

# Taiwan Hon Chuan Enterprise Co., Ltd.

## 2020 Annual Shareholders' Meeting Minutes

(Translation)

**Time and Date:** 9:00 a.m., June 19 (Fri.), 2020

**Place:** Hon Chuan Headquarters (International Convention Hall)  
(3F, No.6, 2Rd. Taichung Industrial Park, Taiwan)

**Attendants:**

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

Total shares represented by shareholders present in person or by proxy:  
202,084,905 shares (including shares represented by shareholders present electronically: 135,796,864 shares); Percentage of shares held by shareholders present in person or by proxy: 68.99%.

**Directors present:**

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

**Independent directors present:**

Hung, Chao-Nan, Kung, Yi-Lu

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

**Recorder:** Tsai, Yu-Hua

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

## A. Report Items

**Item 1 :** 2019 Business Report. Please submit for review.

**Explanatory Notes :**

- (1) 2019 Business Report, Financial Statements and CPA Audit Report are attached as Attachment 1 and 2.
- (2) Please review.

**Item 2 :** Audit Committee's Review Report on the 2019 Financial Statements.  
Please submit for review.

**Explanatory Notes :**

- (1) The Company's 2019 financial statements have been duly audited and certified by the CPA and further reviewed 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.
- (2) Please review.

**Item 3 :** Distribution of Cash Dividend from 2019 Earnings. Please submit for review.

**Explanatory Notes :**

- (1) The accumulated allocable earnings from profits is NT\$3,204,905,252, including the Company's 2019 net income of NT\$1,381,036,649, and the adjusted unappropriated retained earnings of previous years of NT\$1,823,868,603, and is to be allocated in accordance with the Articles of Incorporation.
- (2) This distribution report is to allocate the allocable retained earnings of 2019, in addition to the legal capital reserve of NT\$138,103,665 and the special reserve of NT\$209,737,908, and the distribution of cash dividends of ordinary shares of NT\$878,636,637 (NT\$ 3 per share).
- (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 review.

**Item 4 :** 2019 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 2019 profit of the Company is NT\$1,629,156,170. (That represents the pretax income before distribution of employees' compensation and directors' remuneration.) The Company proposes to distribute 1.78% or NT\$28,951,000 as 2019 employees'

compensation and 0.76% or NT\$12,429,330 as directors' remuneration.

- (3) The remuneration to employees and directors is to be distributed in cash. There is no discrepancy between the amount to be distributed and expenses recognized in 2019.
- (4) The aforementioned amount of employees' compensation and directors' remuneration has been approved by the Board of Directors on March 23, 2020.
- (5) Please review.

**Item 5 :** To amend the "Rules and Procedures for Meetings of the Board of Directors". Please submit for review.

**Explanatory Notes :**

- (1) To comply with the applicable acts, the Company hereby proposes to amend its "Rules and Procedures for Meetings of the Board of Directors". Please refer to Attachment 6 for details of the proposed amendments.
- (2) Please submit for review.

**Item 6 :** Report on the Status of Share Repurchase Program. Please submit for review.

**Explanatory Notes :**

- (1) Please refer to Attachment 5 for details of the Status of Share Repurchase Program.
- (2) Please submit for review.

**Item 7 :** To amend the "Ethical Corporate Management Best Practice Principles". Please submit for review.

**Explanatory Notes :**

- (1) The Company proposes to amend its "Ethical Corporate Management Best Practice Principles". Please refer to Attachment 9 for details of the proposed amendments.
- (2) Please submit for review.

## B. Approvals

**Approval 1:** Approval of 2019 Financial Statements and Business Report. Please ratify. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) The 2019 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. Also, the Audit Committee has reviewed 2019 Financial Statements and Business Report and issued review report.
- (2) The 2019 Financial Statements and Business Report are attached as Attachment 2.
- (3) Please ratify.

**Resolution :**

202,084,905 shares were represented at the time of voting (including votes casted electronically: 135,796,864); 174,871,766 votes were in favor of the proposal (including votes casted electronically: 110,720,871); 35,649 votes were casted against the proposal (including votes casted electronically: 35,649); 0 vote was casted invalidly of the proposal; 27,177,490 votes were abstained of the proposal (including votes casted electronically: 25,040,344). The proportion of 86.53% in favor of the proposal was casted.

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

**Approval 2:** Approval of 2019 Profit Distribution Proposal. Please ratify.

(Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) The accumulated allocable earnings from profits is NT\$3,204,905,252, including the Company's 2019 net income of NT\$1,381,036,649, and the adjusted unappropriated retained earnings of previous years of NT\$1,823,868,603, and is to be allocated in accordance with the Articles of Incorporation.
- (2) The Board of Directors has drafted proposal for Distribution of 2019 Profit as shown below. Please refer to Attachment 4.

I . Legal capital reserve, NT\$138,103,665.

II . Special reserve, NT\$209,737,908.

III . Shareholders' Dividend – Cash dividend NT\$3 per share,  
NT\$878,636,637.

(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 :**

202,084,905 shares were represented at the time of voting (including votes casted electronically: 135,796,864); 175,315,724 votes were in favor of the proposal (including votes casted electronically: 111,164,829); 52,649 votes were casted against the proposal (including votes casted electronically: 52,649); 0 vote was casted invalidly of the proposal; 26,716,532 votes were abstained of the proposal (including votes casted electronically: 24,579,386). The proportion of 86.75% in favor of the proposal was casted.

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

## **C. Discussion and Election**

**Proposal 1 :** To amend the “Rules and Procedures for Shareholders' Meeting”.

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 some provisions of its “Rules and Procedures for Shareholders' Meeting”.

(2) Please refer to Attachment 7 for details of the proposed amendments.

(3) Please refer to Appendix 1 for details of the original version.

(4) Please proceed to discuss.

### **Resolution :**

202,084,905 shares were represented at the time of voting (including

votes casted electronically: 135,796,864); 175,298,945 votes were in favor of the proposal (including votes casted electronically: 111,148,050); 58,275 votes were casted against the proposal (including votes casted electronically: 58,275); 0 vote were casted invalidly of the proposal; 26,727,685 votes were abstained of the proposal (including votes casted electronically: 24,590,539). The proportion of 86.74% in favor of the proposal was casted.

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

**Proposal 2 :** Directors Election. Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) The original directors' term of office has expired. In accordance with Article 16 of the Company's Articles of Incorporation and related provisions of Company Act, the Company hereby proposes to re-elect completely after the resolution by the Boards of Directors.
- (2) According to Article 16 of the Company's Articles of Incorporation, the Company shall have seven to nine directors, including three independent directors. For the new term, the Company shall elect nine directors, three independent directors included. All of the directors are served for a term of three years and shall be eligible for re-election. Moreover, in accordance with Article 23 of the Company's Articles of Incorporation, the Company shall establish Audit Committee, composed of all independent directors.
- (3) In accordance with Article 16 of the Company's Articles of Incorporation, the election of directors shall be done through the candidate nomination system and elected from the slate of director candidates. The educational and professional background and other related information of directors (and independent directors) candidates are attached as Attachment 8.
- (4) The term of the newly elected directors is from June 19, 2020 to June 18, 2023, and the term of office is three years.
- (5) Please proceed to elect.

**Election Results :**

List of Directors Elected

Act. or ID No.	Name	Numbers of Votes Received
3	Dai, Hung-Chuan	173,325,769 votes
6	Tsao, Hsih-Chung	155,007,490 votes
13	Chang, Chun-Shu	149,400,771 votes
4	Dai, Hong-I	148,115,406 votes
31	Liu, Yun-Chang	147,993,566 votes
11	Tsao, Hung-Yu	147,644,575 votes

List of Independent Directors Elected

Act. or ID No.	Name	Numbers of Votes Received
B10096****	Hung, Chao-Nan	152,030,641 votes
N10062****	Huang, Hsiang-Ying	147,612,060 votes
A10439****	Kung, Yi-Lu	147,601,153 votes

**Proposal 3 :** Release for the Directors and Independent Directors from the Non-competition Restriction. Please proceed to discuss. (Proposed by the Board of Directors)

**Explanatory Notes :**

- (1) In accordance with Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business shall explain in the meeting of shareholders the essential contents of such an act and obtain permission.
- (2) To leverage the expertise and relevant experience of directors, the Company hereby proposes to release newly elected directors and its representatives from non-competition restrictions.
- (3) Details subject to releasing newly elected directors from non-competition:

Company Positions	Name	Position with Other Companies	Position
Director	Dai, Hung Chuan	Hon Chuan (Thailand) Co., Ltd.	Director

Company Positions	Name	Position with Other Companies	Position
		Hon Chuan Malaysia Sdn. Bhd. Hon Chuan FD Packaging Co., Ltd. PT Hon Chuan Indonesia Hon Chuan Vietnam Co., Ltd. Hon Chuan (Myanmar) Co., Ltd. Honly Food & Beverage Co., Ltd. Shimada International Limitada Hon Shi Mozambique Co., Ltd.	Director Director Director Director Director Director Director Director
Director	Tsao, Hsih Chung	Hon Chuan (Thailand) Co., Ltd. Hon Chuan FD Packaging Co., Ltd. PT Hon Chuan Indonesia Hon Chuan Vietnam Co., Ltd. Honly Food & Beverage Co., Ltd. Hon Chuan (Myanmar) Co., Ltd. Hon Chuan Malaysia Sdn. Bhd. Shimada International Limitada Hon Shi Mozambique Co., Ltd.	Director Director Director Director Director Director Director Director Director
Director	Liu, Yun Chang	Hon Chuan Enterprise (Suzhou) Company Limited Suzhou Hongxin Food Packing Co., Ltd. Hon Chuan Food Packing (Qingxin) Co., Ltd. Hon Chuan Enterprise (Changsha) Co., Ltd. Hon Chuan Food Packing (Jinan) Co., Ltd. Hon Chuan Food Packing (Taiyuan) Co., Ltd. Hon Chuan Food Packing (Zhangzhou) Co., Ltd. Hon Chuan Food Packing (Chuzhou) Co., Ltd. Hon Chuan Food Packing (Xiantao) Co., Ltd. Hon Chuan Food Packing (Louhe) Co., Ltd.	Director Director Director Director Director Director Director Director Director Director
Director	Chang, Chun Shu	Hon Chuan Enterprise (Changsha) Co., Ltd.	Director

(4) Please proceed to discuss.

**Resolution :**

202,084,905 shares were represented at the time of voting (including



votes casted electronically: 135,796,864); 171,484,863 votes were in favor of the proposal (including votes casted electronically: 107,333,968); 155,404 votes were casted against the proposal (including votes casted electronically: 155,404); 0 vote were casted invalidly of the proposal; 30,444,638 votes were abstained of the proposal (including votes casted electronically: 28,307,492). The proportion of 84.85% 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 2019, a year marked by threats and opportunities, Taiwan Hon Chuan faced severe political and economic challenges, intensified competition abroad, and environmental penalties. Despite all, the Company strives to learn from each experience and grow. Externally, the Company looks for opportunities under changing environments; internally, the Company strengthens its corporate governance and continuing implementation of corporate social responsibility. Fortunately, at times of stress and hardships, all staff members continue to work hard, perform, and create growth for the Company. In 2019, consolidated sales reached NTD\$ 21,527,348,000, increased by 8.02% from NTD\$ 19,929,717,000 in 2018. Profit after tax totaled at NTD\$ 1,466,602,000, an increase of 33.06% from last year's NTD\$ 1,102,204,000. Earnings per share were 4.72 dollars for the year of 2019 conclusively.

The Company recognizes that only by accelerating innovation and technology, building out a complete system and complying with regulations, and enhancing the competitiveness of enterprises can we ensure the working interest of all staff members and pursue sustainable development. In this regard, the operation direction of this year continues to focus on lean management and further improvement, and strengthens following six aspects:

- (1) "Adjust" structure: promote CSR (Corporate Social Responsibility) policy, introduce information system management, Internet of Things and Industry 4.0, and promote elite training courses and the goal of staff localization.
- (2) "Increase" efficiency: continuously adjust assembly lines in order to uplift automation processes and capacity utilization.
- (3) "Reduce" costs: implement budget and cost control, purchase negotiation strategies and tender offer management processes.
- (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.

Taiwan Hon Chuan is dedicated to professional development, innovative research and developing, and personnel training, strengthening the development of business competitiveness and the accomplishment of corporate strategic directions, by ways of flexible commercial strategies, steady growing pace, bottom-up resources integration, accumulated experience with domestic and international clients and modern production management technology, in order to demonstrate overall operating synergy.

Looking ahead, focusing on core business, Taiwan Hon Chuan will continue to strive towards our corporate purposes: “acquiring good business reputation, 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 2020.

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 (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively referred to as the “consolidated financial statements”).

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, 2019 and 2018, 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 audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 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 is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows :

#### Revenue recognition

The Group manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from the main products are significant to the Group's revenue and profit, we identified revenue recognition as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We 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 orders to verify the reasonableness of the accrual of the sales revenue.
2. We verified the entries to the revenue subsidiary ledger by selecting sample entries from the main products and we checked the entries against the original order, delivery order, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and order.

#### Evaluation of impairment of 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. Refer to Notes 4, 5 and 10 to the consolidated financial statements for the information on inventory.

The key audit procedures that we performed in respect of the impairment of inventory included the following:

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

#### **Other Matter**

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia SDN. BHD, Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Group and are included in the consolidated financial statements as of and for the year ended December 31, 2019; we did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia SDN. BHD and PT Hon Chuan Indonesia, which are investees of the Group and are included in the consolidated financial statements as of and for the year ended December 31, 2018, but such statements were audited by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in the Group's consolidated financial statements for these investees, is based solely on the reports of the other auditors. The total assets of the aforementioned investees were NTD4,563,570 thousand and NTD4,715,348 thousand, respectively, representing 14.48% and 16.03%, respectively, of the Group's consolidated assets as of December 31, 2019 and 2018. The total sales of the aforementioned investees were NTD3,023,012 thousand and NTD2,238,171 thousand, respectively,

representing 14.04% and 11.23%, respectively, of the Group's consolidated net sales for the years ended December 31, 2019 and 2018.

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, 2019 and 2018 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, 2019 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 Hsiao-Feng Yen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 23, 2020

### 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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,938,285	13	\$ 2,979,711	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	71,675	-	98,782	-
Notes receivable from unrelated parties (Note 4)	142,808	-	148,293	1
Trade receivables from unrelated parties (Notes 4 and 9)	3,172,594	10	3,116,198	11
Trade receivables from related parties (Notes 4 and 27)	3,074	-	530	-
Inventories (Notes 4, 5 and 10)	2,484,629	8	2,516,054	9
Other current assets (Notes 15, 27 and 28)	<u>1,284,105</u>	<u>4</u>	<u>1,582,345</u>	<u>5</u>
Total current assets	<u>11,097,170</u>	<u>35</u>	<u>10,441,913</u>	<u>36</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	40,498	-	41,617	-
Long-term investments accounted for using the equity method (Notes 4 and 12)	16,393	-	20,135	-
Property, plant and equipment (Notes 4, 13, 28 and 29)	16,146,473	51	16,793,643	57
Right-of-use assets (Note 4)	1,115,903	4	-	-
Intangible assets (Note 4)	370,046	1	370,713	1
Deferred tax assets (Notes 4 and 22)	184,545	1	198,056	1
Prepayments for equipment	2,495,444	8	877,133	3
Other non-current assets (Note 15)	<u>57,569</u>	<u>-</u>	<u>672,724</u>	<u>2</u>
Total non-current assets	<u>20,426,871</u>	<u>65</u>	<u>18,974,021</u>	<u>64</u>
TOTAL	<u>\$ 31,524,041</u>	<u>100</u>	<u>\$ 29,415,934</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 3,553,001	11	\$ 5,037,154	17
Short-term bills payable (Note 16)	1,375,000	4	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	142	-	62	-
Notes payable to unrelated parties	4,842	-	3,037	-
Trade payables to unrelated parties	1,012,125	3	1,063,603	4
Current tax liabilities (Notes 4 and 22)	161,723	1	159,058	1
Lease liabilities - current (Notes 4 and 14)	52,571	-	-	-
Deferred revenue - current (Notes 4 and 24)	5,490	-	-	-
Current portion of long-term liabilities (Notes 4, 16 and 24)	1,000,000	3	-	-
Other current liabilities (Notes 18 and 27)	<u>1,161,054</u>	<u>4</u>	<u>966,852</u>	<u>3</u>
Total current liabilities	<u>8,325,948</u>	<u>26</u>	<u>7,229,766</u>	<u>25</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	2,996,308	10	2,995,224	10
Long-term borrowings (Notes 4, 16, 24 and 28)	5,931,187	19	5,978,897	21
Deferred tax liabilities (Notes 4 and 22)	69,066	-	55,628	-
Lease liabilities - non-current (Notes 4 and 14)	391,845	1	-	-
Deferred revenue - non-current (Notes 4 and 24)	35,470	-	7,793	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	21,140	-	28,588	-
Other non-current liabilities (Note 18)	<u>24,940</u>	<u>-</u>	<u>40,873</u>	<u>-</u>
Total non-current liabilities	<u>9,469,956</u>	<u>30</u>	<u>9,107,003</u>	<u>31</u>
Total liabilities	<u>17,795,904</u>	<u>56</u>	<u>16,336,769</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Ordinary shares	2,928,789	9	2,928,789	10
Capital surplus	5,485,872	17	5,485,872	19
Retained earnings				
Legal reserve	1,531,899	5	1,422,646	5
Special reserve	1,745,301	6	1,368,204	4
Unappropriated earnings	3,204,905	10	2,986,533	10
Other equity	<u>(1,955,038)</u>	<u>(6)</u>	<u>(1,745,301)</u>	<u>(6)</u>
Total equity attributable to owners of the parent	12,941,728	41	12,446,743	42
NON-CONTROLLING INTERESTS	<u>786,409</u>	<u>3</u>	<u>632,422</u>	<u>2</u>
Total equity	<u>13,728,137</u>	<u>44</u>	<u>13,079,165</u>	<u>44</u>
TOTAL	<u>\$ 31,524,041</u>	<u>100</u>	<u>\$ 29,415,934</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	\$ 21,527,348	100	\$ 19,929,717	100
COST OF GOODS SOLD (Notes 4, 10, 21 and 27)	<u>17,245,038</u>	<u>80</u>	<u>16,406,836</u>	<u>82</u>
GROSS PROFIT	<u>4,282,310</u>	<u>20</u>	<u>3,522,881</u>	<u>18</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	967,551	5	925,697	5
General and administrative expenses	972,754	5	952,804	5
Research and development expenses	<u>86,057</u>	<u>-</u>	<u>67,970</u>	<u>-</u>
Total operating expenses	<u>2,026,362</u>	<u>10</u>	<u>1,946,471</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,255,948</u>	<u>10</u>	<u>1,576,410</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 21)	(261,702)	(1)	(248,581)	(2)
Other gains and losses (Notes 4, 21 and 31)	3,326	-	185,081	1
Net foreign exchange gain (loss) (Note 4)	<u>1,277</u>	<u>-</u>	<u>(30,957)</u>	<u>-</u>
Total non-operating income and expenses	<u>(257,099)</u>	<u>(1)</u>	<u>(94,457)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,998,849	9	1,481,953	7
INCOME TAX EXPENSE (Notes 4 and 22)	<u>532,247</u>	<u>2</u>	<u>379,749</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,466,602</u>	<u>7</u>	<u>1,102,204</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(3,037)	-	(2,391)	-
Unrealized (gain) loss on investments in equity instruments at fair value through other comprehensive income	2,842	-	(3,213)	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 22)	607	-	1,063	-

(Continued)

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (223,483)	(1)	\$ (403,476)	(2)
Other comprehensive loss for the year, net of income tax	(223,071)	(1)	(408,017)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,243,531	6	\$ 694,187	3
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,381,036	7	\$ 1,092,531	6
Non-controlling interests	85,566	-	9,673	-
	\$ 1,466,602	7	\$ 1,102,204	6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,168,606	6	\$ 722,687	3
Non-controlling interests	74,925	-	(28,500)	-
	\$ 1,243,531	6	\$ 694,187	3
EARNINGS PER SHARE (Note 23)				
Basic	\$ 4.72		\$ 3.73	
Diluted	\$ 4.71		\$ 3.72	

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(Concluded)

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										
						Other Equity (Note 4)			Total	Non-controlling Interests	Total Equity
	Share Capital (Note 20)	Capital Surplus (Notes 4 and 20)	Retained Earnings (Notes 4, 19 and 20)			Exchange Differences on Translating the Financial Statements of 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, 2018	\$ 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 paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(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 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
Differences 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
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	113,153	113,153
Appropriation of 2018 earnings											
Legal reserve	-	-	109,253	-	(109,253)	-	-	-	-	-	-
Special reserve	-	-	-	377,097	(377,097)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(673,621)	-	-	-	(673,621)	-	(673,621)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(34,091)	(34,091)
Net profit for the year ended December 31, 2019	-	-	-	-	1,381,036	-	-	-	1,381,036	85,566	1,466,602
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,430)	(212,842)	-	2,842	(212,430)	(10,641)	(223,071)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,378,606	(212,842)	-	2,842	1,168,606	74,925	1,243,531
Differences between consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	-	-	-	(263)	-	-	263	-	-	-
BALANCE AT DECEMBER 31, 2019	\$ 2,928,789	\$ 5,485,872	\$ 1,531,899	\$ 1,745,301	\$ 3,204,905	\$ (1,943,166)	\$ -	\$ (11,872)	\$ 12,941,728	\$ 786,409	\$ 13,728,137

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,998,849	\$ 1,481,953
Adjustments for:		
Depreciation and amortization expenses	2,295,375	2,208,094
Expected credit loss recognized on trade receivables	831	23,666
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	2,926	(6,547)
Finance costs	261,702	248,581
Interest income	(58,039)	(31,709)
Share of loss of associates accounted for using the equity method	3,361	3,349
Loss (gain) on disposal of property, plant and equipment	(31,686)	4,733
Impairment loss recognized (reversed) on non-financial assets	15,765	16,218
Unrealized net loss (gain) on foreign currency exchange	(202)	44,814
Reversal of deferred revenue	(3,777)	(3,232)
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	23,549	280,954
Notes receivable	5,698	41,189
Trade receivables	(52,295)	(527,493)
Inventories	13,769	(179,418)
Other current assets	289,117	(415,603)
Notes payable	1,786	(790)
Trade payables	(55,891)	130,700
Other current liabilities	168,077	88,955
Net defined benefit liabilities	(10,485)	(9,444)
Cash generated from operations	4,868,430	3,398,970
Interest received	58,073	31,675
Interest paid	(263,521)	(222,579)
Income tax paid	(505,890)	(276,573)
Net cash generated from operating activities	<u>4,157,092</u>	<u>2,931,493</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through other comprehensive income	129	-
Return of capital from financial assets at fair value through other comprehensive income	4,000	-
Payments for property, plant and equipment	(624,958)	(735,002)
Proceeds from disposal of property, plant and equipment	116,044	75,056
Increase (decrease) in refundable deposits	2,488	(11,264)
Payments for intangible assets	(13,133)	(4,612)
Payments for right-of-use assets	(67,365)	-
Increase in other assets	(13,081)	(19,737)

(Continued)

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
Increase in prepayments for equipment	\$(2,777,733)	\$(1,128,701)
Increase in other prepayments	<u>-</u>	<u>(128,042)</u>
Net cash used in investing activities	<u>(3,373,609)</u>	<u>(1,952,302)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(1,470,959)	(263,293)
Proceeds from short-term bills payable	1,375,000	-
Proceeds from corporate bonds	-	2,994,500
Proceeds from long-term borrowings	2,789,567	1,162,517
Repayments of long-term borrowings	(1,749,023)	(3,260,851)
Repayment of the principal portion of lease liabilities	(56,260)	-
Dividends paid to owners of the Corporation	(673,621)	(732,197)
Dividends paid to non-controlling interests	(34,091)	(12,761)
Changes in non-controlling interests	<u>113,153</u>	<u>(29,890)</u>
Net cash generated from (used in) financing activities	<u>293,766</u>	<u>(141,975)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(118,675)</u>	<u>(69,404)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	958,574	767,812
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,979,711</u>	<u>2,211,899</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,938,285</u>	<u>\$ 2,979,711</u>

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

(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 2019 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 Yen, Hsiao-Feng 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

2020 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

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

Audit Committee      Chairman : Hung, Chao - Nan

Commissioner : Huang, Hsiang - Ying

Commissioner : Kung, Yi - Lu

March 23, 2020

# Taiwan Hon Chuan Enterprise Co., Ltd.

## Proposal for Distribution of 2019 Profits

	Unit : NTD
<u>Items</u>	<u>Amount</u>
<b>Unappropriated retained earnings of previous years</b>	1,826,560,032
Remeasurement of defined benefit obligation	(2,429,518)
Effect of the initial application and restatement of applying IFRS 9	<u>(261,911)</u>
<b>Unappropriated retained earnings after adjustment</b>	1,823,868,603
Net Income of 2019	1,381,036,649
10% for legal capital reserve	(138,103,665)
Special reserve	<u>(209,737,908)</u>
<b>Retained Earnings Available for Distribution as of 2019</b>	2,857,063,679
Shareholders' Dividend (NTD\$ 3 per share)	<u>(878,636,637)</u>
<b>Unappropriated Retained Earnings</b>	<u><u>1,978,427,042</u></u>

(Note1) Shareholders' Dividend -- Cash :

292,878,879 shares \* NT\$ 3 = NT\$ 878,636,637.

(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 included in the Company's other revenue.

(Note3) This Distribution of Cash Dividend from 2019 Earnings will be reported to the shareholders' meeting after the Board of Directors passes.

(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 Board of Directors to adjust distribution rate.

### Explanatory Notes :

Unappropriated retained earnings of previous years : It represents the unappropriated retained earnings after making distribution of 2018 profits by the resolution of 2019 Shareholders' Meeting and is compiled based upon TIFRS GAAP.

Chairman :  
**Dai, Hung-Chuan**

President :  
**Tsao, Hsih-Chung**

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



## Status of Share Repurchase Program

	Plan of The Third Share Repurchase Program
Date of the Board of Directors' Resolution	2020/3/23
Purpose of Repurchase	According to Article 28-2 of the Securities and Exchange Act and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company will repurchase shares to maintain the Company's credit and shareholders' rights and interests and cancel the registration of such shares.
Type of Shares	Common stocks
Ceiling on Total Amount of the Share Repurchase	NT\$ 9,183,154,404
Scheduled Period for Repurchase	2020/03/24~2020/05/22
Expected Number of Shares to be Repurchased (Ratio of the Shares to Be Repurchased to Total Issued Shares of the Company) (Note 1)	10,000,000 Shares (3.41%)
Price Range	From NT\$40 to NT\$60 per share, provided that, according to the board resolution, repurchasing will still be carried out even if the share price is lower than the aforementioned price range.
Method for the Repurchase	To buy back shares from Taiwan Stock Exchange
	Status of The Third Share Repurchase Program
Period for Repurchase	2020/04/29~2020/05/19
Number of Shares Repurchased (Ratio of the Shares to Be Repurchased to Total Issued Shares of the Company) (Note 2)	5,093,000 Shares (1.74%)
Total Amount of the Share Repurchase	NT\$ 277,422,689
Average Price per share	NT\$ 54.47

(Note 1) It is calculated based on the total number of issued shares at the time of reporting the repurchase of the Company's shares.

(Note 2) It is calculated based on the total number of issued shares at the time when the declaration to repurchase the shares of the Company expires or is completed.

# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Rules and Procedures for Meetings of the Board of Directors”

### Amendment Comparison Table

Date : 2020.03.23 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 7</b>	Board meetings <u>shall</u> be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.	Board meetings <u>are</u> convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.  <u>For a board meeting convened by the majority or more of the directors, the chairman of the meeting shall be elected among themselves.</u>	Amended in accordance with the applicable regulations
<b>Article 15</b>	If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may state opinions and answers and may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.	If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may state opinions and answers and may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.  <u>Where the spouse, a blood</u>	Amended in accordance with the applicable regulations

	<p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.</p>	<p><u>relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</u></p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.</p>	
<b>Article 18</b>	<p>These Rules of Procedure shall be adopted by the approval of meeting of the board of directors <u>and shall be reported to the shareholders meeting. The board of directors may be authorized to adopt, by resolution, any future amendments to these Rules.</u></p>	<p>These Rules of Procedure shall be adopted by the approval of meeting of the board of directors.</p>	

# Taiwan Hon Chuan Enterprise Co., Ltd.

## “Rules and Procedures for Shareholders' Meeting” Amendment Comparison Table

Date : 2020.06.19 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 16</b>	<p>Unless otherwise provided by the Company Act or the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.</p> <p><u>A motion may be resolve by way of vote, or shall be deemed passed if no objection to the motion is expressed by all of the shareholders present at the meeting after the solicitation of the chairman, which shall have the same effect as if it was voted by casting ballots.</u></p> <p>Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote. The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by The Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.</p>	<p>Unless otherwise provided by the Company Act or the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting.</p> <p><u>Relevant motions shall be resolved by way of vote on a case-by-case basis with sufficient voting time allowed.</u></p> <p>Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote. The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by The Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.</p>	Amended in accordance with the practice of electronic voting

## The Slate of Director Candidates

Name	Main education	Main Experience	Concurrent Position	Shareholding
Dai, Hung Chuan	(1) Master Degree in Structural Engineering, University of California, Berkeley, U.S.A (2) MBA, Columbia University, U.S.A (3) Bachelor Degree in Civil Engineering, National Taiwan University, Taiwan	(1) Chairman of HON CHUAN (2) A Chartered Structural and Civil Engineer in ROC (3) Technical Specialist of Public Works Department, Taichung City Government (4) Associated Technical Specialist of Construction Management Division, Construction and Planning Agency Ministry of the Interior	Chairman of HON CHUAN	3,572,019
Tsao, Hsih Chung	(1) Sun Yat-Sen Institute of Policy Research and Development (the tenth term) (2) Wharton School of the University of Pennsylvania, U.S.A (3) Elite Presidents' Camp of Peking University, China	(1) General manager of HON CHUAN (2) The recipient of the 13th China Youth Career Initiation Honor Award (3) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2000 (4) Director of the 18 <sup>th</sup> Food Industry Research and Development Institute	(1) General manager and President of HON CHUAN (2) Chairman of Hsih-Yueh Development Co., Ltd.	4,372,243
Chang, Chun Shu	Graduated from National Taichung Institute of Commerce, Taiwan	Director of HON CHUAN	Director of HON CHUAN	2,663,234
Dai, Hong I	(1) Master Degree in urban design, University of Sydney, Australia (2) Department of Architecture, Tamkang University	(1) Chartered Architect in ROC (2) Committee of Urban Design Application Review Committee, Taichung City Government (3) Assistant professor of Department of Landscape Architecture, National Chin-Yi University of Technology (4) Arbitrator of Chinese Arbitration Association, Taipei	(1) Director of HON CHUAN (2) Dai Hongyi Architects (3) Chairman of Ren Sun Construction Co., Ltd.	5,812,111
Liu, Yun Chang	(1) EMBA, Beijing University, China (2) Department of Distribution Management, National Chin-Yi University of Technology	(1) The Outstanding Enterprise Manager Award Of R.O.C in 1996 (2) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 (3) The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010	Vice President of HON CHUAN	689,303
Tsao, Hung Yu	Department of Economics of York University	Special assistant and manager of general administration dept. of HON CHUAN	Manager of general administration dept. of HON CHUAN	6,529,134

## The Slate of Independent Director Candidates

Name	Main education	Main Experience	Concurrent Position	Shareholding
Hung, Chao Nan	(1) Master Degree in Politics, Arkansas State University, U.S.A (2) Department of Foreign Languages, School of Law, Soochow University (3) Pass the Finance Special Examination (Former senior tax officer of Customs Administration, Ministry of Finance)	(1) The 4th member of the Control Yuan (2) Legislator, reappointment for 8 times, Chungkuo Kuomintang (3) Convener of Finance Committee	Independent Director of HON CHUAN and Rexion Industrial Corp., Ltd.	0
Huang, Hsiang Ying	(1) Ph. D. in Public Finance and Tax, Central University of Finance and Economics, Beijing, China (2) Master Degree in Accounting, National Chengchi University, Taiwan (3) Bachelor Degree in Accounting, Fu Jen Catholic University, Taiwan	(1) Partnership Accountant of BDO Taiwan Joint Accounting Firm (2) Lecturer in Ling Tung University and Tunghai University, Taiwan (3) Independent director of Sino-American Silicon Products Inc. (4) Deputy Section Manager of Finance Division, Administration Department of The Far Eastern Group	(1) Partnership Accountant of EnWise CPAs & Co. (2) A member of Remuneration Committee in Lelon Electronics Corp. (3) A member of Remuneration Committee in Liton Technology Corp. (4) Independent director of Quaser Machine tools Inc.	0
Kung, Yi-Lu	(1) Master Degree in Accounting, Soochow University, Taiwan (2) Department of Business Administration, Tamkang University, Taiwan	(1) General audit of King's Town Bank (2) Assistant general manager of CDIB Capital Group	Independent Director of HON CHUAN	0

**Taiwan Hon Chuan Enterprise Co., Ltd.**  
**“Ethical Corporate Management Best Practice Principles”**  
**Amendment Comparison Table**

Date : 2020.03.23 (Amended)

Article No.	Original	Proposed Revision	Description
<b>Article 2</b>	<p>When engaging in commercial activities, directors, <u>supervisors</u>, managers, employees, and mandataries of the company or persons having substantial control over the company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and its directors, supervisors, managers, employees or substantial controllers or other stakeholders.</p>	<p>When engaging in commercial activities, directors, managers, employees, and mandataries of the company or persons having substantial control over the company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and its directors, supervisors, managers, employees or substantial controllers or other stakeholders.</p>	To comply with the amendments of the Company's Articles of Incorporation
<b>Article 5</b>	The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.	The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and <u>have them passed by the board of directors</u> , and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.	Amended in accordance with the applicable regulations
<b>Article 6</b>	The company shall in its own ethical management policy	The company shall in its own ethical management policy	Based on the actual needs

	<p>clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.</p> <p>When establishing the prevention programs, the company shall comply with relevant laws and regulations of the territory where the company and its business group are operating.</p> <p>In the course of developing the prevention programs, the company shall negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.</p>	<p>clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training. <u>Moreover, the company shall separately formulate "Whistle-blowing Procedures for Violations of Ethical Corporate Management" to implement accordingly.</u></p> <p>When establishing the prevention programs, the company shall comply with relevant laws and regulations of the territory where the company and its business group are operating.</p> <p>In the course of developing the prevention programs, the company shall negotiate with staff, labor unions members, important trading counterparties, or other stakeholders.</p>	of the Company
<b>Article 7</b>	<p><u>When establishing the prevention programs, the company shall analyze which business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.</u></p> <p><u>The prevention programs shall at least include preventive measures against the following:</u></p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political donations.</li> </ol>	<p><u>The company shall establish a risk assessment mechanism against unethical conduct, analyze and assess on regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.</u></p> <p><u>It is advisable for the company to refer to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, which shall at least include preventive measures against the following:</u></p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political donations.</li> </ol>	Amended in accordance with the applicable regulations



	<p>3. Improper charitable donations or sponsorship.</p> <p>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</p> <p>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>6. Engaging in unfair competitive practices.</p> <p>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p>	<p>3. Improper charitable donations or sponsorship.</p> <p>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</p> <p>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>6. Engaging in unfair competitive practices.</p> <p>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p>	
<b>Article 8</b>	<p>The Company and its respective business group shall clearly specify in the rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p><u>The directors and senior management of the company shall issue a statement of compliance with the ethical management policy and the company shall require in the terms of employment that employees comply with such policy.</u></p> <p>The Company and its respective business group shall clearly specify in their rules and external documents <u>and on the company website</u> the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p> <p><u>The Company shall compile documented information on the</u></p>	Amended in accordance with the applicable regulations

		<u>ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.</u>	
<b>Article 10</b>	When conducting business, the company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.	When conducting business, the company and its directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.	To comply with the amendments of the Company's Articles of Incorporation
<b>Article 11</b>	When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the company and its directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	To comply with the amendments of the Company's Articles of Incorporation
<b>Article 12</b>	When making or offering donations and sponsorship, the company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	When making or offering donations and sponsorship, the company and its directors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.	To comply with the amendments of the Company's Articles of Incorporation
<b>Article 13</b>	The company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence	The company and its directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence	To comply with the amendments of the Company's Articles of Incorporation

	commercial transactions.	commercial transactions.	
<b>Article 14</b>	The company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.	The company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.	To comply with the amendments of the Company's Articles of Incorporation
<b>Article 16</b>	In the course of research and development, procurement, manufacture, provision, or sale of products and services, the company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, its products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in its operations, with a view to preventing its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.	In the course of research and development, procurement, manufacture, provision, or sale of products and services, the company and its directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, its products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in its operations, with a view to preventing its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.	To comply with the amendments of the Company's Articles of Incorporation
<b>Article 17</b>	The directors, <u>supervisors</u> , managers, employees, mandataries, and substantial	The directors, managers, employees, mandataries, and substantial controllers of the	Amended in accordance with the

	<p>controllers of the company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, <u>the company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:</u></p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.</li> </ol>	<p>company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, <u>the Human Resources Department is the dedicated unit for the promotion and training of the ethical corporate management policies and is coordinated by various departments. The dedicated unit for accepting the report is the Auditing office, which is responsible for including the execution status of the compliance with this code into the scope of the inspection and shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):</u></p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. <u>Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope,</u> adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.</li> </ol>	<p>applicable regulations and the actual needs of the Company</p>
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	<p>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	<p>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	
<b>Article 18</b>	The Company and its directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.	The Company and its directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.	To comply with the amendments of the Company's Articles of Incorporation
<b>Article 19</b>	The company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, <u>supervisors</u> , managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.	The company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.	To comply with the amendments of the Company's Articles of Incorporation

	<p>When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, <u>supervisors</u>, managers, and other stakeholders attending or present at board meetings of the company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The company's directors, <u>supervisors</u>, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	<p>When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of the company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The company's directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	
<b>Article 20</b>	<p>The company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of the company shall <u>periodically</u></p>	<p>The company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of the company shall, <u>based on the</u></p>	Amended in accordance with the applicable regulations

	<p><u>examine the company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors.</u> The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p>	<p><u>results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs.</u> The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary. <u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.</u></p>	
<b>Article 22</b>	<p>The chairperson, general manager, or senior management of the company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.</p> <p>The company shall periodically organize training and awareness programs for directors, <u>supervisors</u>, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>The company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>The chairperson, general manager, or senior management of the company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.</p> <p>The company shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.</p> <p>The company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p>To comply with the amendments of the Company's Articles of Incorporation</p>

<p><b>Article 23</b></p>	<p>The Company shall <u>adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</u></p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.</li> <li>2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or <u>supervisors</u>. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> <li>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</li> <li>4. Confidentiality of the identity of whistle-blowers and the content of reported cases.</li> <li>5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</li> </ol>	<p>The Company shall <u>scrupulously operate the internally established whistle-blowing system, which includes the following:</u></p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.</li> <li>2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> <li>3. <u>Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></li> <li>4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</li> <li>5. Confidentiality of the identity of whistle-blowers and the content of reported cases.</li> <li>6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</li> </ol>	<p>Amended in accordance with the applicable regulations</p>
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	<p>6. Whistle-blowing incentive measures.</p> <p>When material misconduct or likelihood of material impairment to the company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors <u>or supervisors</u> in written form.</p>	<p>7. Whistle-blowing incentive measures.</p> <p>When material misconduct or likelihood of material impairment to the company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.</p>	
<b>Article 26</b>	<p>The company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, <u>supervisors</u>, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.</p>	<p>The company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage its directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.</p>	Amended in accordance with the applicable regulations
<b>Article 27</b>	<p>The ethical corporate management best practice principles of the company shall be implemented after the board of directors grants the approval, <u>and shall be sent to the supervisors</u> and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.</p> <p>When the company <u>has appointed any independent director</u>, and the ethical corporate management best practice principles are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director's objects to</p>	<p>The ethical corporate management best practice principles of the company shall be implemented after the board of directors grants the approval, and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.</p> <p>When the company submits its ethical corporate management best practice principles for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director's objects to or expresses reservations about any matter, it shall be recorded in</p>	To comply with the amendments of the Company's Articles of Incorporation

	<p>or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</p> <p><u>When the company has established the audit committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the audit committee.</u></p>	<p>the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</p>	
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**Date : 2020.05.08 (Amended)**

Article No.	Original	Proposed Revision	Description
<b>Article 27</b>	<p>The ethical corporate management best practice principles of the company shall be implemented after the board of directors grants the approval, <u>and reported at a shareholders' meeting</u>. The same procedure shall be followed when the principles have been amended.</p> <p>When the company submits its ethical corporate management best practice principles for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director's objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or</p>	<p>The ethical corporate management best practice principles of the company shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the principles have been amended.</p> <p>When the company submits its ethical corporate management best practice principles for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director's objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objection or</p>	Based on the actual needs of the Company

	reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.	reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.	
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