

# Taiwan Hon Chuan Enterprise Co., Ltd.

## 2019 Annual Shareholders' Meeting Minutes

(Translation)

**Time and Date:** 9:00 a.m., June 19 (Wed.), 2019

**Place:** Hon Chuan Headquarters (International Convention Hall)

(3F, No.6, 2Rd. Taichung Industrial Park, Taiwan)

**Addentents:**

Total issued and outstanding shares: 292,878,879 shares.

Total shares represented by shareholders present in person or by proxy:

176,902,971 shares (including shares represented by shareholders present electronically: 106,609,615 shares); Percentage of shares held by shareholders present in person or by proxy: 60.40%.

**Directors present:**

Dai, Hung-Chuan, Tsao, Hsih-Chung, Liu, Yun-Chang, Chang, Chun-Shu, Dai, Hung-I, Lin, Chuan-Nei

**Independent directors present:**

Hung, Chao-Nan, Kung, Yi-Lu, Huang, Hsiang-Ying

**Chairman:** Dai, Hung-Chuan (the Chairman of the Board of Directors)

**Recorder:** Su, Yu-Li

The Shareholders presented have reached the quorum, Chairman announced to commence the meeting.

## A. Report Items

**Item 1:** 2018 Business Report. Please submit for review.

**Explanatory Notes:**

- (1) 2018 Business Report, Financial Statements and CPA Audit Report are attached as Attachment 1 and 2. (Page 9~21)
- (2) Please review.

**Item 2:** Audit Committee's Review Report on the 2018 Financial Statements.  
Please submit for review.

### **Explanatory Notes:**

- (1) The Company's 2018 financial statements have been duly audited and certified by the CPA and further audited by Audit Committee. The CPA and Audit Committee issue auditors' report and Audit Committee's review report respectively. Please refer to Attachment 2 and 3. (Page 11~22)
- (2) Please review.

### **Item 3: 2018 Employees' Compensation and Directors' Remuneration Report.**

Please submit for review.

### **Explanatory Notes:**

- (1) In accordance with the 28th Article of the Company's Articles of Incorporation.
- (2) The 2018 profit of the Company is NT\$ 1,337,653,513. (That represents the pretax income before distribution of employees' compensation and directors' remuneration.) The Company proposes to distribute 1.77% or NT\$ 23,694,500 as 2018 employees' compensation and 0.74% or NT\$ 9,832,772 as directors' remuneration. The payment will be made in cash.
- (3) After shareholders' meeting resolves, the Company shall proceed the distribution of employees' compensation and directors' remuneration.
- (4) Please review.

## **B. Approvals**

### **Approval 1: Approval of 2018 Financial Statements and Business Report.**

Please ratify. (Proposed by the Board of Directors)

### **Explanatory Notes:**

- (1) The 2018 Financial Statements and Business Report have been duly audited and certified by the CPA firm of Deloitte & Touche, and have been approved by the Board of Directors, and have also been reviewed and audited by Audit Committee and presented their audit report.
- (2) The 2018 Financial Statements and Business Report are attached as Attachment 2. (Page 11~21)

(3) Please ratify.

**Resolution:**

176,902,971 shares were represented at the time of voting (including votes casted electronically: 106,609,615); 171,991,532 votes were in favor of the proposal (including votes casted electronically: 102,940,143); 49,442 votes were casted against the proposal (including votes casted electronically: 49,442); 0 vote was casted invalidly of the proposal; 4,861,997 votes were abstained of the proposal (including votes casted electronically: 3,620,030). The proportion of 97.22% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**Approval 2:** Approval of 2018 Profit Distribution Proposal. Please ratify.

(Proposed by the Board of Directors)

**Explanatory Notes:**

(1) The Company's net profit after tax for 2018 was NT\$ 1,092,530,218 and adding the unappropriated retained earnings of previous years amounted NT\$ 1,894,000,155, the accumulated allocable earnings from profits was NT\$ 2,986,530,373 and to be allocated in accordance with the Articles of Incorporation.

(2) The Board of Directors has drafted proposal for Distribution of 2018 Profit as shown below and Attachment 4 is attached. (Page 23)

I . Legal capital reserve, NT\$ 109,253,022.

II . Special reserve, NT\$ 377,095,897.

III . Shareholders' Dividend –

Cash dividend NT\$ 2.3 per share, NT\$ 673,621,422.

(3) If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

(4) Please ratify.

**Resolution:**

176,902,971 shares were represented at the time of voting (including

votes casted electronically: 106,609,615); 172,415,171 votes were in favor of the proposal (including votes casted electronically: 103,363,782); 103,814 votes were casted against the proposal (including votes casted electronically: 103,814); 0 vote was casted invalidly of the proposal; 4,383,986 votes were abstained of the proposal (including votes casted electronically: 3,142,019). The proportion of 97.46% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

## C. Discussion Items

**Proposal 1:** To amend the “Articles of Incorporation.” Please proceed to discuss.

(Proposed by the Board of Directors)

### **Explanatory Notes:**

- (1) To comply with the amendments of the Company Act and take into account of the actual needs of the Company, the Company hereby proposes to amend its “Articles of Incorporation.”
- (2) Please refer to Attachment 5 for details of the proposed amendments. (Page 24~28)
- (3) Please proceed to discuss.

### **Resolution:**

176,902,971 shares were represented at the time of voting (including votes casted electronically: 106,609,615); 172,453,374 votes were in favor of the proposal (including votes casted electronically: 103,401,985); 56,458 votes were casted against the proposal (including votes casted electronically: 56,458); 0 vote were casted invalidly of the proposal; 4,393,139 votes were abstained of the proposal (including votes casted electronically: 3,151,172). The proportion of 97.48% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**Proposal 2:** To amend the “Procedures for Acquisition or Disposal of Assets.”

Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes:**

- (1) To comply with the applicable acts, the Company hereby proposes to amend its “Procedures for Acquisition or Disposal of Assets.”
- (2) Please refer to Attachment 6 for details of the proposed amendments. (Page 29~43)
- (3) Please proceed to discuss.

**Resolution:**

176,902,971 shares were represented at the time of voting (including votes casted electronically: 106,609,615); 172,456,242 votes were in favor of the proposal (including votes casted electronically: 103,404,853); 58,588 votes were casted against the proposal (including votes casted electronically: 58,588); 0 vote were casted invalidly of the proposal; 4,388,141 votes were abstained of the proposal (including votes casted electronically: 3,146,174). The proportion of 97.48% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**Proposal 3:** To amend the “Procedures for Loaning of Company Funds to other Parties.” Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes:**

- (1) To comply with the applicable acts, the Company hereby proposes to amend its “Procedures for Loaning of Company Funds to other Parties”.
- (2) Please refer to Attachment 7 for details of the proposed amendments. (Page 44~48)
- (3) Please proceed to discuss.

**Resolution:**

176,902,971 shares were represented at the time of voting (including votes casted electronically: 106,609,615); 172,423,846 votes were in favor of the proposal (including votes casted electronically: 103,372,457); 85,984 votes were casted against the proposal (including votes casted electronically: 85,984); 0 vote were casted invalidly of the

proposal; 4,393,141 votes were abstained of the proposal (including votes casted electronically: 3,151,174). The proportion of 97.46% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**Proposal 4:** To amend the “Procedures for Endorsements and Guarantees.”

Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes:**

- (1) To comply with the applicable acts, the Company hereby proposes to amend its “Procedures for Endorsements and Guarantees”.
- (2) Please refer to Attachment 8 for details of the proposed amendments. (Page 49~52)
- (3) Please proceed to discuss.

**Resolution:**

176,902,971 shares were represented at the time of voting (including votes casted electronically: 106,609,615); 172,449,242 votes were in favor of the proposal (including votes casted electronically: 103,397,853); 65,590 votes were casted against the proposal (including votes casted electronically: 65,590); 0 vote were casted invalidly of the proposal; 4,388,139 votes were abstained of the proposal (including votes casted electronically: 3,146,172). The proportion of 97.48% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**Proposal 5:** To amend the “Procedures for Trading Derivatives”. Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes:**

- (1) To comply with the applicable acts, the Company hereby proposes to amend its “Procedures for Trading Derivatives.”
- (2) Please refer to Attachment 9 for details of the proposed mendments. (Page 53~54)
- (3) Please proceed to discuss.

**Resolution:**

176,902,971 shares were represented at the time of voting (including votes casted electronically: 106,609,615); 172,427,242 votes were in favor of the proposal (including votes casted electronically: 103,375,853); 85,588 votes were casted against the proposal (including votes casted electronically: 85,588); 0 vote were casted invalidly of the proposal; 4,390,141 votes were abstained of the proposal (including votes casted electronically: 3,148,174). The proportion of 97.46% in favor of the proposal was casted.

RESOLVED, that the above proposal hereby was approved as proposed.

**D. Other Business and Special Motion:** None.

**E. Meeting Adjourned**

### Business Report

Looking back at 2018, a year marked by volatile political and economic situations worldwide, businesses faced intensified market competition, increased raw material costs, interest rates and labor costs, and increasingly stringent tax systems and environmental regulations, and thus resulted in a less favorable operating environment for businesses. To counter changes in the external environment in recent years, the Company has actively adjusted and adopted its strategies accordingly. Through continuous efforts of all employees, we hope to reduce the risks and impacts caused by external changes. The recognition of reimbursement income from customers in 2017 led to a higher base period. Even though revenue in 2018 increased, the overall growth in profitability remained static. In 2018, consolidated sales reached NT\$19,929,717,000, increased by 13.75% from NT\$17,519,458,000 in 2017. Profit after tax totaled at NT\$ 1,102,204,000, a decrease of 12.66% from last year's NT\$1,261,983,000. Earnings per share were 3.73 dollars for the year of 2018 conclusively.

Hence, the Company sets its operational direction of the year based on the theme of lean management and proposes the following six main strategies,

- (1) "Adjust" structure: continuously promote corporate governance, carry out management information system and enhance personnel qualifications and capabilities.
- (2) "Increase" efficiency: continuously adjust assembly lines in order to uplift automation processes and capacity utilization.
- (3) "Reduce" costs: set up lean management committee to implement budget and cost control, tender offer management processes and purchase negotiation strategies.
- (4) "Invent" products: develop innovative niche products and cross-industry packaging.
- (5) "Deepen" cooperation: continuously develop new accounts, establish mutually beneficial and win-win business models and partnerships.
- (6) "Maintain" profit: continuously aim at long-term development and solid operations, comply with laws and regulations, create value for the Company and shareholders.

Despite a rather challenging year for operations, Taiwan Hon Chuan is committed to the development of business competitiveness and the accomplishment of corporate strategic directions. The Company is dedicated to professional development, product



innovation, market expansion, cost management and personnel training by ways of pragmatic commercial strategies, steady growing trajectory, bottom-up resources integration, accumulated experience with international clients and modern production management technology.

Looking ahead, Taiwan Hon Chuan will continue to strive towards our core missions; “focusing on our core business, developing global markets, respecting our customers, caring for our employees and fulfilling our social responsibilities”. We aim to solidify our home market in Taiwan, and replicate our success story across the globe in markets such as Mainland China, South East Asia, Africa and other high potential regions. We look forward to a new era of Taiwan Hon Chuan through our persistent efforts in 2019.

Chairman :  
**Dai, Hung-Chuan**

President :  
**Tsao, Hsih-Chung**

Chief Accounting officer :  
**Cheng, Ya-Wen**

**Independent Auditors' Report  
(Consolidated Financial Statements)**

The Board of Directors and Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

**Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Hon Chuan Enterprise 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, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

**Key Audit Matters**

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

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows :

#### Revenue recognition

The Group manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM service. Because revenues from the main products are significant to the Group's revenues and profits, we have listed revenue recognition as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures we have performed in respect of the above area included the following:

1. We have understood and tested the design and operating effectiveness of the key controls over revenue recognition and we sampled and inspected the original purchase orders and delivery order to verify the reasonableness of the accrual of the sale revenue.
2. We verified the entries to the revenue subsidiary ledger by selecting sample entries for the main products and we checked the entries against the original order, delivery order, invoice and receipt voucher. We also checked the entries against the documents acknowledged by customers for their receipt, delivery and order.

#### Evaluation of impairment inventory

The Group's inventory is measured at the lower of cost or net realizable value. The determination of net realizable value involved the use of significant judgments and estimates by the management. Thus, the evaluation of impairment of inventory is identified as a key audit matter. Please refer to Notes 4, 5 and 13 to the consolidated financial statements for the information about inventory.

The key audit procedures we have performed in respect of the above area included the following:

1. We understood and tested the design and operating effectiveness of the key controls over inventory.
2. We selected samples of inventory and checked that the value is the lower of cost or net realizable value. We evaluated whether expected sales price and variable expenses ratio are reasonable. We examined the accuracy of the calculation of net realizable value.
3. We observed year-end inventory taking. We selected samples and examined whether there were any defects or damages and confirmed the reasonableness of recognized loss on market price decline.

#### **Other Matter**

We did not audit the financial statements of PT Hon Chuan Indonesia, Hon Chuan Vietnam Co., Ltd. and Hon Chuan Malaysia Sdn. Bhd. as of and for the years ended December 31, 2018 and 2017. The total assets of these consolidated subsidiaries were 16.03% (NT\$4,715,348 thousand) and 15.60% (NT\$4,412,758 thousand) of the consolidated assets as of December 31, 2018 and 2017, respectively. The net sales of these subsidiaries were 11.23% (NT\$2,238,171 thousand) and 10.42% (NT\$1,825,164 thousand) of the consolidated net sales in 2018 and 2017, respectively. These investees' financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is

based solely on the reports of other auditors.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified report with other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Done-Yuin Tseng and Li-Dong Wu.

Deloitte & Touche  
Taichung, Taiwan  
Republic of China  
March 26, 2019

### Notice to Readers

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

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

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,979,711	10	\$ 2,211,899	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	98,782	-	31,935	-
Debt investments with no active market - current (Notes 4 and 11)	-	-	352,063	1
Notes receivable from unrelated parties (Note 4)	148,293	1	189,106	1
Trade receivables from unrelated parties (Notes 4 and 12)	3,116,198	11	2,576,145	9
Trade receivables from related parties (Notes 4 and 30)	530	-	1,828	-
Inventories (Notes 4, 5 and 13)	2,516,054	9	2,337,063	8
Other current assets (Notes 17, 30 and 31)	<u>1,582,345</u>	<u>5</u>	<u>1,166,875</u>	<u>4</u>
Total current assets	<u>10,441,913</u>	<u>36</u>	<u>8,866,914</u>	<u>31</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	41,617	-	-	-
Available for sale financial assets - noncurrent (Notes 4 and 9)	-	-	8,350	-
Financial assets measured at cost - noncurrent (Notes 4 and 10)	-	-	39,092	-
Long-term investments at equity-method (Notes 4 and 15)	20,135	-	22,814	-
Property, plant and equipment (Notes 4, 16, 31 and 32)	16,793,643	57	17,501,552	62
Computer software (Note 4)	6,121	-	3,507	-
Goodwill (Note 4)	364,592	1	353,256	1
Deferred tax assets (Notes 4 and 25)	198,056	1	182,237	1
Prepayments for equipment	877,133	3	974,236	4
Other noncurrent assets (Note 17)	<u>672,724</u>	<u>2</u>	<u>332,569</u>	<u>1</u>
Total noncurrent assets	<u>18,974,021</u>	<u>64</u>	<u>19,417,613</u>	<u>69</u>
TOTAL	<u>\$ 29,415,934</u>	<u>100</u>	<u>\$ 28,284,527</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 5,037,154	17	\$ 5,156,313	18
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	62	-	15,955	-
Notes payable to unrelated parties	3,037	-	3,736	-
Trade payables to unrelated parties	1,063,603	4	910,731	3
Current tax liabilities (Notes 4 and 25)	159,058	1	80,427	1
Other current liabilities (Notes 21 and 30)	<u>966,852</u>	<u>3</u>	<u>863,635</u>	<u>3</u>
Total current liabilities	<u>7,229,766</u>	<u>25</u>	<u>7,030,797</u>	<u>25</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 19)	2,995,224	10	-	-
Long-term borrowings (Notes 4 and 18)	5,978,897	21	7,999,920	28
Deferred tax liabilities (Notes 4 and 25)	55,628	-	44,129	-
Net defined benefit liabilities - noncurrent (Notes 4 and 22)	28,588	-	35,641	-
Other noncurrent liabilities (Note 21)	<u>48,666</u>	<u>-</u>	<u>11,277</u>	<u>-</u>
Total noncurrent liabilities	<u>9,107,003</u>	<u>31</u>	<u>8,090,967</u>	<u>28</u>
Total liabilities	<u>16,336,769</u>	<u>56</u>	<u>15,121,764</u>	<u>53</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Common stock	2,928,789	10	2,928,789	10
Capital surplus	5,485,872	19	5,507,513	20
Retained earnings				
Legal reserve	1,422,646	5	1,299,560	5
Special reserve	1,368,204	4	1,220,606	4
Unappropriated earnings	2,986,533	10	2,892,567	10
Other equity	<u>(1,745,301)</u>	<u>(6)</u>	<u>(1,368,204)</u>	<u>(5)</u>
Total equity attributable to owners of the parent	12,446,743	42	12,480,831	44
NON-CONTROLLING INTERESTS	<u>632,422</u>	<u>2</u>	<u>681,932</u>	<u>3</u>
Total equity	<u>13,079,165</u>	<u>44</u>	<u>13,162,763</u>	<u>47</u>
TOTAL	<u>\$ 29,415,934</u>	<u>100</u>	<u>\$ 28,284,527</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2019)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4 and 30)	\$ 19,929,717	100	\$ 17,519,458	100
COST OF GOODS SOLD (Notes 4, 13, 24 and 30)	<u>16,406,836</u>	<u>82</u>	<u>14,198,877</u>	<u>81</u>
GROSS PROFIT	<u>3,522,881</u>	<u>18</u>	<u>3,320,581</u>	<u>19</u>
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing expenses	925,697	5	902,855	5
General and administrative expenses	952,804	5	838,303	5
Research and development expenses	<u>67,970</u>	<u>-</u>	<u>69,043</u>	<u>-</u>
Total operating expenses	<u>1,946,471</u>	<u>10</u>	<u>1,810,201</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>1,576,410</u>	<u>8</u>	<u>1,510,380</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4, 20 and 24)	(248,581)	(2)	(225,642)	(1)
Other gains and losses (Notes 4 and 24)	185,081	1	240,427	1
Net foreign exchange gain (loss) (Note 4)	<u>(30,957)</u>	<u>-</u>	<u>21,829</u>	<u>-</u>
Total non-operating income and expenses	<u>(94,457)</u>	<u>(1)</u>	<u>36,614</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,481,953	7	1,546,994	9
INCOME TAX EXPENSE (Notes 4 and 25)	<u>379,749</u>	<u>2</u>	<u>285,011</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,102,204</u>	<u>5</u>	<u>1,261,983</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	(2,391)	-	(7,266)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(3,213)	-	-	-
Income tax expense related to items that may be reclassified subsequently (Note 25)	1,063	-	1,235	-

(Continued)



# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (403,476)	(2)	\$ (82,281)	-
Unrealized gain on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>(1,009)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(408,017)</u>	<u>(2)</u>	<u>(89,321)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 694,187</u>	<u>3</u>	<u>\$ 1,172,662</u>	<u>7</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,092,531	6	\$ 1,230,861	7
Non-controlling interests	<u>9,673</u>	<u>-</u>	<u>31,122</u>	<u>-</u>
	<u>\$ 1,102,204</u>	<u>6</u>	<u>\$ 1,261,983</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 722,687	3	\$ 1,077,232	6
Non-controlling interests	<u>(28,500)</u>	<u>-</u>	<u>95,430</u>	<u>1</u>
	<u>\$ 694,187</u>	<u>3</u>	<u>\$ 1,172,662</u>	<u>7</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 3.73</u>		<u>\$ 4.20</u>	
Diluted	<u>\$ 3.72</u>		<u>\$ 4.20</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2019)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent										
						Other Equity (Note 4)			Total	Non-controlling Interests (Note 14)	Total Equity
	Share Capital (Note 23)	Capital Surplus (Notes 4 and 23)	Retained Earnings (Notes 4, 22 and 23)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2017	\$ 2,928,789	\$ 5,127,397	\$ 1,181,738	\$ 444,446	\$ 3,293,916	\$ (1,218,432)	\$ (2,174)	\$ -	\$ 11,755,680	\$ 920,493	\$ 12,676,173
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	64,300	64,300
Appropriation of 2016 earnings											
Legal reserve	-	-	117,822	-	(117,822)	-	-	-	-	-	-
Special reserve	-	-	-	776,160	(776,160)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(732,197)	-	-	-	(732,197)	-	(732,197)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(18,175)	(18,175)
Net profit for the year ended December 31, 2017	-	-	-	-	1,230,861	-	-	-	1,230,861	31,122	1,261,983
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(6,031)	(146,589)	(1,009)	-	(153,629)	64,308	(89,321)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,224,830	(146,589)	(1,009)	-	1,077,232	95,430	1,172,662
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	380,116	-	-	-	-	-	-	380,116	(380,116)	-
BALANCE AT DECEMBER 31, 2017	2,928,789	5,507,513	1,299,560	1,220,606	2,892,567	(1,365,021)	(3,183)	-	12,480,831	681,932	13,162,763
Effect of retrospective application and retrospective restatement	-	-	-	-	5,644	-	3,183	(11,764)	(2,937)	-	(2,937)
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,928,789	5,507,513	1,299,560	1,220,606	2,898,211	(1,365,021)	-	(11,764)	12,477,894	681,932	13,159,826
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	51,154	51,154
Appropriation of 2017 earnings											
Legal reserve	-	-	123,086	-	(123,086)	-	-	-	-	-	-
Special reserve	-	-	-	147,598	(147,598)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(732,197)	-	-	-	(732,197)	-	(732,197)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(12,761)	(12,761)
Net profit for the year ended December 31, 2018	-	-	-	-	1,092,531	-	-	-	1,092,531	9,673	1,102,204
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,328)	(365,303)	-	(3,213)	(369,844)	(38,173)	(408,017)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,091,203	(365,303)	-	(3,213)	722,687	(28,500)	694,187
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	(21,641)	-	-	-	-	-	-	(21,641)	(59,403)	(81,044)
BALANCE AT DECEMBER 31, 2018	\$ 2,928,789	\$ 5,485,872	\$ 1,422,646	\$ 1,368,204	\$ 2,986,533	\$ (1,730,324)	\$ -	\$ (14,977)	\$ 12,446,743	\$ 632,422	\$ 13,079,165

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

(With Deloitte & Touche auditors' report dated March 26, 2019)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,481,953	\$ 1,546,994
Adjustments for:		
Depreciation and amortization expenses	2,208,094	2,142,368
Expected credit loss recognized on trade receivables	23,666	-
Impairment loss recognized on trade receivables	-	3,461
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(6,547)	16,090
Finance costs	248,581	225,642
Interest income	(31,709)	(20,854)
Loss recognized on associates under equity method	3,349	3,695
Loss on disposal of property, plant and equipment	4,733	9,071
Impairment loss recognized (reversed) on non-financial assets	16,218	15,339
Unrealized net loss (gain) on foreign currency exchange	44,814	(33,192)
Others	(3,232)	(2,069)
Net changes in operating assets and liabilities		
Financial assets held for trading	280,954	48,601
Notes receivable	41,189	(30,682)
Trade receivables	(527,493)	(387,604)
Inventories	(179,418)	(678,965)
Other current assets	(415,603)	(158,275)
Notes payable	(790)	(196,141)
Trade payables	130,700	320,837
Other current liabilities	88,955	(29,253)
Net defined benefit liabilities	(9,444)	(8,147)
Cash generated from operations	3,398,970	2,786,916
Interest received	31,675	21,073
Interest paid	(222,579)	(209,050)
Income tax paid	(276,573)	(367,936)
Net cash generated from operating activities	<u>2,931,493</u>	<u>2,231,003</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of debt investments with no active market	-	(328,383)
Return of capital from financial assets measured at cost	-	913
Payments for property, plant and equipment	(735,002)	(1,037,842)
Proceeds from disposal of property, plant and equipment	75,056	13,440
Increase in refundable deposits	(11,264)	(5,788)
Purchase of intangible assets	(4,612)	(1,463)
Increase in other assets	(19,737)	(19,923)

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2018	2017
Increase in prepayments for equipment	\$(1,128,701)	\$(1,379,067)
Increase in other prepayments	<u>(128,042)</u>	<u>(3,495)</u>
Net cash used in investing activities	<u>(1,952,302)</u>	<u>(2,761,608)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(263,293)	(1,153,314)
Repayments of short-term bills payable	-	(300,000)
Proceeds from corporate bonds	2,994,500	-
Proceeds from long-term borrowings	1,162,517	9,816,994
Repayments of long-term borrowings	(3,260,851)	(6,824,866)
Payments for preferred stock liabilities	-	(557,211)
Dividends paid to owners of the Corporation	(732,197)	(732,197)
Dividends paid to non-controlling interests	(12,761)	(18,175)
Changes in non-controlling interests	<u>(29,890)</u>	<u>64,300</u>
Net cash generated from (used in) financing activities	<u>(141,975)</u>	<u>295,531</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(69,404)</u>	<u>32,065</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	767,812	(203,009)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,211,899</u>	<u>2,414,908</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,979,711</u>	<u>\$ 2,211,899</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2019)

(Concluded)

# **Taiwan Hon Chuan Enterprise Co., Ltd.**

## **Audit Committees' Review Report**

We hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2018 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Individual and Consolidated Financial Statements have been audited by external auditors Tseng, Done-Yuin and Wu, Li-Dong of Deloitte & Touche, Taiwan, and an unqualified opinion and report have been issued on the Financial Statements. The aforementioned items have been reviewed and determined to be correct and accurate by Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2019 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

### **Taiwan Hon Chuan Enterprise Co., Ltd.**

Audit Committee      Chairman : Hung, Chao - Nan

Commissioner : Kung, Yi - Lu

Commissioner : Huang, Hsiang - Ying

March 26, 2019

# Taiwan Hon Chuan Enterprise Co., Ltd.

## Proposal for Distribution of 2018 Profits

		Unit : NTD
<u>Items</u>		<u>Amount</u>
<b>Unappropriated retained earnings of previous years</b>		1,889,684,487
Effect of the initial application and restatement of applying IFRS 9		5,644,125
Remeasurement of defined benefit obligation		<u>(1,328,457)</u>
<b>Unappropriated retained earnings after adjustment</b>		1,894,000,155
Net Income of 2018		1,092,530,218
10% for legal capital reserve		(109,253,022)
Special reserve		<u>(377,095,897)</u>
<b>Retained Earnings Available for Distribution as of 2018</b>		2,500,181,454
Shareholders' Dividend (NTD\$ 2.3 per share)		<u>(673,621,422)</u>
<b>Unappropriated Retained Earnings</b>		<u><u>1,826,560,032</u></u>

(Note1) Shareholders' Dividend -- Cash :

292,878,879 shares \* NT\$ 2.3 = NT\$ 673,621,422.

(Note2) The cash dividend distribution will be calculated to the nearest NT dollar. For fractional shares distributed which are less than one dollar that will be adjusted by the chairman who is authorized to contact specific person to deal with it.

(Note3) Board of Directors is authorized to determine the ex-dividend date for the cash dividend distributions upon the approval of the profit distribution proposal at the Annual Meeting of Shareholders.

(Note4) In response to the implementation of Imputation System, when computing tax levied at the rate of 5% on undistributed surplus earnings in accordance with Article 66-9 of Income Tax Act, the Company will adopt specific identification method to distribute preferably from earnings of recent years based upon official letter No. 871941343 issued by Ministry of Finance on April 30, 1998.

(Note5) Afterward, if there is any reason to influence the total amount of outstanding shares of the Company, based on the proposed total amount of cash distributed to shareholders which resolved by this shareholders' meeting and actual amount of outstanding shares on the base day of interest distribution, please authorize the chairman to adjust distribution rate.

### Explanatory Notes :

Unappropriated retained earnings of previous years : It represents the unappropriated retained earnings after making distribution of 2017 profits by the resolution of 2018 Shareholders' Meeting and is compiled based upon TIFRS GAAP.

Chairman:  
**Dai, Hung-Chuan**

President:  
**Tsao, Hsih-Chung**

Chief Accounting officer:  
**Cheng, Ya-Wen**

# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Articles of Incorporation” Amendment Comparison Table

Date : 2019.06.19 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 1</b>	The Company is duly incorporated in accordance with Company Act, with the name of 宏全國際股份有限公司 (hereinafter referred to as the Company).	The Company is duly incorporated in accordance with Company Act, with the name of 宏全國際股份有限公司 <u>and the English name of Taiwan Hon Chuan Enterprise Co., Ltd.</u> (hereinafter referred to as the Company).	To comply with the amendments of Company Act
<b>Article 2</b>	The scope of business of the Company shall be as follows : 1. C805010 Plastic Sheets, Pipes and Tubes Manufacturing. 2. C805990 Other Plastic Products Manufacturing. 3. C110010 Beverage Manufacturing. 4. C102010 Dairy Products Manufacturing. 5. CB01010 Machinery and Equipment Manufacturing. 6. CB01990 Other Machinery Manufacturing Not Elsewhere Classified. 7. F206030 Retail Sale of Die. 8. F206010 Retail Sale of Ironware. 9. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified. 10. CA02010 Metal Architectural Components Manufacturing. 11. CA02060 Metal Containers Manufacturing. 12. C801100 Synthetic Resin & Plastic Manufacturing. 13. C701010 Printing. 14. C805020 Plastic Sheets &	The scope of business of the Company shall be as follows : 1. C805010 Plastic Sheets, Pipes and Tubes Manufacturing. 2. C805990 Other Plastic Products Manufacturing. 3. C110010 Beverage Manufacturing. 4. C102010 Dairy Products Manufacturing. 5. CB01010 Machinery and Equipment Manufacturing. 6. CB01990 Other Machinery Manufacturing Not Elsewhere Classified. 7. F206030 Retail Sale of Die. 8. F206010 Retail Sale of Ironware. 9. CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified. 10. CA02010 Metal Architectural Components Manufacturing. 11. CA02060 Metal Containers Manufacturing. 12. C801100 Synthetic Resin & Plastic Manufacturing. 13. C701010 Printing. 14. C805020 Plastic Sheets &	Based on the actual needs of the Company

	<p>Bags Manufacturing.</p> <p>15. C805030 Plastic Made Grocery Manufacturing.</p> <p>16. CC01090 Batteries Manufacturing.</p> <p>17. CC01080 Electronic Parts and Components Manufacturing.</p> <p>18. F401010 International Trade.</p> <p>19. F102030 Wholesale of Tobacco Products and Alcoholic Beverages.</p> <p>20. F102040 Wholesale of Nonalcoholic Beverages.</p> <p>21. F401171 Alcohol Drink Import.</p> <p>22. C801010 Basic Industrial Chemical Manufacturing.</p> <p>23. F213080 Retail Sale of Machinery and Equipment.</p> <p>24. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified.</p> <p>25. CA01990 Other Non-ferrous Metal Basic Industries.</p> <p>26. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.</p> <p>27. IZ06010 Cargoes Packaging.</p> <p>28. F103010 Wholesale of Animal Feeds.</p> <p>29. F202010 Retail sale of Animal Feeds.</p> <p>30. F107050 Wholesale of Manure.</p> <p>31. F207050 Retail Sale of Manure.</p> <p>32. F121010 Wholesale of food additives.</p> <p>33. F221010 Retail of food additives.</p> <p>34. F102180 Wholesale of Ethanol.</p> <p>35. F203030 Retail Sale of Ethanol.</p>	<p>Bags Manufacturing.</p> <p>15. C805030 Plastic Made Grocery Manufacturing.</p> <p>16. CC01090 Batteries Manufacturing.</p> <p>17. CC01080 Electronic Parts and Components Manufacturing.</p> <p>18. F401010 International Trade.</p> <p>19. F102030 Wholesale of Tobacco Products and Alcoholic Beverages.</p> <p>20. F102040 Wholesale of Nonalcoholic Beverages.</p> <p>21. F401171 Alcohol Drink Import.</p> <p>22. C801010 Basic Industrial Chemical Manufacturing.</p> <p>23. F213080 Retail Sale of Machinery and Equipment.</p> <p>24. F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified.</p> <p>25. CA01990 Other Non-ferrous Metal Basic Industries.</p> <p>26. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.</p> <p>27. IZ06010 Cargoes Packaging.</p> <p>28. F103010 Wholesale of Animal Feeds.</p> <p>29. F202010 Retail sale of Animal Feeds.</p> <p>30. F107050 Wholesale of Manure.</p> <p>31. F207050 Retail Sale of Manure.</p> <p>32. F121010 Wholesale of food additives.</p> <p>33. F221010 Retail of food additives.</p> <p>34. F102180 Wholesale of Ethanol.</p> <p>35. F203030 Retail Sale of Ethanol.</p>	
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	<p>36. F203020 Retail Sale of Tobacco and Alcoholic Drinks.</p> <p>37. F401161 Tobacco Products Import.</p> <p>38. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	<p>36. F203020 Retail Sale of Tobacco and Alcoholic Drinks.</p> <p>37. F401161 Tobacco Products Import.</p> <p><u>38. A102060 Grain Commerce.</u></p> <p><u>39. F201010 Retail sale of Agricultural Products.</u></p> <p><u>40. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</u></p>	
<b>Article 28</b>	<p>Annual profit before income tax, employees' compensation, and directors' remuneration shall be resolved by board of directors to set aside no less than 1% of said profit as employee compensation and a maximum of 3% of said profit as remuneration to directors.</p> <p>Employee's compensation may be distributed in the form of shares or in cash, and employees qualified to receive such compensation may include <u>employees from affiliates companies who meet certain qualifications.</u></p> <p>The issues relevant to distribution of employee compensation and director remuneration shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.</p>	<p>Annual profit before income tax, employees' compensation, and directors' remuneration shall be resolved by board of directors to set aside no less than 1% of said profit as employee compensation and a maximum of 3% of said profit as remuneration to directors.</p> <p>Employee's compensation may be distributed in the form of shares or in cash, and employees qualified to receive such compensation may include <u>employees from holding or affiliates companies who meet the qualifications which the Board of Directors stipulates.</u></p> <p>The issues relevant to distribution of employee compensation and director remuneration shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.</p>	To comply with the amendments of Company Act
<b>Article 29</b>	Upon closing of accounts, if there shall be any net profit, the	Upon closing of accounts, if there shall be any net profit, the	To comply with the

	<p>Company shall make up the losses for the preceding years, then set aside a legal reserve of 10% of the net profit unless the statutory surplus reserve has reached the total capital and then set aside or rotate special reserves; Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at a shareholders' meeting.</p>	<p>Company shall make up the losses for the preceding years, then set aside a legal reserve of 10% of the net profit unless the statutory surplus reserve has reached the total capital and then set aside or rotate special reserves; Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at a shareholders' meeting.</p> <p><u>If the distributable dividend, bonus, capital surplus or legal reserve in whole or in part are to be paid in the form of cash, the Board of Directors is authorized to implement by a resolution to be adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.</u></p>	amendments of Company Act
	<p>The dividend policy of the Company shall be made according to the Company's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Company may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings is less than 10% of capital, the Company may decide not to</p>	<p>The dividend policy of the Company shall be made according to the Company's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Company may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings is less than 10% of capital, the Company may decide not to</p>	

	<p>distribute dividend.</p> <p>The shareholder dividend shall be in the form of cash dividend or stock dividend. More than (or equal to) 50% of the total amount of shareholders dividend shall be in the form of cash dividend.</p>	<p>distribute dividend.</p> <p>The shareholder dividend shall be in the form of cash dividend or stock dividend. More than (or equal to) 50% of the total amount of shareholders dividend shall be in the form of cash dividend.</p>	
<b>Article 32</b>	<p>These Articles of Incorporation were adopted on 16 June 1969. The First Amendment was made on 5 November 1973.</p> <p>..... The 38th Amendment was made on 19 June 2009.</p> <p>The 39th Amendment was made on 20 June 2012.</p> <p>The 40th Amendment was made on 19 June 2013.</p> <p>The 41th Amendment was made on 29 June 2015.</p> <p>The 42th Amendment was made on 22 June 2016.</p> <p>The 43th Amendment was made on 15 June 2017.</p>	<p>These Articles of Incorporation were adopted on 16 June 1969. The First Amendment was made on 5 November 1973.</p> <p>..... The 38th Amendment was made on 19 June 2009.</p> <p>The 39th Amendment was made on 20 June 2012.</p> <p>The 40th Amendment was made on 19 June 2013.</p> <p>The 41th Amendment was made on 29 June 2015.</p> <p>The 42th Amendment was made on 22 June 2016.</p> <p>The 43th Amendment was made on 15 June 2017.</p> <p><u>The 44th Amendment was made on 19 June 2019.</u></p>	<p>Add revision date</p>

# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Procedures for Acquisition or Disposal of Asset”

### Amendment Comparison Table

Date : 2019.06.19 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 2</b>	<b>Scope of Assets</b> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, <u>rights to use land</u> , and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 6. Derivatives products. 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 8. Other major assets.	<b>Scope of Assets</b> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Right-of-use assets</u> . 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 7. Derivatives products. 8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 9. Other major assets.	Amended in accordance with the applicable regulations
<b>Article 3</b>	<b>Operation Procedures</b> (be omitted) 3. Authorized Amounts	<b>Operation Procedures</b> (be omitted) 3. Authorized Amounts	Amended in accordance with the

	<p>3-1 The total amount of purchasing real property for non-operating purpose shall not exceed 20% of the shareholders' equity of the Company.</p> <p>3-2 The total amount of investing long-term or short-term securities shall not exceed 50% of the shareholders' equity of the Company.</p> <p>3-3 The total amount of investing in any individual security shall not exceed 20% of the shareholders' equity of the Company.</p> <p>3-4 For any subsidiary of the Company, the upper limits on total amount of purchasing real property for non-operating purpose or total amount of investing long-term or short-term securities, and total amount of investing in any individual security shall be the same as those of the Company.</p>	<p>3-1 The total amount of purchasing real property <u>and right-of-use assets</u> for non-operating purpose shall not exceed 20% of the shareholders' equity of the Company.</p> <p>3-2 The total amount of investing long-term or short-term securities shall not exceed 50% of the shareholders' equity of the Company.</p> <p>3-3 The total amount of investing in any individual security shall not exceed 20% of the shareholders' equity of the Company.</p> <p>3-4 For any subsidiary of the Company, the upper limits on total amount of purchasing real property <u>and right-of-use assets</u> for non-operating purpose or total amount of investing long-term or short-term securities, and total amount of investing in any individual security shall be the same as those of the Company.</p>	applicable regulations
<b>Article 4</b>	<p><b>Appraisal Procedures</b></p> <p>1. In acquisition or disposal of Real Property <u>or equipment</u> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, engaging others to build on the land owned or rented by the Company, or acquiring or disposing of equipment for operating purpose, the Company (including the subsidiaries) shall obtain an appraisal report prior to the</p>	<p><b>Appraisal Procedures</b></p> <p>1. In acquisition or disposal of Real Property, <u>equipment or its right-of-use assets</u> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, engaging others to build on the land owned or rented by the Company, or acquiring or disposing of equipment <u>or its right-of-use assets</u> for operating purpose, the Company (including the</p>	Amended in accordance with the applicable regulations

	<p>date of occurrence from a professional appraiser and shall further comply with the following provisions: (be omitted)</p> <p>3. Where the Company acquires or disposes of <u>memberships or intangible assets</u> and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, the Company shall engage a certified public accountant prior to the Date of Occurrence to render an opinion on the reasonableness of the transaction price. (be omitted)</p> <p>5. The professional appraisers and its officers, the certified public accounts, the lawyers, and securities underwriters that provide the Company with appraisal reports or opinions <u>shall not be a related party of any party to the transaction.</u> (be omitted)</p>	<p>subsidiaries) shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions: (be omitted)</p> <p>3. Where the Company acquires or disposes of <u>intangible assets, its right-of-use assets or memberships</u> and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless otherwise transacting with a government agency, the Company shall engage a certified public accountant prior to the Date of Occurrence to render an opinion on the reasonableness of the transaction price. (be omitted)</p> <p>5. <u>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</u>  5-1 <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</u></p>	
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		<p><u>fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p>5-2 <u>May not be a related party or de facto related party of any party to the transaction.</u></p> <p>5-3 <u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></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>	
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<b>Article 5</b>	<p><b>Related Party Transactions</b> (be omitted)</p> <p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises, the Company may not proceed to enter into a transaction contract and make a payment until the following matters have been approved by the Audit Committee and the Board of</p>	<p><b>Related Party Transactions</b> (be omitted)</p> <p>2. When the Company intends to acquire or dispose of real property <u>or its right-of-use assets</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or its right-of-use assets</u> from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading in government bonds, bond trading with repurchase and/or reverse purchase arrangement, or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises, the Company may not proceed to enter into a transaction contract and make payment until the following matters have been approved</p>	Amended in accordance with the applicable regulations



	<p>Directors:</p> <p>2-1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>2-2 The reason for choosing the related party as a trading counterparty.</p> <p>2-3 <u>Information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</u></p> <p>2-4 The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty’s relationship to this Company and the related party.</p> <p>2-5 Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>2-6 An appraisal report from a professional appraiser or an opinion by the certified public accountant obtained in compliance with the preceding article.</p> <p>2-7 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</p>	<p>by the Audit Committee and the Board of Directors:</p> <p>2-1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>2-2 The reason for choosing the related party as a trading counterparty.</p> <p>2-3 <u>With respect to the acquisition of real property or right-of-use assets thereof from a related party information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 4.</u></p> <p>2-4 The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty’s relationship to this Company and the related party.</p> <p>2-5 Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>2-6 An appraisal report from a professional appraiser or an opinion by the certified public accountant obtained in compliance with the preceding article.</p> <p>2-7 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</p>	
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	<p>8-2 herein, and "within one 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 may be excluded.</p> <p>With respect to the acquisition or disposal of equipment for operating purpose between the Company <u>and its subsidiaries</u>, the Board of Directors may pursuant to Article 3-1 delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified at the next Board of Directors' meeting. (be omitted)</p> <p>3. The Company that acquires real property from a related party, <u>if one of the following circumstances exists, shall evaluate the reasonableness of the transaction costs in accordance with the relevant provisions. Except the following conditions, the Company shall engage a certified public accountant to check the appraisal and render a specific opinion:</u></p>	<p>8-2 herein, and "within one 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 may be excluded.</p> <p><u>With respect to the types of transactions listed below, when to be conducted between the Company and parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the Board of Directors may pursuant to Article 3, paragraph 1 delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified at the next Board of Directors' meeting:</p> <p><u>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p><u>2. Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>(be omitted)</p> <p>3. The Company that acquires real property <u>or right-of-use assets thereof</u> from a related party <u>shall evaluate the reasonableness of the transaction costs by the following means:</u></p> <p>3-1 <u>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;</u></p>	
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	<p>3-1 The related party acquires real estate through inheritance or as a gift.</p> <p>3-2 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.</p> <p>3-3 The real property is acquired through 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>4. Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with the relevant provisions are both lower than the transaction price, the following steps shall be taken:</p> <p>4-1 A special reserve shall be set aside in accordance with regulations 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. If the Company's investor is</p>	<p><u>certified public accountant to check the appraisal and render a specific opinion:</u></p> <p>1. The related party acquires real estate <u>or its right-of-use assets</u> through inheritance or as a gift.</p> <p>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or its right-of-use assets</u> to the signing date for the current transaction.</p> <p>3. The real property is acquired through 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>4. <u>The real property right-of-use assets for business use are acquired by the 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>4. Where the Company acquires real property <u>or its right-of-use assets</u> from a related party and the results of appraisals conducted in accordance with the relevant provisions are both lower than the transaction price, the following steps shall be taken:</p> <p>4-1 A special reserve shall be set aside in accordance with regulations against the difference between the real property <u>or its right-of-use assets</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. If the Company's investor</p>	
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	<p>a public company that uses the equity method to account for its investment in the Company, a special reserve shall be also set aside pro rata in a proportion consistent with such investor's shareholding in the Company.</p> <p>4-2 The Audit Committee shall handle the relevant matters in accordance with Article 218 of Taiwan Company Act.</p> <p>4-3 Actions taken pursuant to subparagraph 1 and 2 of this Article shall be reported to the shareholders' meeting, and the details of the transactions shall be disclosed in the annual report and the 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 real property it purchased at a premium or such real property has 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 Financial Supervisory Commission(FSC) has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with this Article if there is other evidence</p>	<p>is a public company that uses the equity method to account for its investment in the Company, a special reserve shall be also set aside pro rata in a proportion consistent with such investor's shareholding in the Company.</p> <p>4-2 The Audit Committee shall handle the relevant matters in accordance with Article 218 of Taiwan Company Act.</p> <p>4-3 Actions taken pursuant to subparagraph 1 and 2 of this Article shall be reported to the shareholders' meeting, and the details of the transactions shall be disclosed in the annual report and the 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 real property it purchased <u>or leased</u> at a premium or such real property has 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 Financial Supervisory Commission(FSC) has given its consent.</p> <p>When the Company obtains real property <u>or its right-of-use assets</u> from a related party, it shall also comply with this Article if there is</p>	
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	indicating that the acquisition was not an arms' length transaction.	other evidence indicating that the acquisition was not an arms' length transaction.	
<b>Article 8</b>	<p><b>The procedures for Public Announcement</b></p> <p>Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by laws and regulations within two days commencing immediately from the Date of Occurrence:</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% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this requirement shall not apply to transactions of selling or purchasing government bonds or bonds with call or put options, or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises.</li> <li>2 Engaging in merger, spin-off, acquisition, or transfer of shares.</li> <li>3 Losses from derivatives products transactions reaching the limits on aggregate losses or losses on individual contracts as provided in relevant procedures by the Company.</li> </ol>	<p><b>The procedures for Public Announcement</b></p> <p>Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by laws and regulations within two days commencing immediately from the Date of Occurrence:</p> <ol style="list-style-type: none"> <li>1 Acquisition or disposal of real property <u>or its right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or its right-of-use assets</u> from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this requirement shall not apply to transactions of selling or purchasing <u>domestic</u> government bonds or bonds with call or put options, or subscription or redemption of domestic money market funds which issued by Domestic Securities Investment Trust Enterprises.</li> <li>2 Engaging in merger, spin-off, acquisition, or transfer of shares.</li> <li>3 Losses from derivatives products transactions reaching the limits on aggregate losses or losses on individual contracts as provided in relevant procedures by the Company.</li> </ol>	Amended in accordance with the applicable regulations



	<p>4 Where <u>the type of asset</u> acquired or disposed is equipment for operating purpose, the transaction counterparty is not a related party, and the transaction amount meets one of the following provisions:</p> <p>4-1 While the Company's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>4-2 While the Company's paid-in capital is more than NT\$10 billion, the transaction amount reaches NT\$1 billion or more.</p> <p>5 Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is more than NT\$500 million.</p> <p>6 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</p>	<p>4 Where acquired or disposed is <u>equipment or its right-of-use assets</u> for operating purpose, the transaction counterparty is not a related party, and the transaction amount meets one of the following provisions:</p> <p>4-1 While the Company's paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>4-2 While the Company's paid-in capital is more than NT\$10 billion, the transaction amount reaches NT\$1 billion or more.</p> <p>5 Acquisition or disposal by a public company in the construction business of real property <u>or right-of-use assets thereof</u> for construction use, <u>and furthermore</u> the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; <u>among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u></p> <p>6 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</p>	
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	<p>percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>7 Where an asset transaction other than any of those referred to in the previous 6 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>7-1 Trading of government bonds.</p> <p>7-2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>7-3 Trading of bonds under repurchase/resale agreements, or</p>	<p>percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>7 Where an asset transaction other than any of those referred to in the previous 6 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>7-1 Trading of <u>domestic</u> government bonds.</p> <p>7-2 <u>Where done by professional investors—</u> securities trading on foreign or domestic securities exchanges or over-the-counter markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics <u>(excluding subordinated debt)</u> that are offered and issued in the domestic primary market, or subscription <u>or redemption of securities investment trust funds or futures trust funds, or subscription</u> by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>7-3 Trading of bonds under repurchase/resale agreements, or</p>	
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	<p>subscription or redemption of money market funds which issued by Domestic Securities Investment Trust Enterprises.</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 asset with the same trading counterparty within one year.</li> <li>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</li> </ol> <p>(be omitted)</p>	<p>subscription or redemption of money market funds which issued by Domestic Securities Investment Trust Enterprises.</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 asset with the same trading counterparty within one year.</li> <li>3. The cumulative transaction amount of real property <u>or its right-of-use assets</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</li> </ol> <p>(be omitted)</p>	
<b>Article 9</b>	<p><b>Reporting Matters of Subsidiary</b></p> <ol style="list-style-type: none"> <li>1. The Company's subsidiary shall abide by the provisions of the parent company while making acquisition or disposal.</li> <li>2. Information required be publicly announcing and reporting in accordance with the provisions of Article 8 on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the parent company.</li> <li>3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a</li> </ol>	<p><b>Reporting Matters of Subsidiary</b></p> <ol style="list-style-type: none"> <li>1. The Company's subsidiary shall abide by the provisions of the parent company while making acquisition or disposal.</li> <li>2. Information required be publicly announcing and reporting in accordance with the provisions of Article 8 on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the parent company.</li> <li>3. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a</li> </ol>	Amended in accordance with the applicable regulations

	<p>subsidiary requires a public announcement and regulatory filing <u>in the event the type of transaction specified therein reaches 20% of the Company's paid-in capital or 10% of the Company's total assets.</u></p> <p>"The subsidiary" refers to the investee company in which the Company owns directly 50% or more of issued voting shares; or each investee company in which the Company, through the subsidiary, owns indirectly 50% or more of issued voting shares, others and so on; or each investee company in which the Company owns directly and, through the subsidiary, indirectly 50% or more of issued voting shares, others and so on.</p>	<p>subsidiary requires a public announcement and regulatory filing.</p> <p>"The subsidiary" refers to the investee company in which the Company owns directly 50% or more of issued voting shares; or each investee company in which the Company, through the subsidiary, owns indirectly 50% or more of issued voting shares, others and so on; or each investee company in which the Company owns directly and, through the subsidiary, indirectly 50% or more of issued voting shares, others and so on.</p>	
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# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Operational Procedures for Loaning of Company Funds”

### Amendment Comparison Table

Date : 2019.06.19 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 4</b>	<p><b>Aggregate Amount of Loans and Maximum Amount Permitted to a Single Borrower</b></p> <p>1. Lending/borrowing limited amount: The total loaning of company funds is limited to an amount equivalent to 40% of the Company's net worth. In addition, the limit to any single entity is an amount equivalent to 40% of the Company's net worth. The net worth is based on the amount stated in the most recent financial statements audited or reviewed by the CPAs.</p> <p>2. The respective loan amount of company or firm that has business conducted with the Company is limited to the business amount. The said business amount refers to the purchase amount or sale amount of the two parties whichever is higher.</p> <p>3. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth. Also, the limit to any single entity is an amount equivalent to 40% of the Company's net worth.</p> <p>4. The restriction in article 1-3 shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of</p>	<p><b>Aggregate Amount of Loans and Maximum Amount Permitted to a Single Borrower</b></p> <p>1. Lending/borrowing limited amount: The total loaning of company funds is limited to an amount equivalent to 40% of the Company's net worth. In addition, the limit to any single entity is an amount equivalent to 40% of the Company's net worth. The net worth is based on the amount stated in the most recent financial statements audited or reviewed by the CPAs.</p> <p>2. The respective loan amount of company or firm that has business conducted with the Company is limited to the business amount. The said business amount refers to the purchase amount or sale amount of the two parties whichever is higher.</p> <p>3. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth. Also, the limit to any single entity is an amount equivalent to 40% of the Company's net worth.</p> <p>4. The restriction <u>in paragraph 3</u> shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of</p>	Amended in accordance with the applicable regulations

	<p>the voting shares. However, the amount limits and the durations of loans shall still stipulate.</p>	<p>the voting shares; <u>or, loans of funds to the Company from foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares.</u> However, the amount limits and the durations of loans shall still stipulate.</p> <p>5. <u>When responsible person of the corporation violates the regulations of proviso in 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>	
<b>Article 8</b>	<p><b>Internal control</b></p> <ol style="list-style-type: none"> <li>1. The Company shall have a registry prepared for the loaning of funds related matters with the information of loan recipient, loan amount, Board resolution date, loaning of funds date, and matters that are to be evaluated carefully noted in the registry.</li> <li>2. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify Audit Committee in writing of any material violation found. For any major violation, managers and personnel in charge shall be punished.</li> <li>3. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the</li> </ol>	<p><b>Internal control</b></p> <ol style="list-style-type: none"> <li>1. The Company shall have a registry prepared for the loaning of funds related matters with the information of loan recipient, loan amount, Board resolution date, loaning of funds date, and matters that are to be evaluated carefully noted in the registry.</li> <li>2. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify Audit Committee <u>and independent directors</u> in writing of any material violation found. For any major violation, managers and personnel in charge shall be punished.</li> <li>3. If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the</li> </ol>	Amended in accordance with the applicable regulations

	requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.	requirements of these Regulations or the loan balance exceeds the limit, the Company shall adopt rectification plans, submit the rectification plans to Audit Committee <u>and at the same time also submit the rectification plan to independent directors;</u> and shall complete the rectification according to the timeframe set out in the plan.	
<b>Article 9</b>	<b>Announcement and Declaration</b> (be omitted) “Date of occurrence” in these Regulations 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 transaction, whichever date is earlier.	<b>Announcement and Declaration</b> (be omitted) “Date of occurrence” in these Regulations 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>loans of funds or endorsements/guarantees,</u> whichever date is earlier.	Amended in accordance with the applicable regulations
<b>Article 10</b>	<b>Other Matters</b> (be omitted) 4. <u>Having established the position of independent director, when it loans funds to others, it shall be discussed by the board of directors and take into full consideration each independent director's opinions; 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> 5. With regard to those matters not provided for in these operational procedures, the relevant laws and the regulations of the Company shall govern.	<b>Other Matters</b> (be omitted) 4. With regard to those matters not provided for in these operational procedures, the relevant laws and the regulations of the Company shall govern.	Moved to Article 11 and amended in accordance with the applicable regulations

<b>Article 11</b>	<b>Effectiveness and Revision</b> The Company shall formulate its Operational Procedures for Loaning Funds which shall be implemented after being approved by the Audit Committee and subsequently approved by the Board and the shareholders' meeting. Any amendment is subject to the same procedure. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting.	<b>Effectiveness and Revision</b> 1. The Company shall formulate its Operational Procedures for Loaning Funds which shall be implemented after being approved by the Audit Committee and subsequently approved by the Board and the shareholders' meeting. Any amendment is subject to the same procedure. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting. 2. <u>When the Company submits its Operational Procedures for Loaning Funds to Others for discussion by the Board of Directors in accordance with regulations, the Board of Directors shall take into full consideration each independent director's opinion; 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> 3. <u>The regulations in paragraph 2 shall not apply to the circumstance where a resolution is adopted by more than half of all Audit Committee members and submitted for a resolution by the Board of Directors.</u> 4. <u>Even not being adopted by more than half of all Audit Committee members, it shall still implement by a resolution which is adopted by a majority vote of all directors; the resolution of Audit Committee shall be included in the minutes of the Board of Directors' meeting.</u>	Amended in accordance with the applicable regulations
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		<p>5. <u>"All audit committee members" as used in paragraph 3, and "all directors" as used in preceding paragraph, shall mean the actual number of persons currently holding those positions.</u></p>	
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## Taiwan Hon Chuan Enterprise Co., Ltd.

## “Procedures for Endorsements and Guarantees”

## Amendment Comparison Table

Date : 2019.06.19 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 5</b>	<p><b>Procedures for Endorsements and/or Guarantees</b> (be omitted)</p> <p>4. If, due to changes of circumstances, the entity for which an endorsement/guarantee is made no longer meets the criteria set forth herein, or the amount of endorsement/guarantee exceeds the limits, the Company shall provide a corrective plan and submit to the Audit Committee, and the proposed correction actions shall be implemented within the period specified in the plan. (be omitted)</p> <p>6. When the net worth of a subsidiary for which the Company provides endorsements and/or guarantees is less than 50% of its paid-in capital, the Company shall provide a corrective plan and submit to the Audit Committee, and the proposed correction actions shall be implemented within the period specified in the plan. (be omitted)</p>	<p><b>Procedures for Endorsements and/or Guarantees</b> (be omitted)</p> <p>4. If, due to changes of circumstances, the entity for which an endorsement/guarantee is made no longer meets the criteria set forth herein, or the amount of endorsement/guarantee exceeds the limits, the Company shall provide a corrective plan and submit to Audit Committee, <u>and concurrently notify independent directors in writing of these document;</u> and the proposed correction actions shall be implemented within the period specified in the plan. (be omitted)</p> <p>6. When the net worth of a subsidiary for which the Company provides endorsements and/or guarantees is less than 50% of its paid-in capital, the Company shall provide a corrective plan and submit to Audit Committee, <u>and concurrently notify independent directors in writing of these document;</u> and the proposed correction actions shall be implemented within the period specified in the plan. (be omitted)</p>	Amended in accordance with the applicable regulations
<b>Article 6</b>	<b>Internal Control</b>	<b>Internal Control</b>	Amended in accordance



	<p>1. Internal auditors shall perform the audit on the Company's endorsement/guarantee profile every quarter and produce written auditing reports. In the case a material violation is found, internal auditor shall immediately notify the Audit Committee.</p> <p>(be omitted)</p>	<p>1. Internal auditors shall perform the audit on the Company's endorsement/guarantee profile every quarter and produce written auditing reports. <u>They shall promptly notify Audit Committee and independent directors in writing of any material violation found.</u></p> <p>(be omitted)</p>	with the applicable regulations
<b>Article 8</b>	<p><b>The Standards for Public Announcement</b></p> <p>The Company shall make a public announcement on the balance of endorsements and/or guarantees made by the Company itself and its subsidiaries for the previous month by the 10th date of each month. If the balance of endorsements and/or guarantees reaches one of the following thresholds, the Company shall make a public announcement within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. The total endorsements and/or guarantees amount of the Company and its subsidiaries reaches 50 % or more of the Company's net worth as stated in its latest financial statements.</li> <li>2. The endorsements and/or guarantees amount of the Company and its subsidiaries for a single enterprise reaches 20 % or more of the Company's net worth as stated in its latest Financial Statements.</li> <li>3. The endorsements and/or guarantees amount of the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements and/or guarantees, <u>long-term investment</u>, and the loans to that enterprise reaches 30 % or more of the Company's net</li> </ol>	<p><b>The Standards for Public Announcement</b></p> <p>The Company shall make a public announcement on the balance of endorsements and/or guarantees made by the Company itself and its subsidiaries for the previous month by the 10th date of each month. If the balance of endorsements and/or guarantees reaches one of the following thresholds, the Company shall make a public announcement within 2 days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. The total endorsements and/or guarantees amount of the Company and its subsidiaries reaches 50 % or more of the Company's net worth as stated in its latest financial statements.</li> <li>2. The endorsements and/or guarantees amount of the Company and its subsidiaries for a single enterprise reaches 20 % or more of the Company's net worth as stated in its latest Financial Statements.</li> <li>3. The balance of endorsements/guarantees by the Company and its 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 investment in</u>, and balance of loans to, such</li> </ol>	Amended in accordance with the applicable regulations

	<p>worth as stated in its latest Financial Statements.</p> <p>4. The increase endorsements and/or guarantees amount of the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 % or more of the Company's net worth as stated in its latest Financial Statements.</p>	<p>enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p> <p>4. The increase endorsements and/or guarantees amount of the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 % or more of the Company's net worth as stated in its latest Financial Statements.</p>	
<b>Article 9</b>	<p><b>Other Matters</b></p> <p>1. Where a subsidiary of the Company intends to provide endorsements and/or guarantees for others, the Company shall instruct it to formulate its own Procedures for Endorsements and/or Guarantees in compliance with the Procedures, and it shall comply with the Procedures when providing endorsements and/or guarantees.</p> <p>2. Matters not provided herein shall be governed by the relevant laws and regulations and the relevant regulations of the Company.</p> <p>3. The Procedures and any amendment thereof shall be implemented after being approved by the Audit Committee and subsequently approved by the Board of Directors and the Shareholders' Meeting. If any director objects to any provision of the Procedures or any amendment thereto and such objection is recorded in the meeting minutes or written statement, the Company shall submit such documents regarding the directors' objection to the Shareholders' Meeting for discussion.</p> <p>When submitting the Procedures to the Board of Directors for discussion in accordance with the preceding paragraph, the</p>	<p><b>Other Matters</b></p> <p>1. Where a subsidiary of the Company intends to provide endorsements and/or guarantees for others, the Company shall instruct it to formulate its own Procedures for Endorsements and/or Guarantees in compliance with the Procedures, and it shall comply with the Procedures when providing endorsements and/or guarantees.</p> <p>2. Matters not provided herein shall be governed by the relevant laws and regulations and the relevant regulations of the Company.</p> <p>3. The Procedures and any amendment thereof shall be implemented after being approved by the Audit Committee and subsequently approved by the Board of Directors and the Shareholders' Meeting. If any director objects to any provision of the Procedures or any amendment thereto and such objection is recorded in the meeting minutes or written statement, the Company shall submit such documents regarding the directors' objection to the Shareholders' Meeting for discussion.</p> <p>4. When submitting the Procedures to the Board of Directors for discussion in accordance with the preceding</p>	Amended in accordance with the applicable regulations

	<p>Company shall fully take into consideration each independent director's opinions. The independent directors' opinions specifically expressing assent or objection and the reasons for objection shall be included in the Board meeting minutes.</p>	<p>paragraph, the Company shall fully take into consideration each independent director's opinions; <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>5. <u>The regulations in paragraph 4 shall not apply to the circumstance where a resolution is adopted by more than half of all Audit Committee members and submitted for a resolution by the Board of Directors.</u></p> <p>6. <u>Even not being adopted by more than half of all Audit Committee members, it shall still implement by a resolution which is adopted by a majority vote of all directors; the resolution of Audit Committee shall be included in the minutes of the Board of Directors' meeting.</u></p> <p>7. <u>"All audit committee members" as used in paragraph 5, and "all directors" as used in preceding paragraph, shall mean the actual number of persons currently holding those positions.</u></p>	
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# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Procedures for Trading Derivatives”

### Amendment Comparison Table

Date : 2019.06.19 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 6</b>	<b>Internal Control Policy</b> (be omitted) 4. Derivatives positions held shall be evaluated at least once per month; however, Derivatives transactions required by business shall be evaluated at least twice per month. Evaluation reports shall be <u>submitted</u> to senior executives authorized by the Board of Directors. (be omitted)	<b>Internal Control Policy</b> (be omitted) 4. Derivatives positions held shall be evaluated at least once per month; however, Derivatives transactions required by business shall be evaluated at least twice per month. Evaluation reports shall be <u>submitted</u> to senior executives authorized by the Board of Directors. (be omitted)	Amended in accordance with the applicable regulations
<b>Article 7</b>	<b>Internal Audit Policy</b> The internal auditor shall periodically evaluate the suitability of internal controls in connection with derivative transactions and conduct monthly audit on how well related departments adhere to the Procedures and prepare an audit report. If any major violation is discovered, a written report is needed to notify Audit Committee and personnel in charge shall be punished.	<b>Internal Audit Policy</b> The internal auditor shall periodically evaluate the suitability of internal controls in connection with derivative transactions and conduct monthly audit on how well related departments adhere to the Procedures and prepare an audit report. If any major violation is discovered, a written report is needed to notify Audit Committee <u>and independent directors. For any major violation,</u> personnel in charge shall be punished.	Amended in accordance with the applicable regulations

<b>Article 8</b>	<b>Other Matters</b> 1. The Procedures shall be approved by Audit Committee, resolved by the Board of Directors and reported on the shareholders' meeting for approval. The same procedure applies to any future amendments. If any director expresses objection on the record or in written statement, the Company shall record in the minutes of the Board of Directors' meeting. 2. If the Company has independent directors, when the Procedures are submitted to Board of Directors' meeting for discussion as required by preceding paragraph, the Board of Directors 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 in the minutes of the Board of Directors' meeting.</u>	<b>Other Matters</b> 1. The Procedures shall be approved by Audit Committee, resolved by the Board of Directors and reported on the shareholders' meeting for approval. The same procedure applies to any future amendments. If any director expresses objection on the record or in written statement, the Company shall record in the minutes of the Board of Directors' meeting. 2. If the Company has independent directors, when the Procedures are submitted to Board of Directors' meeting for discussion as required by preceding paragraph, the Board of Directors 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 in the minutes of the Board of Directors' meeting.</u>	Amended in accordance with the applicable regulations
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