognition of sales

Please refer to Note 6(18) to the parent company only financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 99.49% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter. Please refer to Note 4(19) to the parent company only financial statements for the details of the information and accounting policy about the recognition of sales.

Our key audit procedures performed in respect of the above area included: review the material contracts in order to evaluate the sales of elevators, maintenance and related products and services to be recognized in the right time and to be reasonable.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company

only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of audit committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent company only Financial Statements**

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Jen-Chi and Chen, Xiu-li.



A member of Russell Bedford International

Taipei, Taiwan (Republic of China)

March 15, 2019

#### Notice to Readers

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

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

  
 Yungay Engineering Co., Ltd.  
 Parent Company Only Balance Sheets - Asset  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	31-Dec-18		31-Dec-17	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 991,955	7	823,662	5
1110	Financial assets at fair value through profit or loss -current	6(2)	522,920	4	211,202	1
1121	Financial assets at fair value through other comprehensive income-current	6(3)	86,156	1	-	-
1125	Available-for-sale financial assets	6(4)	-		95,957	1
1150	Notes receivable, net	6(5)	187,677	1	205,249	1
1170	Accounts receivable, net	6(5)	1,040,797	7	1,035,155	7
1200	Other receivables		598	-	3,324	-
130x	Inventories	6(6)	1,085,394	7	1,194,172	8
1410	Prepayments	6(7)	7,070	-	14,180	-
1470	Other current assets		-	-	686	-
11xx	Total current assets		<u>3,922,567</u>	<u>27</u>	<u>3,583,587</u>	<u>23</u>
15xx	Non-current assets					
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	85,449	-	-	-
1543	Non-current financial assets at cost	6(9)	-	-	86,557	1
1550	Investments accounted for using equity method	6(10)	8,341,724	57	9,087,814	60
1600	Property, plant and equipment	6(11)	1,398,583	9	1,386,582	9
1760	Investment property, net	6(12)	901,422	6	940,807	6
1780	Intangible assets	6(13)	7,233	-	7,806	-
1840	Deferred income tax assets	6(21)	184,117	1	147,788	1
1915	Prepayments for equipment	6(11)	4,449	-	17,023	-
1920	Refundable deposits	6(8)	67,336	-	49,880	-
1990	Advances to employees and official business		3,936	-	4,413	-
1990	Other non-current assets, others	12(1)	5,520	-	5,520	-
15xx	Total non-current assets		<u>10,999,769</u>	<u>73</u>	<u>11,734,190</u>	<u>77</u>
1xxx	Total assets		<u>\$ 14,922,336</u>	<u>100</u>	<u>15,317,777</u>	<u>100</u>

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

  
 Yungtai Engineering Co., Ltd.  
 Parent Company Only Balance Sheet – Liabilities and Equity  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	31-Dec-18		31-Dec-17	
			Amount	%	Amount	%
21xx	Current liabilities					
2120	Financial liabilities at fair value through profit or loss	6(2)	\$ -	-	686	-
2130	Contract liabilities	6(15)	1,808,022	12	-	-
2150	Notes payable		253,410	2	286,593	2
2170	Accounts payable		469,450	3	447,072	3
2200	Other payables	6(14)	218,929	1	227,461	1
2230	Current tax liabilities		219,643	1	2,247	-
2310	Advances received	6(15)	-	-	1,917,793	12
2313	Deferred revenue	6(18)	93,467	1	89,387	1
2335	Receipts under custody		1,470	-	1,237	-
	Total current liabilities		<u>3,064,391</u>	<u>20</u>	<u>2,972,476</u>	<u>19</u>
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(21)	6,096	-	6,868	-
2630	Long-term deferred revenue	6(18)	37,117	-	33,024	-
2640	Net defined benefit liabilities-non-current	6(16)	513,522	3	716,714	5
2645	Deposit received		5,415	-	5,277	-
25xx	Total non-current liabilities		<u>562,150</u>	<u>3</u>	<u>761,883</u>	<u>5</u>
2xxx	Total liabilities		<u>3,626,541</u>	<u>23</u>	<u>3,734,359</u>	<u>24</u>
31xx	Equity					
3100	Capital stock	6(17)	4,108,200	28	4,108,200	26
3200	Capital surplus	6(17)	270,267	2	264,835	2
3300	Retained earnings	6(17), 6(21)				
3310	Legal reserve		3,009,594	20	2,896,805	19
3350	Unappropriated earnings		3,978,068	27	4,236,232	28
3400	Other equity	6(17)				
3410	Exchange differences arising on translation of foreign operations		24,756	-	155,476	1
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		(25,679)	-	-	-
3425	Unrealized gain (loss) on financial assets available-for-sale		-	-	(8,719)	-
3500	Treasury stock	6(17)	(69,411)	-	(69,411)	-
3xxx	Total equity		<u>11,295,795</u>	<u>77</u>	<u>11,583,418</u>	<u>76</u>
3x2x	Total liabilities and equity		<u>\$ 14,922,336</u>	<u>100</u>	<u>15,317,777</u>	<u>100</u>

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)





Yungtai Engineering Co., Ltd.  
Parent Company Only Statements of Comprehensive Income  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	Note	2018		2017	
			Amount	%	Amount	%
4000	Operating revenue	6(18)	\$ 5,940,272	100	5,465,334	100
5000	Operating costs	6(6)	(4,117,682)	(69)	(3,702,387)	(68)
5900	Gross profits from operations		1,822,590	31	1,762,947	32
5910	Unrealized profit from sales		(605)	-	(705)	-
5920	Realized profit from sales		705	-	948	-
5950	Gross profits from operations, net		1,822,690	31	1,763,190	32
6000	Operating expenses					
6100	Selling expenses		(63,618)	(1)	(57,396)	(1)
6200	Administrative expenses		(391,539)	(7)	(386,723)	(7)
6300	Research and development expenses		(164,508)	(3)	(169,835)	(3)
	Total operating expenses		(619,665)	(11)	(613,954)	(11)
6900	Net operating income		1,203,025	20	1,149,236	21
7000	Non-operating income and expenses					
7010	Other income	6(19)	17,640	-	12,975	-
7020	Other gains and losses	6(19)	4,797	-	(6,555)	-
7050	Finance costs	6(19)	(115)	-	(98)	-
7070	Share of profit of subsidiaries and associates accounted for using equity method	6(19)	(313,261)	(5)	279,896	5
	Non-operating income and expenses		(290,939)	(5)	286,218	5
7900	Income before income tax		912,086	15	1,435,454	26
7950	Income tax expenses					
7951	Current income tax expenses	6(21)	(273,275)	(5)	(132,636)	(2)
7952	Deferred income tax expenses	6(21)	35,936	1	(174,932)	(3)
8000	Current income from continuing operations		674,747	11	1,127,886	21
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		674,747	11	1,127,886	21
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Re-measurement on defined benefits obligation	6(16)	(5,827)	-	(97,225)	(2)
8316	Unrealized loss on investment in equity instruments designated as at fair value through other comprehensive	6(17)	(9,801)	-	-	-
8321	Share of remeasurement of defined benefits plans of associates		(40)	-	(1,263)	-
8326	Share of unrealized loss on investment in equity instruments designated as at fair value through other comprehensive income of associates	6(17)	(909)	-	-	-
8349	Income tax benefit related to items that will not be reclassified subsequently	6(21)	1,135	-	16,529	-
	Total items not reclassified into gains and losses		(15,442)	-	(81,959)	(2)
8360	Items that may be reclassified subsequently to profit or loss:					
8362	Unrealized gain (loss) on financial assets available-for-sale	6(17)	-	-	(7,743)	-
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	6(17)	(130,720)	(2)	(209,026)	(4)
	Total items to be reclassified into gains and losses		(130,720)	(2)	(216,769)	(4)
8500	Total comprehensive income for the year		\$ 528,585	9	829,158	15
	Earnings per share (in NT dollar)	6(22)				
9750	Basic earnings per share (in NT dollar)		\$ 1.65		2.76	

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)



**Yung-Lay Engineering Co., Ltd.**  
**Parent Company Only Statements of Changes in Equity**  
**(Amounts Expressed in Thousands of New Taiwan Dollars)**

Account	Retained Earnings				Other equity			Total equity	
	Capital stock	Capital surplus	Legal reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	(losses) on financial assets at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets		Treasury stock
Balance as of January 1, 2017	\$ 4,108,200	256,332	2,741,305	4,331,773	365,147	-	(1,621)	(69,411)	11,731,725
Appropriation & distribution of earnings in 2016									
Legal reserve			155,500	(155,500)					
Cash dividends				(985,968)					(985,968)
Adjustments of capital surplus for parent's cash dividends received by subsidiaries		5,112							5,112
Overdue dividends unclaimed		3,319							3,319
Adjustments to share of changes in equities of associates		72							72
Net income in 2017 (Note 1)				1,127,886					1,127,886
Other comprehensive income (loss) in 2017				(81,959)	(209,671)		(7,098)		(298,728)
Total comprehensive income (loss) in 2017				1,045,927	(209,671)		(7,098)		829,158
Balance as of December 31, 2017	\$ 4,108,200	264,835	2,896,805	4,236,232	155,476		(8,719)	(69,411)	11,583,418
Balance as of January 1, 2018	\$ 4,108,200	264,835	2,896,805	4,236,232	155,476		(8,719)	(69,411)	11,583,418
Effect of retrospective application of IFRS9				6,250		(14,969)	8,719		
Restated balance as of January 1, 2018	\$ 4,108,200	264,835	2,896,805	4,242,482	155,476	(14,969)		(69,411)	11,583,418
Appropriation & distribution of earnings in 2017									
Legal reserve			112,789	(112,789)					
Cash dividends				(821,640)					(821,640)
Adjustments of capital surplus for company's cash dividends received by subsidiaries		4,259							4,259
Overdue dividends unclaimed		1,170							1,170
Adjustments to share of changes in equities of associates		3							3
Net income in 2018 (Note 2)				674,747					674,747
Other comprehensive income (loss) in 2018				(4,732)	(130,720)		(10,710)		(146,162)
Total comprehensive income (loss) in 2018				670,015	(130,720)		(10,710)		528,585
Balance as of December 31, 2018	\$ 4,108,200	270,267	3,009,594	3,978,068	24,756		(25,679)	(69,411)	11,295,795

Note 1: The employee's bonus and the remuneration of directors and supervisors in 2017 are NT\$39,596 thousand and NT\$4,400 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.

Note 2: The employee's bonus and the remuneration of directors and supervisors in 2018 are NT\$28,777 thousand and NT\$3,569 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

  
 Yungta Engineering Co., Ltd.  
 Parent Company Only Statements of Cash flows  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2018	2017
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	\$ 912,086	1,435,454
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss) that would not affect the cash flows		
A20100	Depreciation expense	61,847	52,216
A20200	Amortization expense	4,341	6,521
A20300	Expected credit loss (reversed gain)	(7,669)	-
A20400	Loss on financial assets at fair value through profit or loss	4,756	879
A20900	Interest expense	115	98
A21200	Interest income	(5,346)	(6,498)
A21300	Dividend income	(12,294)	(6,477)
A22400	Share of loss (profit) of subsidiaries and associates accounted for using equity method	313,261	(279,896)
A22500	(Gain) on disposal of property, plant and equipment, net	(654)	(1,029)
A22500	Loss on obsolescence of property, plant and equipment	1,705	31
A22500	(Gain) on disposal of other non-current assets	-	(3,780)
A23800	Allowance for inventory valuation	(17,388)	16,316
A24000	Realized profit from sales, net	(100)	(243)
A24100	Unrealized foreign exchange loss	31,095	31,608
A20010	Total adjustments to reconcile profit (loss)	<u>373,669</u>	<u>(190,254)</u>
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31110	(Increase) decrease in financial assets held for sale	-	291,188
A31115	(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(316,474)	-
A31130	(Increase) decrease in notes receivable, net	17,572	7,248
A31150	(Increase) decrease in accounts receivable, net	2,027	(33,501)
A31180	(Increase) decrease in other receivables	2,759	9,973
A31200	(Increase) decrease in inventory	125,770	(130,313)
A31230	(Increase) decrease in prepayments	7,110	(7,196)
A31000	Total change in operating assets	<u>(161,236)</u>	<u>137,399</u>
A32000	Change in operating liabilities		
A32125	Increase (decrease) in contract liabilities	(109,771)	-
A32130	Increase (decrease) in notes payable	(33,183)	(10,331)
A32150	Increase (decrease) in accounts payable	22,378	39,074
A32180	Increase (decrease) in other payables	(8,532)	(25,021)
A32210	Increase (decrease) in unearned revenue	-	(4,496)
A32230	Increase (decrease) in other current liabilities	233	44
A32240	Increase (decrease) in defined benefit liabilities, net	(209,019)	(861,347)
A23990	Increase (decrease) in deferred revenue	8,173	(9,113)
A32000	Total change in operating liabilities	<u>(329,721)</u>	<u>(871,190)</u>
A30000	Total change in operating assets and liabilities	<u>(490,957)</u>	<u>(733,791)</u>

  
 Yungtai Engineering Co., Ltd.  
 Parent Company Only Statements of Cash flows  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Account	2018	2017
A20000	Total adjustments	(117,288)	(924,045)
A33000	Cash inflow (outflow) generated from operations	794,798	511,409
A33100	Interest received	5,313	6,787
A33200	Dividends received	317,786	280,033
A33300	Interest paid	(115)	(98)
A33500	Income tax paid	(55,879)	(327,213)
AAAA	Net cash generated from operating activities	<u>1,061,903</u>	<u>470,918</u>
BBBB	Cash flow from investing activities		
B00030	Reduction in capital from financial assets at fair value through other comprehensive income	1,108	-
B02400	Proceeds from reduction of capital of investees accounted for using equity method	-	95,000
B02700	Acquisition of property, plant and equipment (Note 6(23))	(18,750)	(63,901)
B02800	Proceeds from disposal of property, plant and equipment	655	1,141
B02800	Proceeds from disposal of other assets-golf certificate	-	9,300
B03700	(Increase) in refundable deposits	(18,156)	(8,262)
B04500	Acquisition of intangible assets	(3,768)	(6,101)
B06700	Decrease in other non-current assets	1,177	3,297
B07100	(Increase) in prepayments on equipment	(4,449)	(17,023)
BBBB	Net cash flows from investing activities	<u>(42,183)</u>	<u>13,451</u>
CCCC	Cash flows from financing activities		
C03000	Increase in deposits received	138	-
C04500	Cash dividends	(821,640)	(985,968)
C09900	Other-overdue dividends unclaimed	1,170	3,319
CCCC	Net cash flows from financing activities	<u>(820,332)</u>	<u>(982,649)</u>
DDDD	Impact of change in exchange rate on cash and cash equivalents	<u>(31,095)</u>	<u>(31,608)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	168,293	(529,888)
E00100	Cash and cash equivalents at the beginning of year	823,662	1,353,550
E00200	Cash and cash equivalents at the end of year	<u>\$ 991,955</u>	<u>823,662</u>

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)

Manager: (sealed)

Accounting Supervisor: (sealed)

## Yungtay Engineering Co., Ltd.

### Rules of Procedure for Shareholders' Meeting

**Article 1** Meetings of shareholders shall be acted upon in accordance with these rules.

**Article 2** The Company shall state the registration time, location, and other notices in the Notice of General Shareholders' Meeting.

The registration shall be held at least 30 minutes prior to the meeting; the registration location shall be clearly marked and staffed.

The shareholders or their representatives (shareholders) present shall wear attendance badges, attendance cards, or other badges; representatives on behalf shareholders shall also bring their ID cards for examination.

The attendance book shall be prepared for shareholders' to sign in, or shareholders present may turn in their attendance cards.

The total attendance and vote at the Shareholders' Meeting shall be calculated in accordance with the attendance book or the attendance cards submitted, adding the number of shares whose voting rights are exercised in writing or electronically.

The agenda handbooks, annual reports, attendance cards, speaker's slips, votes, and other meeting data shall be distributed to shareholders present; votes shall be given to those eligible for the election of directors and supervisors.

**Article 3** If a shareholders' meeting is convened by the board, the chairman of the board shall be the chairman presiding at the meeting. If the chairman of the board is on leave or cannot perform his duties for some reason, the vice chairman shall preside at the meeting on the chairman's behalf; if the Company does not have a vice chairman or the vice chairman is on leave or cannot perform his duties for some reason, the chairman shall designate one managing director to act on his behalf. If the Company does not have a managing director, the chairman shall designate one director to act on his behalf. If the chairman has not appointed an agent or the designated director cannot perform his duties for some reason, the meeting chair shall be elected from among the directors present.

The managing director or the director acting on the chairman's behalf shall serve for more than six months and understand the financial and operating conditions of the Company.

If the meeting is convened by any other person besides the board of directors who is entitled to convene the meeting, such person shall be the chairman to preside at the meeting. If there are more than two persons convening the meeting, then shall be the one elected by the other.

**Article 4** The chairman shall call the meeting to order at the time scheduled for the meeting, provided, however, that if during postpone the shareholders' meeting to a later time, provided, however, that the maximum number of times a shareholder meeting may be postponed shall be two and total time of postponement shall not exceed one hour. If after two postponements no quorum can yet be constituted but the shareholders present at the meeting represent more than one third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act. If before the end of the meeting and at enough shares become present to constitute a quorum, the chairman may then re-submit the tentative resolutions to the meeting for approval, in accordance with Article 174 of the Company Act.

- Article 5** The agenda for the shareholders' meetings shall be set by the Board of Directors if the meeting is convened by the Board of Directors. The meeting shall be conducted in accordance with the agenda, which may not be altered without a resolution adopted at the shareholders' meeting. The preceding provisions of this Article apply mutatis mutandis to cases where shareholders' meetings are convened by any person(s), other than the Board of Directors, entitled to convene the meeting.
- Unless otherwise resolved at the shareholders' meeting, the chairman may not announce adjournment of the meeting unless the scheduled agenda items (including Special Motions) set forth in the preceding provisions of this Article are concluded.
- After the meeting is adjourned, shareholders may not separately elect a chair and resume the meeting at the original or another venue. If the chairman announces adjournment of the meeting and violates these rules of procedure, the meeting may be continued after electing one of the attendees to be the meeting chairman in accordance to the approval of the majority of the votes represented by the attending shareholders.
- Article 6** (Deleted).
- Article 7** The Company may appoint designated attorneys, certified public accounts or other relevant persons to attend shareholders' meetings.
- The staff members who take charge of the shareholders' meeting affairs shall wear identification certificates or armbands.
- Article 8** The Company shall record the registration, shareholders' meetings, and vote counting processes by audio or video.
- The recording mentioned in the preceding paragraph shall be kept for at least one year. The litigations brought by shareholders in accordance with Article 189 of Company Act shall be recorded until closed.
- To maintain the order of the meeting, attendants other than the mass media and clerks designated by the Company are restricted from taking pictures or recording to avoid interfering with the proceedings or offending personal privacy of shareholders present.
- Article 9** When a shareholder attending the meeting wishes to speak, he or she shall first fill out a speaker's card, specifying therein the major points of his or her speech, account number (or number appeared on attendance pass) and account name. The chairman shall determine sequence of shareholders' speeches.
- A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. In the case where the contents of a shareholder's speech differ from those specified on the speaker's card, the contents of the actual speech shall prevail.
- Unless otherwise permitted by the chairman and speaking shareholder, no shareholder shall interrupt the speech of the speaking shareholder; the chairman shall stop any such interruptions.
- Article 10** A shareholder may not speak more than twice on the same resolution without the chairman's consent, with five minutes maximum for each speech.
- The chairman may stop any shareholder who violates the above rules or exceeds the scope of the agenda item.
- Article 11** Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting.
- If a corporate shareholder designates two or more representatives to attend the meeting, only one of the representatives so designated may speak on any one motion.

- Article 12** The chairman may respond or designate other persons to respond after an attending shareholder's speech.
- Article 13** When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.
- Article 14** The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman, provided, however, that the person supervising the casting of votes shall be a shareholder.
- The vote counting process of the voting and election shall be announced at the venue of the meeting once completed, including the weights. And the result of the vote counting process shall be recorded.
- The election of directors shall be held in accordance with election regulations formulated by the Company. The result of the election shall be announced at the scene, including the list of elected directors and the weights.
- The votes mentioned in the preceding paragraph shall be sealed and signed by the tellers and kept for at least a year. The litigations brought by shareholders in accordance with Article 189 of Company Act shall be recorded until closed.
- Article 15** During the process of the meeting, the chairman may announce a recess at an appropriate time.
- Article 16** Unless otherwise specified in the Company Act and the Articles of Association, resolutions shall be adopted by a majority of the votes represented by the attending shareholders.
- Article 17** If there is an amendment or replacement proposal to the original proposal, the chairman shall decide the sequence of voting for such proposals, provided that if any one of the proposals has been approved, the others shall be deemed vetoed and no further voting is required.
- Article 18** The chairman may direct disciplinary officers (or security personnel) to maintain the order of the Meeting. For identification purposes, they shall wear a badge bearing the words of "disciplinary officer."
- Article 19** If the matters do not provided this rules, shall pursuant to applicable laws and regulations and Articles of Association.
- Article 20** These rules and procedures shall be effective after ratification at the shareholders' meetings. The same applies to modifications.

Yungtay Engineering Co., Ltd.  
Articles of Incorporation

**Chapter 1 General Provisions**

Article 1: The Company, organized under the Company Act as a Company limited by shares, and shall be named Yungtay Engineering Co., Ltd. (hereinafter, “the Company”).

Article 2: The Company’s scope of business is as follows:

1. CB01010 Machinery and Equipment Manufacturing
2. F113010 Wholesale of Machinery
3. E603020 Elevator Construction
4. E604010 Machinery Installation Construction
5. F401010 International Trade
6. E599010 Pipe Lines Construction
7. E605010 Computing Equipment Installation Construction
8. E603040 Fire Fighting Equipment Construction
9. E603090 Illumination Equipment Construction
10. E603050 Cybernation Equipment Construction
11. H701010 Residence and Buildings Lease Construction and Development
12. F112040 Wholesale of Petrochemical Fuel Products
13. F113020 Wholesale of Household Appliance
14. F113030 Wholesale of Precision Instruments
15. F113050 Wholesale of Computing and Business Machinery Equipment
16. JE01010 Rental and Leasing Business
17. IF01010 Traditional Physical Management
18. IB01010 Buildings Public Security Check
19. G202010 Parking Garage Business
20. J101010 Buildings Cleaning Service
21. CB01030 Pollution Controlling Equipment Manufacturing
22. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
23. CC01080 Electronic Parts and Components Manufacturing
24. CB01990 Other Machinery Manufacturing Not Elsewhere Classified
25. E701010 Telecommunications Construction
26. I301010 Software Design Services
27. I301020 Data Processing Services
28. I301030 Digital Information Supply Services
29. CA02010 Metal Architectural Components Manufacturing
30. H703100 Real Estate Rental and Leasing

Article 2-1: The Company can invest other companies and become their shareholders. The amount



of investment is not limited by the percentage of paid-up share capital.

Article 3: The Company is headquartered in Taipei City, Taiwan and when necessary may establish branches at home and abroad according to resolutions by the board of directors.

Article 4: Any and all public announcements to be made by the Company shall be published in a conspicuous place on a daily newspaper circulating in the municipality or county (city) wherein the company is located, or uploaded to Market Observation Post System, or through other common ways.

## **Chapter 2 Shares**

Article 5: The authorized capital of the Company is NT\$4.6 billion, consisting of 460 million shares, all of common stock, with a par value of NT\$10 per share. The Board of Directors is authorized to issue the shares in separate installments as required.

Article 6: The share certificates of the Company shall without exception be in registered form, signed by, or affixed with the seals of five directors, and stamped and authenticated by the competent governmental authority upon issuance. Shares issued by the Company and registered with centralized securities depository enterprises need not be in certificate form.

Article 7: Shareholders or representatives shall fill in signature cards and send to the Company for record. The procedures apply to any change. Acquisition of shares or dividends, contacts in writing, and exercise of all rights shall be made with signature.

Article 8: If a shareholder's seal is lost, damaged, or replaced, the shareholder shall fill in the application form for seal change or loss, stating the share number, and shareholdings and submit the application form, new seal, ID card, and shares to the Company for the registration of new seal. If the shareholder entrusts a representative to register the new seal, the representative shall submit the shareholder's ID card or the seal certificate issued by the household registration office, the power of attorney, and the representative's ID card to the Company for the registration of new seal.

Article 9: If intending to transfer shares, shareholders shall fill in the application form for share transfer and have the assignors and assignees sign and submit the application form and shares to the Company for share transfer. After being registered in the shareholders register, they shall be the shareholders of the Company. If the procedures mentioned above are not performed, the original shareholders remain unchanged. Successors shall provide the valid proof documents to apply for the change in the title.

Article 10: In case of share loss or damage, shareholders shall inform the Company in writing and receive new shares in accordance with Company Act and related laws and regulations.

Article 11: If shares are defaced or reissued in accordance with the provisions of the preceding two articles, a fee will be charged by the Company.

Article 12: All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

### **Chapter 3 Shareholders' Meeting**

- Article 13: Shareholders' meetings of the Company are of two kinds: regular shareholders meetings and extraordinary shareholders meetings. The regular shareholders' meeting is called once per year within six months of the close of the fiscal year. Extraordinary shareholders meetings may be called in accordance with applicable laws and regulations whenever necessary.
- Article 14: The convener of the shareholders' meeting shall inform shareholders of time, venue, and subject of the meeting or extraordinary meeting 30 days or 15 days prior to the meeting or extraordinary meeting respectively.
- Article 15: For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy. A proxy shall act on behalf of the shareholder in accordance with Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies and related laws and regulations.
- Article 16: The chairman of the Board of Directors presides as the chair of the Shareholders' meeting. In the event that the chairman is on a leave of absence, or is unable to exercise his powers and authorities, the vice chairman of the Directors shall act in lieu of the chairman. If the vice chairman of the Directors is also on a leave of absence, or cannot exercise his powers and authorities, the chairman shall designate a director to chair such general meeting. If the chairman does not designate a proxy, the Directors shall select one from among themselves to act as the chair. If a general shareholders' meeting is called by any person(s) other than the Directors, the person(s) who has called the meeting shall preside as the chair of such general meeting; and if there is more than one person who called a general meeting, such persons shall elect one from among themselves to act as the chair of such general meeting.
- Article 17: Unless otherwise provided by applicable law or regulation, a resolution of the shareholders' meeting shall be adopted by the consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, by shareholders who represent a majority of the total issued shares.
- Article 18: Each shareholder of the Company is entitled to one vote per share, unless otherwise provided in Article 179 of Company Act.
- Article 19: The resolutions of the shareholders meeting shall be recorded in the minutes stating the time, venue, and chairman's name, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting and distributed to all shareholders within 20 days. The making and distribution of such minutes may be made in electronic form. The distribution of such minutes mentioned in the preceding paragraph may include the announcement on the market observation post system.

### **Chapter 4 Directors and Board of Directors**

- Article 20: The Company shall have seven to fifteen directors, to be elected by the shareholders' meeting from among candidates with legal capacity. The term of office shall be three years, and they may continue in office if re-elected. The aggregate shareholding

percentages of the entire bodies of directors shall comply with the regulations prescribed by the securities supervisory authorities.

The Company's independent directors shall be 2 to 4 in number and shall not less than one-fifth of directors seats, and the method of nomination and election together with other matters for compliance with respect to independent directors shall be prescribed by the Company Act and the security competent authority.

The Board of Directors shall set up an audit committee, which consists of all independent directors, and its powers and related matters shall be stipulated by the Securities and Exchange Act and other applicable laws.

- Article 21: The Board of Directors is composed of directors from which a chairman shall be selected by a majority vote at a meeting attended by over two-thirds of the directors, and a vice chairman may also be elected in the same manner. The chairman shall externally represent the Company.
- Article 22: Meetings of the Board of Directors shall be called once per quarter; though in emergency situations, a meeting may be called whenever necessary. Except for the first meeting of the Board of Directors of every new term, all other meetings of the Board of Directors shall be convened and presided by the chairman of the Board of Directors. If the chairman of the board is on leave or cannot perform his duties for some reason, the vice chairman of the Directors shall act in lieu of the chairman. If the vice chairman of the Directors is also on a leave of absence, or cannot exercise his powers and authorities, the chairman of the Board of Directors shall designate one director. If the chairman of the Board of Directors does not designate one proxy, the chairman shall be elected from among the directors present.
- Article 23: Unless otherwise provided for by applicable law or regulation, a resolution of the Board of Directors shall be adopted by the consent of a majority of the votes represented by those the majority in attendance at the board of directors meeting. The resolutions of the meetings of the Board of Directors shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting.
- Article 24: If there exists a shortfall of one-third of directors, the Board of Directors shall convene a shareholders' meeting for the by election of absent directors. The term of newly elected directors shall continue for the original term of the directors replaced.
- Article 25: A directors may authorize a director to attend the meeting of the Board of Directors on behalf of them with the power of attorney stating the scope of authorization.

### **Chapter 5 Managers**

- Article 26: The Company may appoint managers, including one Chief Executive Officer, whose commissioning, decommissioning and pay rate shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the Board of Directors attended by at least a majority of the entire directors of the Company.

### **Chapter 6 Finance**

- Article 27: The fiscal year of the Company is fixed from January 1 to December 31.

Article 28: After the close of each year, the following reports shall be prepared by the Board of Directors and submitted to the general shareholders' meeting for ratification in accordance with regulations:

- (1) Business Report
- (2) Financial Statements
- (3) Proposal Concerning Appropriation of Net Profits or Recovering of Losses

Article 29: If the Company makes profits in a fiscal year, it shall appropriate at least 1% as the remuneration of employees by share or cash, determined by the Board of Directors; the Company may request Remuneration Committee to submit the proposal for up to 1% of the earnings mentioned above as the remuneration of directors to the Board of Directors for resolution. The distribution of remuneration of employees and directors shall be reported in the Shareholders' Meeting.

However, the distribution of remuneration of employees and directors based on the ratio mentioned in the preceding paragraph shall be made after deducting the reserve for offsetting the accumulated losses, if any.

Article 29-1: If the Company makes profits in a fiscal year, such profits shall be used to offset the losses and pay the taxes in accordance with applicable laws; then, 10% of the remaining earnings shall be held as the legal reserve, followed by the special reserve and dividends. The rest of such profits shall be appropriated in accordance with the following procedures:

- (1) Shareholders' bonuses.
- (2) Retained earnings.

The distribution ratio mentioned in the preceding paragraph shall be determined by the Board of Directors and then adopted in the General Shareholders' Meeting.

Article 29-2: The dividends and bonuses shall be distributed by the Company from 50% of net profit after tax for the period. Among the dividends and bonuses, cash dividends shall account for 50% or more in response to the mature market development of major products and operations of the Company the abovementioned distribution ratio may be adjusted subject to actual demands for business development or investments.

Article 30: The remuneration of directors and employees shall be paid regardless of profits or losses.

Article 30-1: The Board of Directors is authorized to reach an agreement that the remuneration of directors (including the chairman) shall refer the recommendation of Remuneration Committee and the normal standards in the same industry.

## **Chapter 7 Supplementary Provisions**

Article 31: Any matters not sufficiently provided for in these Articles of Association shall be handled in accordance with the Company Act and other applicable laws or regulations.

Article 32: The amendments to Articles of Association shall be approved by a majority of shareholders in attendance at a meeting attended by shareholders accounting for at least two-thirds of total shares. If the shareholding mentioned in the preceding paragraph is short, the amendments to Articles of Association shall be approved by at

least two-thirds of shareholders having votes in attendance at a meeting attended by shareholders accounting for a majority of total shares issued.

Article 33: The Company may provide endorsements and guarantees and act as a guarantor.

Article 34: These Articles of Incorporation were enacted on June 16, 1966 .....(The previous amendments omitted) The 45th amendment is made on June 28, 2018.

Yungtay Engineering Co., Ltd.  
Status of Shareholdings of Directors

Paid-up Capital: 410,820,000

Ex-dividend Date : April 20, 2019

Title	Name	Shares held in share register
Chairman	Tso Ming Hsu	2,159,888
Director	Ray Chun Su	0
Director	Hitachi, Ltd. Representative: Makoto Nagashima	31,817,168
Director	Fong Chieh Tsa	114,232
Director	Chao Ching Hsu	0
Director	UT Park View, Inc. (HSBC bank trust account) Representative : Wei Tsung Chang	24,932,000
Independent Director	Fu Hsiung Huang	0
Independent Director	Shih Yang Chen	0
Independent Director	Li Hsiu Chen	0
Total shares held by all directors		59,023,288
Statutory minimum shares held by all directors		16,000,000

**Imputed Earnings per Share in 2018 after distribution of remuneration of employees and directors and supervisors**

Not applicable (Since January 1, 2008, the remuneration of employees and directors and supervisors is recognized as expenses for the period).

**The Impact of Stock Dividend Issuance on Business Performance and Earning per Share (EPS)**

Not applicable (no proposal for stock dividend issuance is proposed in the General Shareholders' Meeting).