



Stock Code: 9945

**RUENTEX DEVELOPMENT  
CO.,LTD**

**2019 Annual Shareholder's  
Meeting**

**Meeting Handbook**

(Translation)

June 5<sup>th</sup>, 2019

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# **I. Meeting procedure of Shareholder's Meeting**

1. Call meeting to order
2. Chairman's addressing
3. Report Items
4. Proposals Items
5. Discussion Items
6. Motion
7. Meeting Adjourned

## **II. Annual Shareholder’s Meeting Agenda**

Time: June 5<sup>th</sup>, 2019 (Wednesday) at 9:00am

Place: 3F, No. 260, Section 2, Bade Road, Taipei city (Central Pictures Corporation Bade Building)

### **1. Call meeting to order**

### **2. Chairman’s addressing**

### **3. Report Items:**

- (1) 2018 Business Report.
- (2) Audit Committee’s Review Report on the 2018 Financial Statements
- (3) 2018 Employees' compensation Report.
- (4) Other reporting matters.

### **4. Proposals items:**

- (1) Adoption of the 2018 Financial Statements.
- (2) Adoption of the Proposal for Distribution of 2018 earnings.

### **5. Discussion Items:**

- (1) Amendments in “Procedure for Acquisition or Disposal of Assets” of the Company.
- (2) Approval for the Cash Dividends distributed from Legal Reserve of 2018.

### **6. Motion**

### **7. Meeting Adjourned**

# [Report Items]

1. Reporting on the business of 2018.

## **Business Report**

### **Dear shareholders:**

In the first half of last year (2018), driven by the continuous expansion of the global economy, the domestic economy showed a stable recovery. However, since the second half of the year, it has been affected by the conflict between the China-US trade war, the US Federal Reserve's interest rate hike and emerging market capital outflows. The instability of the global financial market has risen which resulted in the public's view on the construction industry becoming conservative. Since the beginning of this year (2019), the China-US trade war has tended to ease. The government has actively promoted urban renewal and expected Taiwanese business to return. The domestic residential property and commercial real property markets still have great demand for real property with good quality and reputation in the future.

The company's consolidated trading income last year was NTD14.85 billion and 9.43 million, and the consolidated trading profit was NTD1.97 billion and 90 thousand. The net profit was attributable to the parent company's possession of NTD9.93 billion and 2.09 million, and the earnings per share were NTD7.22 after tax.

In terms of the construction business, the main revenues from last year were recognized and listed the income from the construction of Songtao Court, Ruentex Spectacular Life, RT-Fuduxin, Ruentex Liren, Ruentex Qiyan and RT-New Twin Stars etc. In addition to the recognized and listed income from the said constructions, the construction cases that have been obtained in previous years have been indeed controlled and built on time as scheduled, and sold externally as anticipated to generate income.

The non-operating income was mainly attributable to the recognition of the interest of the second delivery of the related company, Kang Cheng China, being sold and invested in by China's RT-Mart, and the interest of the Company to invest in Nanshan Life Insurance through Ruen Chen Investment Holding. Due to the impact of the decline in domestic and international stock and bond prices in the fourth quarter, the Company also recognized financial assets on Nanshan Life Insurance as being unrealized according to its shareholding. In addition, the BOT cases of the subsidiaries Ruentex Xuzhan and Ruentex Baiyi, the rental income and the stable profit generated by the operation of the shopping malls, also converted into investment interest.

The company's sellable cases this year include Songtao Court, Ruentex Spectacular Life, RT-Fuduxin, Ruentex Liren, Ruentex Qiyang and RT-New Twin Stars, Ruentex Dunfeng and the Ruentex Fenghui (Pre-sale) by its subsidiary, Runtex Development Co., Ltd. The company will achieve the expected sales target by continuing to utilize quality marketing and differential marketing. The expected construction projects include LiHo Public housing and urban renewal project, Banqiao Minsheng Road project, Xindian Sixin Section project, etc. In addition, the company is still actively developing various potential joint construction projects to create the benefits of the company at the most appropriate cost.

In terms of commercial real estate, the subsidiaries of Ruentex Xuzhan and Ruentex Baiyi's offices and restaurants have actively launched various marketing programs to expand the number of customers, driven by factors such as the tenant's occupancy, the opening of the High speed rail Nangang station, and the opening of the Nangang bus station resulting in an increase of the overall revenue and business performance of CITYLINK. In addition, the development of the CITYLINK Songshan No.2 Store, the CITYLINK Neihu Store, and the TSUTAYA BOOKSTORE (Songshan Station Front Store and

Neihu Store) by the subsidiary Lisheng Development Co., Ltd., through the transportation connection between Songshan Station and the Neihu MRT station creates a rail economy and will gain stable interest in the future.

Looking forward to the future, the Company is actively pursuing public and private legal entities, large-scale land development, urban renewal and joint development to reserve more high-quality land in response to the market evolution and group advantages, strives to launch fine housing properties, and participates in major government public projects. The wholesale business maintains a flexible business strategy and strives to create the best outcome and profits for the company.

It is believed that with the good reputation the company accumulated over the past 40 years, the consistent support of all the shareholders, and with the concerted efforts of all colleagues, the future can be successfully created. I would like to express my highest gratitude to every shareholder, and please do provide us with continuous support and opinions.

I wish all shareholders

Good health and all the best

Chairman: Chien, Tsang-Tsun

Chairman: Jean,  
Tsang-Jiunn

Manager: Lee,  
Chih-Hung

Accounting Manager:  
Lin, Chin-Szu

2. Audit Committee's Review Report on the 2018 Financial Statements.

**Ruentex Development Co., Ltd**

Audit Committee's review report.

The Board of Directors has created the 2018 Business Report, Financial Statements and Surplus Distribution statement. Among them, the financial statements have been entrusted to PricewaterhouseCoopers Taiwan and issued by the Accountants WANG, Zhao Ming and SHIU, Ming Chuan after conducting the audit. The above-mentioned 2018 business report, financial statements, and surplus distribution statement were examined by the Audit Committee and considered appropriate. They are prepared in accordance with Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act. Please review.

Sincerely,

Annual Shareholder's Meeting of 2019

Audit Committee Convening: KO, Shun Hsiung

March 28<sup>th</sup>, 2019



3. The reporting on the distribution of the employees' benefits and wages of 2018

- (1) Processed in accordance with Article 33 of the Articles of Incorporation
- (2) The employee's benefits, 0.3% of which was NTD34,519,000 and was all distributed by cash

4. Other reporting matters:

- (1) The company was the guarantor for the balance amount of NTD 40.80 billion on Dec 31<sup>st</sup>, 2018, and the details as follows:

Credit object	Guarantee object	Reason	Duration	Amount	Remark
KGI Commercial Bank	Ruentex Innovative Development Co., Ltd.	Bank Borrowings	2017.10.30 ~ 2024.10.30	2,680,000	Security of the loan
Hua Nan Commercial Bank	Ruentex Innovative Development Co., Ltd.	Bank Borrowings	2018.7.30 ~ 5 years from the initial usage (It has not been used until Dec 31 <sup>st</sup> , 2018)	1,400,000	Security of the loan
Total				4,080,000	

## [Proposals Items]

First Matter: Mentioned by The Board of Directors

Matter: Adoption of the 2018 Financial Statements.

- Introduction:
1. The business report of the company of 2018 (please refer pages 3-4 of this handbook) and Financial statements (Please refer pages 11-35 of Attachment 1 of this handbook) have been completed.
  2. The financial statements of 2018 have been entrusted to PricewaterhouseCoopers Taiwan and issued without any reservation by the Accountants WANG, Chao Ming and HSU, Ming Chuan after conducting the audit.
  3. The final account statements have been sent to the Audit Committee for auditing and the audit report is issued.
  4. Submit for acknowledgement.

Decision:

## Second Matter: Mentioned by the Board of Directors

Matter: Adoption of the Proposal for Distribution of 2018 Earnings

Introduction: 1. The proposed distribution of 2018 earnings based on the Company Act and the Articles of Incorporation of the Company are as follows:

Ruentex Development Co., Ltd

### 2018 Earnings Distribution Proposal

2018	Unit: NTD
Item	
Unappropriated retained earnings of previous years	6,646,842,193
Less: Retained earning adjustment of 2018	(3,512,148,429)
adjusted retained earnings	3,134,693,764
Net Profit after tax of year 2018	9,932,094,470
Provision of legal reserves	(993,209,447)
Provision of special reserves	
Prior Period Shareholder's interest deduction	(946,170,401)
– Prior period undistributed surplus	
Current Shareholder's interest deduction	(11,127,408,386)
– Prior period and current undistributed surplus	
Distributable retained earnings for 2018	0

Chairman: Jean,  
Tsang-Jiunn

Manager: Lee,  
Chih-Hung

Accounting Manager:  
Lin, Chin-Szu

2. Based on the Article of Incorporation and relevant regulations, the cash dividend is not proposed.
3. Submit for acknowledgement

Decision:

# [Discussion Items]

## First Matter: Mentioned by The Board of Directors

**Matter:** Amendments in “Procedure for Acquisition or Disposal of Assets” of the Company.

**Introduction:** 1. In accordance with the Financial Supervisory Committee's letter, Jin Guan Zheng Fa Zi 1070341072, dated November 26, 2018, proposed to amend part of the provisions of the company's "Procedures for acquisition or disposal of assets". Please refer to Attachment 2 (pages 36-54 of this manual) for the comparison table of the relevant provisions.

2. Submit for discussion

**Decision:**

## Second Matter: Mentioned by the Board of Directors

**Matter:** Approval for the Cash Dividends distributed from Legal Reserve of 2018.

**Introduction:** 1. The company intend to allocate cash for the portion of the legal reserve that exceeds 25% of the Paid in Capital in a sum of NTD2,006,507,998, which is NTD2.00 per share.

2. If the Company subsequently affects the circulation of shares outside the company and the allocation of cash rate among shareholders changes, due to the buy back of shares of the company or the cancellation of treasury shares

or other factors, the company shall authorize the board of directors to adjust.

3. When this proposal is approved in the shareholders' meeting by resolution, the board of directors will be authorized to make the record date and release date.
4. Submit for Discussion

**[Motion]**

**[Meeting Adjourned]**

## III. Attachment

Independent Auditors' Report

(2019) Cai Shen Bao Zi 18004603

To: Ruentex Development Co., Ltd.

### **Audit opinion**

The consolidated balance sheet of 2018 and December 31, 2017, the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements (including major accounting policies) of 2018 and between January 1<sup>st</sup> to December 31<sup>st</sup>, 2017 of Ruentex Development Co., Ltd., and its subsidiaries (hereinafter referred to as “Ruentex Group”) have been audited by the accountant.

Based on the opinion of the accountant, the audit results of the accountant and the audit report of other accountants (please refer to other paragraphs), the above consolidated financial statements are in accordance in all material respects with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the International Financial Reporting Standards, International Accounting Standards and Standing Interpretations Committee approved by the Financial Supervisory Committee are sufficient to express the consolidated financial position of the Ruentex Group of 2018 and December 31, 2017, consolidated financial performance and consolidated cash flows of 2018 and from January 1<sup>st</sup> to December 31<sup>st</sup>, 2017.

### **Basis of the Audit opinion**

The accountant performed the audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the generally accepted auditing standards of the Republic of China. The accountability of the accountants under these standards will be further explained in the accountability section of the accountant's audit of the consolidated financial statements. The accountant is affiliated with a firm and is independent. The accountant has complied with the code of professional ethics of the Republic of China, and remains independent from Ruentex Group and fulfilled all other responsibilities under the norm. Based on the audit results of the accountants and the audit reports of other accountants, the accountant believes that sufficient and appropriate evidence of the audit has been obtained as the basis for expressing the opinion.

### **Key audit matters**

The key auditing matters refer to the most important matters in the audit of the consolidated financial statements of 2018 of Ruentex Group in accordance with the professional judgment of the accountant. These matters have been dealt with in the process of auditing the overall consolidated financial statements and forming an audit opinion. The accountant will not provide a separate opinion on these matters.

The key audit matters of Ruentex Group's consolidated financial statements of 2018 are as follows:



## **The accuracy of calculation of the investment balance by using the equity method**

### Description of the matter

On December 31, 2018, Ruentex Group invested an amount of NTD21,611,442 thousand using the equity method, accounting for 25.04% of the total combined assets. For the accounting policies of the investment using the equity method, please refer to Note 4(15) of the consolidated financial statements. For the accounting item description, please refer to Note 6(8) of the consolidated financial statements.

Because the investment using the equity method is spread domestically and abroad and involves multiple levels and intersect holdings, it is more complicated to calculate. Because the amount is significant and requires a lot of manpower for auditing, hence, the accountant considers that achieving accuracy of the investment balance by using the equity method will be one of the most important matters for this year's audit.

### Corresponding Audit Procedures

The accountant's summarized auditing procedures for the key audit matters of the abovementioned are as follows:

1. Assessing the consistency of the management's internal control over the investment using the equity method and its accounting dealings.
2. Obtaining the investment profit and loss statement and equity itemized account calculation form provided by the management and the annual financial statements of the investee company certified by the auditor, and the investment profit and loss and equity account amounts are recalculated and properly accounted for.

## **Recognition of Project Revenue - Assessment of the degree of completion of the project**

### Description of the matter

In 2018, Ruentex Development Group's construction contract revenue was NTD4,816,753 t thousand, accounting for 32.42% of the consolidated operating income. For the accounting policies of income recognition, please refer to Note 4(29) of the financial report. For important accounting estimates and assumptions, please refer to Note 5 (2). For the accounting item description, please refer to Note 6 (23) of the financial statements.

The revenue recognition of the Ruentex Development Group is calculated based on the percentage of completion method during the construction contract period. The degree of completion is based on the cost of each construction contract as of the end of the financial reporting period, against each of the total construction costs estimated to work out the percentage of the completion. The said estimated total construction cost is calculated by Ruentex Development Group based on the measurement unit of the owner's building structure

diagram and the fluctuations of the market conditions at that time, and the estimate costs required to be included such as sub-contracting, materials, and labor costs.

As the estimated total project cost affects the recognition of the degree of completion and project revenue, and the total cost of the project is complex and often involving a high degree of estimation, it results in significant uncertainty. Hence, the accountant believes that the project revenue recognition is assessed by the completion of the project. It is listed as one of the most important key matters for this year's audit.

### Corresponding Audit Procedures

The accountant's summarized auditing procedures for the key audit matters of the above-mentioned degree of completion are as follows:

1. Based on the understanding of the operational and industrial nature of Ruentex Development Group, assess the internal operating procedures used to estimate the total cost of the construction project, including the measurement unit of the owner's building structure diagram to determine the cost of each project (sub-contracting, materials, and labor costs), and the consistency of the assessing method.
2. Assessing and testing management's internal control procedures for recognizing project revenue based on the degree of completion of the project, including verification of supporting documents for the current additional or reduction works and major projects valuation.
3. Field observations and interviews at the major construction sites which were still ongoing at the end of the period.
4. Carrying out the relevant verification procedures on the project profit and loss statement at the end of the period, including the random audit of the current cost occurrence number to the appropriate certification, the additional or reduced construction project to the supporting documents, and the recalculation of the project income recognized by the degree of completion and having been properly accounted for.

### **The accuracy of the recognition of construction Costs**

#### Description of the matter

For the accounting policies related to the recognition of construction costs, please refer to Note 4 (29) of the consolidated financial statements.

The construction costs incurred by Ruentex Development Group as of the end of the financial reporting period are estimated based on the construction progress and acceptance results. The process of recognizing the construction costs usually involves whether the construction engineers have conducted the process of acceptance and valuation based on the actual construction progress. In the case of the acceptance and valuation not being implemented properly, causing a difference in the recognition of construction costs, which would have a huge impact on the financial statements. Therefore, the accountant considers the accuracy of the recognition of the construction cost to be one of the most important matters for the annual audit.

### Corresponding Audit Procedures

The accountant's summarized auditing procedures for the key audit matters of the

abovementioned are as follows:

1. Understanding and testing the management's recognition process of Construction costs, which has been implemented according to the company's internal control operations, including the construction personnel having assessed and accepted the construction progress, being confirmed by the supervisor with authority, and submitted to the accounting department for accounting.
2. Cut off test on the execution of construction input costs, during a period between the end of the period close to the end of the financial reporting period, including checking the acceptance record, verifying the accuracy of the construction valuation, and confirming that the project input cost has been recorded in the appropriate period.

### **Other matters – Mention other accountants’ audits**

Some of the subsidiaries and some of the investee companies are included in the consolidated financial statements of Ruentex Development Group via the equity method, their financial statements were not audited by the accountant and were audited by other accountants. Therefore, among the opinions expressed by the accountant on the consolidated financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. The total assets of the aforementioned subsidiaries of 2018 and on December 31<sup>st</sup>, 2017 were NTD60,017 thousand and NTD54,023 thousand respectively, which accounted for 0.07% and 0.05% of the total combined assets. The net operating income of 2018 and from January 1<sup>st</sup> to December 31<sup>st</sup>, 2017 were NTD46,880 thousand and NTD44,665 t thousand respectively, which accounted for 0.32% and 0.41% of the combined net operating income. In addition, the investment balances of the above-mentioned companies being invested in via the equity method were NTD9,804,972 thousand and NTD8,068,975 thousand of 2018 and on December 31<sup>st</sup>, 2017 respectively, accounting for 11.36% and 7.75% of the total combined assets. The share of the profit and loss of affiliated companies and joint ventures and other comprehensive gains and losses recognized by the equity method were NTD1,026,217 thousand and NTD8,771,053 thousand of 2018 and from January 1<sup>st</sup> to December 31<sup>st</sup>, 2017 respectively. Each accounted for 3.91% and 53.91% of the consolidated profit and loss.

### **Other matters – Individual Financial Reporting**

Ruentex Development Co., Ltd., has prepared the individual financial statements of 2018 and 2017 and has issued an audit report with no reservations and other items by the accountant for reference.

### **Responsibility of the management and governing unit for consolidated financial statements**

The management's responsibility is to prepare consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, the International Financial Reporting Standards, International Accounting Standards and Standing Interpretations Committee approved by the Financial Supervisory Committee, and maintain internal control relating to the consolidated financial statements to ensure that the consolidated financial statements do not contain significant misrepresentations resulting from fraud or error.

In the preparation of the consolidated financial statements, the management's responsibilities also include an assessment of the ability of Ruentex Development Group to continue its operations, the disclosure of related matters, and the adoption of the continuing accounting basis, unless the management intends to liquidate Ruentex Development Group or cease operations, or no other practical options except for liquidation or closure.

The governing unit of Ruentex Development Group (including the Audit Committee) has the responsibility in overseeing the financial reporting process.

### **The Accountant's responsibility in auditing the consolidated financial statements.**

The purpose of the accountant's auditing of the consolidated financial statements is to obtain reasonable assurance on whether there is material misrepresentation of fraud or error in the consolidated financial statements as a whole and to issue an audit report. Reasonable assurance is highly convincing, however, the verification work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that significant misrepresentation of the consolidated financial statements will be detected. Misstatements may result from fraud or error. If the individual amount or summary of the misrepresentation is reasonably expected to affect the economic decisions made by the users of the consolidated financial statements, it is considered material.

When the accountant conducts the audit in accordance with the generally accepted auditing standards of the Republic of China, he/she uses professional judgment and maintains professional suspicion. We have also conducted the following tasks:

1. Identify and assess the risks of the significant misrepresentation of the consolidated financial statements as a result of fraud or error, design and implement appropriate response measures for the assessed risks, and obtain sufficient and appropriate evidence to verify the basis of the opinion. As fraud may involve conspiracy, forgery, deliberate omission, misstatement, or be beyond the internal control, the risk of not being able to detect a misstatement due to fraud is higher than that caused by error.
2. Obtain the necessary knowledge of the internal controls related to the audit to design appropriate audit procedures at the time, the purpose of which is not to express an opinion on the effectiveness of the internal control of Ruentex Development Group.
3. Evaluate the appropriateness of accounting policies used by management, and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the audit evidence obtained, the management has adopted the appropriateness of the basis of continuing operations accounting and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Ruentex Development Group to continue to operate, and draw conclusions. If the accountant believes that there is a material uncertainty in the events or circumstances, it is necessary to remind the users of the consolidated financial statements to pay attention to the relevant disclosures in the consolidated financial statements in the audit report, or to amend the audit opinions when the disclosure is inappropriate. Our conclusion is based on the audit evidences obtained on the date of the auditor's independent report. However, future events or circumstances may cause Ruentex

Development Group to no longer have the ability to continue to operate.

5. Evaluate the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements expressed relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of the composition of individuals of the group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and implementation of the Group's audit, as well as the forming of audit opinions.



The matters that the accountant communicated with the governing unit, including the planned scope and time of the audit, as well as major audit findings (including significant lack of internal control identified during the audit process).

The accountant also provides the declaration of independence to the governing unit stating that the accounting firm is subject to the personnel independence, and has complied with the code of professional ethics of the Republic of China, and communicated with the governing unit all relationships that may be considered to affect the independence of the accountant and other matters (including related protective measures).

Base on the matters communicated with the governing unit, the accountant decided to audit the Ruentex Development Company on the key auditing matters for its individual financial statements for the 2018. We will make known such matters in the audit report unless the laws and regulations do not allow public disclosure of any particular matter or, in rare cases, we decide not to communicate a particular matter in the audit report, as we can reasonably expect a negative impact from such communication will outweigh the benefit to increase the public interest.

PricewaterhouseCoopers Taiwan

WANG, Chao Ming

Accountant

HSU, Ming Chuan

Ex Securities Commission of the Ministry of Finance

Approved certification document No: (85)Tai Cai Zheng (6)  
No. 65945

Financial Supervisory Commission

Approved certification Document No: Jin Guan Zheng  
Shen Zi No. 1050029449

March 28<sup>th</sup>, 2019

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated Balance Sheet  
December 31<sup>st</sup>, 2018 and 2017

Unit: NTD in Thousands

Assets	Notes	December 31 <sup>st</sup> , 2018		December 31 <sup>st</sup> , 2017		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 3,994,104	5	\$ 12,748,547	12
1110	Financial assets at fair value through profit or loss - current	6(2)	64,879	-	-	-
1136	Financial assets measured by amortized cost - current	6(7)	22,372	-	-	-
1140	Contract assets - Current	6(23), 7 and 12(6)	714,791	1	-	-
1150	Net Notes Receivable	6(3) and 12(5)	140,366	-	264,117	-
1160	Note receivable – net amount of related party	7	941	-	8,760	-
1170	Net accounts receivable	6(3) and 12(5)	1,068,365	1	1,014,042	1
1180	Account receivable – net amount of related party	7	23,706	-	1,734	-
1190	Construction Contract Payment receivable	7 and 12(6)	-	-	480,625	1
1200	Other Receivable		9,542	-	80,341	-
1210	Other Receivable - Related Party	7	13,600	-	19,997	-
1220	Current tax assets		1,287	-	-	-
130X	Inventories	6(4) and 8	27,720,538	32	28,816,029	28
1410	Prepaid Expenses	6(13)	238,105	-	406,231	-
1470	Other Current Assets	6(5) and 8	908,331	1	729,166	1
11XX	<b>Total Current Assets</b>		<u>34,920,927</u>	<u>40</u>	<u>44,569,589</u>	<u>43</u>
<b>Non-Current Assets</b>						
1517	Financial assets at fair value through other consolidated profit or loss – non-current	6(6) and 8	4,694,131	5	-	-
1523	Available-for-sale Financial Assets – non-current	12(5)	-	-	4,355,549	4
1535	Financial assets measured by amortized cost – Non-current	6(7)	560,000	1	-	-
1543	Financial Assets Carried at Cost – Non-Current	8 and 12(5)	-	-	628,009	1
1546	Debt instrument investment without active market - non-current	12(5)	-	-	560,000	1
1550	Investments adopting the Equity Method	6(8) and 8	21,611,442	25	30,061,400	29
1600	Real estate properties, plants and equipment	6(9) and 8	4,105,951	5	4,008,905	4
1760	Net value of investment properties	6(10) and 8	12,691,233	15	12,013,376	11
1780	intangible assets	6(11)	224,106	-	220,222	-
1840	deferred tax assets	6(30)	268,225	-	236,796	-
1930	Long term notes and payments receivable	6(33)	515,643	1	552,816	-
1990	Other non-current Assets - Others	6(13) and 8	6,728,868	8	6,950,092	7
15XX	<b>Total Non-current Assets</b>		<u>51,399,599</u>	<u>60</u>	<u>59,587,165</u>	<u>57</u>
1XXX	<b>Total Assets</b>		<u>\$ 86,320,526</u>	<u>100</u>	<u>\$ 104,156,754</u>	<u>100</u>

(Continue to the following page)

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated Balance Sheet  
December 31<sup>st</sup>, 2018 and 2017

Unit: NTD in Thousands

Liabilities and Equity	Notes	December 31 <sup>st</sup> , 2018		December 31 <sup>st</sup> , 2017		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-Term loan	6(14) and 8	\$ 880,000	1	\$ 12,930,000	12
2110	Short term notes payable	6(15) and 8	699,795	1	5,835,748	6
2130	Contract liabilities - current	6(23), 7 and 12(6)	1,042,024	1	-	-
2150	Notes Payable		360,919	-	422,826	-
2160	Notes Payable – related party	7	2,670	-	25,810	-
2170	Accounts Payable		1,487,907	2	1,595,283	2
2180	Account Payable - Related Party	7	4,890	-	84,839	-
2190	Construction Contract account payable	7 and 12(6)	-	-	354,211	-
2200	Other Payable		907,833	1	913,399	1
2230	Current tax liabilities		823,420	1	2,052,755	2
2300	Other Current Liabilities	6(16) and 7	7,203,906	8	7,423,357	7
21XX	<b>Total Current Liabilities</b>		<u>13,413,364</u>	<u>15</u>	<u>31,638,228</u>	<u>30</u>
<b>Non-current liabilities</b>						
2540	Long-term Loan	6(16) and 8	33,793,940	39	17,027,951	16
2570	Deferred tax liabilities	6(30)	1,375,204	2	634,499	1
2610	Long term notes and account payable	6(13)	623,258	1	559,361	-
2670	Other non-current liabilities - Others	6(17), (18)	1,835,746	2	1,648,056	2
25XX	<b>Total Non-Current Liabilities</b>		<u>37,628,148</u>	<u>44</u>	<u>19,869,867</u>	<u>19</u>
2XXX	<b>Total Liabilities</b>		<u>51,041,512</u>	<u>59</u>	<u>51,508,095</u>	<u>49</u>
<b>Equity</b>						
<b>Equity attributable to owners of the parent company</b>						
<b>Capital</b>						
3110	Common stock	6(19)	10,032,540	12	16,720,900	16
<b>Capital Reserve</b>						
3200	Capital Reserve	6(20)	18,013,510	21	17,986,504	17
<b>Retained Earnings</b>						
3310	Legal reserves	6(21)	4,829,705	6	3,719,263	4
3320	Special reserves		17,450,088	20	17,447,134	17
3350	Undistributed earnings		13,066,788	15	11,104,418	11
<b>Other Equities</b>						
3400	Other Equities	6(22)	( 32,411,659)	( 38)	( 18,396,258)	( 18)
3500	Treasury stock	6(19)	( 84,639)	-	( 105,200)	-
31XX	<b>Total equity attributable to owners of the parent company</b>		<u>30,896,333</u>	<u>36</u>	<u>48,476,761</u>	<u>47</u>
36XX	<b>Non-controlling interests</b>	6(31)	<u>4,382,681</u>	<u>5</u>	<u>4,171,898</u>	<u>4</u>
3XXX	<b>Total Equity</b>		<u>35,279,014</u>	<u>41</u>	<u>52,648,659</u>	<u>51</u>
<b>Significant contingent liabilities and unrecognized contractual commitments</b>						
<b>Matters after the major period</b>						
3X2X	<b>Total liabilities and Equity</b>		<u>\$ 86,320,526</u>	<u>100</u>	<u>\$ 104,156,754</u>	<u>100</u>

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated Statement of comprehensive Income  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands  
(Except for earnings per share of NTD)

Item	Notes	2018		2017	
		Amount	%	Amount	%
4000 <b>Operation income</b>	6(23) and 7	\$ 14,859,430	100	\$ 10,912,476	100
5000 <b>Operation cost</b>	6(4), (18), (24), (28), (29) and 7	( 11,172,350)	( 75)	( 8,234,810)	( 76)
5900 <b>Gross Margin</b>		<u>3,687,080</u>	<u>25</u>	<u>2,677,666</u>	<u>24</u>
<b>Operating Expenses</b>	6(18), (28), (29) and 7				
6100 Selling Expenses		( 762,142)	( 5)	( 715,314)	( 6)
6200 General and Administrative Expenses		( 879,736)	( 6)	( 853,659)	( 8)
6300 Research & Development Expenses		( 71,496)	( 1)	( 73,652)	( 1)
6450 Expected credit impairment loss	6(28)	( 3,607)	-	-	-
6000 <b>Total Operating Expenses</b>		( 1,716,981)	( 12)	( 1,642,625)	( 15)
6900 <b>Operating profit</b>		<u>1,970,099</u>	<u>13</u>	<u>1,035,041</u>	<u>9</u>
<b>Non-operating income and expenses</b>					
7010 Other Income	6(7),(25)	544,949	4	222,486	2
7020 Other Profits and Losses	6(26)	30,445	-	( 216,941)	( 2)
7050 Financial Costs	6(27)	( 356,944)	( 2)	( 293,050)	( 3)
7060 Share of the profit or loss of associates and joint ventures accounted for using the equity method:	6(8)	<u>10,097,636</u>	<u>68</u>	<u>13,273,438</u>	<u>122</u>
7000 <b>Total non-operating income and expenses</b>		<u>10,316,086</u>	<u>70</u>	<u>12,985,933</u>	<u>119</u>
7900 <b>Profit before Income Tax</b>		<u>12,286,185</u>	<u>83</u>	<u>14,020,974</u>	<u>128</u>
7950 Income tax expenses	6(30)	( 1,839,005)	( 13)	( 2,510,716)	( 23)
8000 <b>Net profit for the period of the continued business unit</b>		<u>10,447,180</u>	<u>70</u>	<u>11,510,258</u>	<u>105</u>
8100 Loss from ceased business units	6(12)	-	-	( 171)	-
8200 <b>Net Income Current Period</b>		<u>\$ 10,447,180</u>	<u>70</u>	<u>\$ 11,510,087</u>	<u>105</u>

(Continue to the following page)

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated Statement of comprehensive Income  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands  
(Except for earnings per share of NTD)

Item	Notes	2018		2017		
		Amount	%	Amount	%	
<b>Other consolidated profit and loss (net)</b>						
<b>Items not to be reclassified into profit or loss</b>						
8311	Remeasurement of defined benefit plan	6(18)	\$ 16,753	-	(\$ 2,957)	-
8316	Equity instrument investments measured at fair value through other comprehensive gains and losses unrealized the assessed profit or loss	6(6)	( 396,643)	( 3)	-	-
8320	Shares of other comprehensive gains and losses that are recognized by the equity method of related entities and joint ventures - items not reclassified into profit or loss	6(21)	( 93,931)	-	( 57,901)	-
8349	Income tax related to items not reclassified into profit or loss	6(21), (30)	50,602	-	( 3,116)	-
8310	<b>Total amount of items not reclassified into profit or loss</b>		( 423,219)	( 3)	( 63,974)	-
<b>Items that may be subsequently reclassified into profit or loss</b>						
8361	Financial statements translation differences of foreign operations		254,602	2	( 693,481)	( 6)
8362	The financial asset for sale has not realized the assessed profit or loss	12(5)	-	-	( 99,224)	( 1)
8370	Shares of other comprehensive gains and losses that are recognized by the equity method of related entities and joint ventures - items maybe reclassified into profit or loss	6(22)	( 36,551,302)	( 246)	5,593,432	51
8399	Income tax relating to items that may be reclassified subsequently	6(30)	12,160	-	24,014	-
8360	<b>Total amount of items that may be reclassified into profit or loss at later stage.</b>		( 36,284,540)	( 244)	4,824,741	44
8300	<b>Other consolidated profit</b>		( \$ 36,707,759)	( 247)	\$ 4,760,767	44

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated Statement of comprehensive Income  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands  
(Except for earnings per share of NTD)

	<b>and loss (net)</b>					
8500	<b>Total Comprehensive Income Current Period</b>		<u>(\$ 26,260,579)</u>	<u>( 177)</u>	<u>\$ 16,270,854</u>	<u>149</u>
	<b>The Net Profit belongs to:</b>					
8610	Owner of the parent company		<u>\$ 9,932,094</u>	<u>67</u>	<u>\$ 11,164,638</u>	<u>102</u>
8620	Non-controlling interests		<u>\$ 515,086</u>	<u>3</u>	<u>\$ 345,449</u>	<u>3</u>
	<b>Comprehensive Income attributed to:</b>					
8710	Owner of the parent company		<u>(\$ 26,771,376)</u>	<u>( 180)</u>	<u>\$ 16,030,671</u>	<u>147</u>
8720	Non-controlling interests		<u>\$ 510,797</u>	<u>3</u>	<u>\$ 240,183</u>	<u>2</u>
	<b>Basic earnings per share</b>	6(32)				
9710	Net profit of continued operation unit		\$	7.22	\$	6.91
9720	Net profit of ceased operation unit			-		-
9750	<b>Sum of basic earnings per share</b>		<u>\$</u>	<u>7.22</u>	<u>\$</u>	<u>6.91</u>
	<b>Diluted earnings per share</b>	6(32)				
9810	Net profit of continued operation unit		\$	7.22	\$	6.90
9820	Net profit of ceased operation unit			-		-
9850	<b>Sum of diluted earnings per share</b>		<u>\$</u>	<u>7.22</u>	<u>\$</u>	<u>6.90</u>

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated statement of changes in Equity  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands

	Notes	Equity attributable to owners of the parent company							Non-controlling interests	Total equity	
		Common stock	Capital Reserve	Retained Earnings		Undistributed earnings	Other Equities	Treasury stock			Total
				Legal reserves	Special reserves						
<u>2017</u>											
Balance as of January 1 <sup>st</sup> , 2017		\$ 13,934,083	\$ 17,900,583	\$ 2,929,448	\$ 13,128,571	\$ 7,898,149	(\$ 23,325,465 )	(\$ 105,200 )	\$ 32,360,169	\$ 3,977,909	\$ 36,338,078
Net Income for the year ended December 31, 2017	6(31)	-	-	-	-	11,164,638	-	-	11,164,638	345,449	11,510,087
Other comprehensive Income	6(21), (22)	-	-	-	-	( 63,174 )	4,929,207	-	4,866,033	( 105,266 )	4,760,767
Total Comprehensive Income for the year ended December 31, 2017		-	-	-	-	11,101,464	4,929,207	-	16,030,671	240,183	16,270,854
Surplus allocation and distribution of 2016's profits:	6(21)										
Legal reserves		-	-	789,815	-	( 789,815 )	-	-	-	-	-
Special reserves		-	-	-	4,318,563	( 4,318,563 )	-	-	-	-	-
Stock dividends	6(19)	2,786,817	-	-	-	( 2,786,817 )	-	-	-	-	-
Changes in related companies and joint ventures recognized using the equity method	6(20)	-	86,001	-	-	-	-	-	86,001	-	86,001
Changes in the ownership interest of subsidiaries	6(20)	-	( 80 )	-	-	-	-	-	( 80 )	-	( 80 )
The difference between the actual obtained or disposed price in equity of the subsidiaries and its value on the book	6(31)	-	-	-	-	-	-	-	-	371,452	371,452
Reduction in non-control interest	6(31)	-	-	-	-	-	-	-	-	( 417,646 )	( 417,646 )
Balance as of December 31 <sup>st</sup> , 2017		\$ 16,720,900	\$ 17,986,504	\$ 3,719,263	\$ 17,447,134	\$ 11,104,418	(\$ 18,396,258 )	(\$ 105,200 )	\$ 48,476,761	\$ 4,171,898	\$ 52,648,659
<u>2018</u>											
Balance as of January 1 <sup>st</sup> , 2018		\$ 16,720,900	\$ 17,986,504	\$ 3,719,263	\$ 17,447,134	\$ 11,104,418	(\$ 18,396,258 )	(\$ 105,200 )	\$ 48,476,761	\$ 4,171,898	\$ 52,648,659
Impact of retrospective application and retrospective restatement	12(5)	-	-	-	-	( 193,654 )	19,369,575	-	19,175,921	26,313	19,202,234
Restatement balance as of January 1 <sup>st</sup> , 2018		16,720,900	17,986,504	3,719,263	17,447,134	10,910,764	973,317	( 105,200 )	67,652,682	4,198,211	71,850,893
Net Income for the year ended December 31, 2018	6(31)	-	-	-	-	9,932,094	-	-	9,932,094	515,086	10,447,180
Other comprehensive Income	6(21), (22)	-	-	-	-	( 80,498 )	( 36,622,972 )	-	( 36,703,470 )	( 4,289 )	( 36,707,759 )
Total Comprehensive Income for the year ended December 31, 2018		-	-	-	-	9,851,596	( 36,622,972 )	-	( 26,771,376 )	510,797	( 26,260,579 )
Capital reduction	6(19)	( 6,688,360 )	-	-	-	-	-	8,552	( 6,679,808 )	-	( 6,679,808 )
Surplus allocation and distribution of 2017's profits:	6(21)										
Legal reserves		-	-	1,110,442	-	( 1,110,442 )	-	-	-	-	-
Special reserves		-	-	-	2,954	( 2,954 )	-	-	-	-	-

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated statement of changes in Equity  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands

	Notes	Equity attributable to owners of the parent company							Non-controlling interests	Total equity	
		Common stock	Capital Reserve	Legal reserves	Special reserves	Undistributed earnings	Other Equities	Treasury stock			Total
Cash dividends		-	-	-	-	( 3,344,180 )	-	-	( 3,344,180 )	-	( 3,344,180 )
Out of date dividends unclaimed by shareholders	6(20)	-	9,205	-	-	-	-	-	9,205	-	9,205
Changes in related companies and joint ventures recognized using the equity method	6(19), (20)	-	17,801	-	-	-	-	12,009	29,810	-	29,810
Dispose of Equity instruments measured at fair value through other comprehensive gains and losses	6(21)	-	-	-	-	( 3,237,996 )	3,237,996	-	-	-	-
The difference between the actual obtained or disposed price in equity of the subsidiaries and its value on the book	6(31)	-	-	-	-	-	-	-	-	33,239	33,239
Reduction in non-control interest	6(31)	-	-	-	-	-	-	-	-	( 359,566 )	( 359,566 )
Balance as of December 31 <sup>st</sup> , 2018		<u>\$ 10,032,540</u>	<u>\$ 18,013,510</u>	<u>\$ 4,829,705</u>	<u>\$ 17,450,088</u>	<u>\$ 13,066,788</u>	<u>(\$ 32,411,659 )</u>	<u>(\$ 84,639 )</u>	<u>\$ 30,896,333</u>	<u>\$ 4,382,681</u>	<u>\$ 35,279,014</u>



Ruentex Development Co., Ltd., and subsidiaries  
Consolidated Statement of Cash Flow  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands  
2017

	Notes	2018	2017
<u>Cash flow of operating activities</u>			
Net profit of continued operating unit before tax		\$ 12,286,185	\$ 14,020,974
Net loss of ceased operating unit before tax		-	( 171 )
Profit before Income Tax		12,286,185	14,020,803
Adjustment item			
Income and expenses item			
Depreciation	6(28)	544,050	507,402
Amortization	6(28)	19,802	29,179
Expected credit impairment loss	6(28)	3,607	-
Amount of bad debts relisted as income	12(5)	-	6,730
Interest Expense	6(27)	356,944	293,050
Long term prepaid rent – amount on royalties relisted as expenses	6(13)	28,144	3,688
Interest Income	6(25)	( 194,522 )	( 31,793 )
Dividend income	6(25)	( 173,658 )	( 37,724 )
Share of the interests of related companies recognized by the equity method	6(8)		
Disposition of investment loss	6(26)	( 10,097,636 )	( 13,273,438 )
Disposition of subsidiaries' interest	6(26)	-	172
Disposition of interest in real estate, plant and equipment	6(26)	-	( 28,768 )
Assessed interest of the financial assets at fair value through profit or loss	6(2), (26)	( 116 )	( 221 )
Financial asset impairment loss (interest) loss	6(26)	( 30 )	-
Liquidation loss	6(26)	( 4,185 )	105,638
Long term prepaid rent impairment loss	6(13), (26)	22,100	-
Reversal of overdue interest payables	6(25)	200,000	-
Other Income	6(25)	( 2,248 )	( 12,520 )
		( 53,323 )	( 32,263 )
Changes in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Contract assets - Current		67,667	-
Notes Receivable		123,751	( 62,696 )
Notes Receivable – related party		7,819	1,192
Accounts Receivable	(	359,461 )	153,892
Accounts Receivable – related Party	(	22,310 )	3,827
Construction Contract Payment receivable		-	31,186
Other Receivable		67,551	( 67,777 )
Other accounts receivable – related Party		7,490	( 4,027 )
Inventories		247,134	( 5,812,866 )
Prepaid Expenses		171,534	( 54,790 )
Other Current Assets	(	4,552 )	2,209
Long term notes and payments receivable		37,173	33,451
Other non-current Assets	(	5,389 )	3,319
Net change in liabilities related to operating activities			
Contract Liabilities - Current		350,534	-
Notes Payable	(	61,903 )	( 72,356 )
Notes Payable – related Party	(	23,140 )	25,281
Accounts Payable	(	107,540 )	( 497,426 )
Accounts Payable – related Party	(	79,949 )	52,447
Construction Contract account payable		-	( 90,624 )
Other Payable		1,920	59,211
Other Current Liabilities		64,243	249,921
Long term notes and account payable		63,897	70,788
Other Non-current Liabilities		199,440	( 6,982 )
Cash inflow (outflow) from operations		3,681,023	( 4,432,885 )
Interest received		196,677	30,871
Amount of interest Paid	(	579,354 )	( 554,812 )
Dividend received		802,012	12,014,278
Income Taxes Paid	(	2,301,596 )	( 340,703 )
Cash inflow from operating activities		1,798,762	6,716,749

(Continue to the following page)

Ruentex Development Co., Ltd., and subsidiaries  
Consolidated Statement of Cash Flow  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands  
2017

	Notes	2018	2017
<u>Cash flow of investment activities</u>			
Acquisition of financial assets for sale		\$ -	(\$ 73,454)
Return cost of financial assets measured by cost		-	3,443
Acquisition of financial assets carried at cost	12(5)	-	( 49,175 )
Acquisition of Financial assets at fair value through profit or loss - Current		( 64,849 )	-
Return the costs of financial assets at fair value through profit or loss	6(2)	4,185	-
Acquisition of Financial assets measured as amortized cost - Current		( 22,372 )	-
Return of funds to reduced financial assets measured at fair value through other comprehensive gains and losses	6(6)	152,366	-
Investment accounted for under the equity method	6(8)	( 87,500 )	( 100,000 )
Return of funds to reduced investment adopting the Equity method	6(8)	558,291	132,897
Investment in real estate properties, plants, and equipment	6(9)	( 216,765 )	( 194,425 )
Disposal the payment of real estate, plants, and equipment		272	580
Acquisition of investment real property	6(34)	( 26,767 )	( 403,950 )
Investment in intangible assets	6(34)	( 20,959 )	( 46,758 )
Other increase in financial assets		( 186,144 )	( 4,958,647 )
Disposal of subsidiaries	6(34)	-	103,644
The cash amount transferred from disposing subsidiaries	6(34)	-	( 103,651 )
Net cash inflow (outflow) of the investment activities		<u>89,758</u>	<u>( 5,689,496 )</u>
<u>Cash flow from financing activities</u>			
Net increase (decrease) of short-term loan		( 12,050,000 )	8,090,000
Net increase (decrease) of short-term notes payable		( 5,135,953 )	2,277,183
Amount of long-term loan		29,173,475	16,021,212
Amount of repayments to long term loan		( 12,298,762 )	( 17,974,955 )
Increase of the guarantee fund		6,729	51,356
Cash dividends paid	6(21)	( 3,344,180 )	-
Non-controlling interests activities		( 326,327 )	( 46,194 )
Cash reduction	6(19)	( 6,688,360 )	-
Net cash inflow (out flow) of financing activities		<u>( 10,663,378 )</u>	<u>8,418,602</u>
The effect of changes of foreign exchange rates		<u>20,415</u>	<u>( 25,022 )</u>
Increase (decrease) of cash and cash equivalents – current period		( 8,754,443 )	9,420,833
Cash and cash equivalents at beginning of year		<u>12,748,547</u>	<u>3,327,714</u>
Cash and cash equivalents at the end of year		<u>\$ 3,994,104</u>	<u>\$ 12,748,547</u>

## Independent Auditors' Report

(2019) Cai Shen Bao Zi No. 18004383

To: Ruentex Development Co., Ltd.

### **Audit opinion**

The individual balance sheet of 2018 and as of December 31<sup>st</sup>, 2017, and the Individual comprehensive profit and loss statements of 2018 and as from January 1st to December 31st, 2017, individual interest change statement, individual cash flow statement, and individual financial statement notes (including major accounting policy summary) of Ruentex Development Co., Ltd. (hereinafter referred to as "Ruentex Development Company"), have been audited by the accountant.

Based on the opinion of the accountant, based on the audit results of the accountant and the audit report of other accountants (please refer to the sections of other matters), the individual financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial by Securities Issuers" in all material respects. It is sufficient to reflect the individual financial status of Ruentex Development Company in 2018 and as of December 31, 2017, and the individual financial performance and individual cash flow of 2018 and from January 1<sup>st</sup> to December 31<sup>st</sup>, 2017.

### **Basis of the Audit opinion**

The accountant performed the audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the generally accepted auditing standards of the Republic of China. The accountability of the accountants under these standards will be further explained in the accountability section of the accountant's audit of the consolidated financial statements. The accountant is affiliated with a firm and is independent. The accountant has complied with the code of professional ethics of the Republic of China, and remains independent from Ruentex Group and fulfilled all other responsibilities under the norm. Based on the audit results of the accountants and the audit reports of other accountants, the accountant believes that sufficient and appropriate evidence of the audit has been obtained as the basis for expressing the opinion.

### **Key audit matters**

The key auditing matters refer to the most important matters in the audit of the consolidated financial statements of 2018 of Ruentex Group in accordance with the

professional judgment of the accountant. These matters have been dealt with in the process of auditing the overall consolidated financial statements and forming an audit opinion. The accountant will not provide a separate opinion on these matters.

The key audit matters of Ruentex Group's consolidated financial statements of 2018 are as follows:

## **The accuracy of calculation of the investment balance by using the equity method**

### Description of the matter

On December 31<sup>st</sup>, 2018, the investment of Ruentex Development Company adopted the equity method amount to NTD29,133,278 thousand accounting for 44.40% of the total assets. For the accounting policies of the investment using the equity method, please refer to Note 4(13) of the individual financial statements. For the accounting item description, please refer to Note 6(7) of the individual financial statements.

Because the investment using the equity method is spread domestically and abroad and involves multiple levels and intersect holdings, it is more complicated to calculate. Because the amount is significant and requires a lot of manpower for auditing, hence, the accountant considers that accuracy of the investment balance by using the equity method shall be one of the most important matters for this year's audit.

### Corresponding Audit Procedures

The accountant's summarized auditing procedures for the key audit matters of the abovementioned are as follows:

1. Assessing the consistency of the management's internal control over the investment using the equity method and its accounting dealings.
2. Obtaining the investment profit and loss statement and equity itemized account calculation form provided by the management and the annual financial statements of the investee company certified by the auditor, and the investment profit and loss and equity account amounts are recalculated and properly accounted for.

## **The assessment of the investment balance by using the equity method**

For investment accounting policies using the equity method, please refer to Note 4(13) of the individual financial statement. For the accounting item description, please refer to Note 6(7) of the individual financial statement.

On December 31<sup>st</sup>, 2018, Ruentex Development Company used the equity method to evaluate the subsidiary, Ruentex Engineering & Construction Co., Ltd. (hereinafter referred to as "Ruentex E&C"), considering the comprehensive shareholding, due to the investment

balance adopting equity method and the investment interests recognized in 2018 have a significant impact on the financial statements of Ruentex Development Company, hence, the accountant considered that the most important matters for the key audit were Recognition of project revenue--evaluation the degree of completion; and the accuracy of the recognition of the construction cost at that time. The key auditing matters of the company are described as follows:

## **Recognition of Project Revenue - Assessment of the degree of completion of the project**

### Description of the matter

The revenue recognition of Ruentex E&C is calculated based on the percentage of completion method during the construction contract period. The degree of completion refers to the cost incurred in each construction contract as of the end of the financial reporting period, accounting for the estimated total contract cost of the project in percentage. The estimated total cost of the above estimate is calculated by Ruentex E&C based on the measurement unit of the owner's building structure diagram and the fluctuation of the market conditions at the time, and the estimated project costs such as sub-contracting and material and labor costs to be invested.

As the estimated total project cost affects the recognition of the degree of completion and project revenue, and the total cost of the project is complex and often involving a high degree of estimation, it results in significant uncertainty. Hence, the accountant believes that the project revenue recognition is assessed by the completion of the project. It is listed as one of the most important key matters for this year's audit.

### Corresponding Audit Procedures

The accountant's summarized auditing procedures for the key audit matters of the above-mentioned degree of completion are as follows:

1. Based on the understanding of Ruentex E&C's operation and industrial nature, assessing the internal operating procedures used to estimate the total project cost, including the owner's building structure diagram and other units of measurement to determine the cost of each project (sub-contracting, material and labor costs), and the consistency of assessment methods.

2. Assessing and testing management's internal control procedures for recognizing project revenue based on the degree of completion of the project, including verification of supporting documents for the current additional or reduction works and major project valuation.
3. Field observations and interviews at the major construction sites which were still ongoing at the end of the period.
4. Carrying out the relevant verification procedures on the project profit and loss statement at the end of the period, including the random audit of the current cost occurrence number to the appropriate certification, the additional or reduction construction project to the supporting documents, and the recalculation of the project income recognized by the degree of completion and having been properly accounted for.

## **The accuracy of the recognition of construction Costs**

### Description of the matter

The construction costs incurred by Ruentex E&C as of the end of the financial reporting period are estimated based on the construction progress and acceptance results. The process of recognizing the construction costs usually involves whether the construction engineers have conducted the process of acceptance and valuation based on the actual construction progress. In the case of the acceptance and valuation was not implemented properly causing a difference in recognition of the construction costs which would have a huge impact on the financial statements. Therefore, the accountant considers the accuracy of the recognition of the construction cost as one of the most important matters for the annual audit.

### Corresponding Audit Procedures

The accountant's summarized auditing procedures for the key audit matters of the abovementioned are as follows:

1. Understanding and testing the management's recognition process of Construction costs, which has been implemented according to the company's internal control operations, including the construction personnel having assessed and accepted the construction progress, being confirmed by the supervisor with authority, and submitted to the accounting department for accounting.
2. Cut off test on the execution of construction input costs, during a period between the end

of the period close to the end of the financial reporting period, including checking the acceptance record, verifying the accuracy of the construction valuation, and confirming that the project input cost has been recorded in the appropriate period.

### **Other matters – mention other accountants’ audit**

The investee companies that adopt the equity method appeared in the part of the above-mentioned individual financial statements. Their financial statements were not audited by the accountant but were audited by other accountants. Therefore, among the opinions expressed by the accountant on the individual financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. The investment balances of the above-mentioned companies using the equity method in 2018 and as of December 31<sup>st</sup>, 2017 were NTD7,620,785 thousand and NTD8,074,951 thousand respectively, accounting for 11.62% and 9.64% of the total assets. The share of the profit and loss of subsidiaries, affiliated companies, and joint ventures and other comprehensive gains and losses recognized by the equity method were NTD2,363,845 thousand and NTD8,769,137 thousand of 2018 and from January 1<sup>st</sup> to December 31<sup>st</sup>, 2017 respectively. Each accounted for 8.83% and 54.70% of the consolidated profit and loss.

### **Responsibility of the management and governing unit for individual financial statements**

The management's responsibility is to prepare individual financial statements in accordance with the “Regulations Governing the Preparation of Financial by Securities Issuers” and maintain internal control relating to the individual financial statements to ensure that the individual financial statements do not contain significant misrepresentations resulting from fraud or error.

In the preparation of the individual financial statements, the management's responsibilities also include an assessment of the ability of the Ruentex Development Company to continue its operations, the disclosure of related matters, and the adoption of the continuing accounting basis, unless the management intends to liquidate Ruentex Development Company or cease operations, or no other practical options except for liquidation or closure.

The governing unit of Ruentex Development Company (including the Audit Committee) has the responsibility in overseeing the financial reporting process.



### **Accountant's responsibility in auditing individual financial statements.**

The purpose of the accountant's auditing of the individual financial statements is to obtain reasonable assurance on whether there is material misrepresentation of fraud or error in the individual financial statements as a whole and to issue an audit report. Reasonable assurance is highly convincing, however, the verification work performed in accordance with the generally accepted auditing standards of the Republic of China cannot guarantee that the significant misrepresentation of the individual financial statements will be detected. Misstatements may result from fraud or error. If the individual amount or summary of the misrepresentation is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered material.

When the accountant conducts the audit in accordance with the generally accepted auditing standards of the Republic of China, he/she uses professional judgment and maintains professional suspicion. We have also conducted the following tasks:

1. Identify and assess risks of the significant misrepresentation of the individual financial statements as a result of fraud or error, design and implement appropriate response measures for the assessed risks, and obtain sufficient and appropriate evidence to verify the basis of the opinion. As fraud may involve conspiracy, forgery, deliberate omission, misstatement, or be beyond the internal control, the risk of not being able to detect a misstatement due to fraud is higher than that caused by error.
2. Obtaining the necessary knowledge of the internal controls related to the audit to design appropriate audit procedures at the time, and the purpose is not to express an opinion on the effectiveness of the internal control of Ruentex Development Company.
3. To assess the appropriateness of the accounting policies adopted by the management, as well as whether the accounting estimates and related disclosures are reasonable.
4. Based on the audit evidence obtained, the management has adopted the appropriateness of the basis of continuing operations accounting and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of Ruentex Development Company to continue to operate, and draw conclusions. If

the accountant believes that there is a material uncertainty in the events or circumstances, it is necessary to remind the users of the individual financial statements to pay attention to the relevant disclosures in the individual financial statements in the audit report, or to amend the audit opinions when the disclosure is inappropriate. Our conclusion is based on the audit evidences obtained on the date of the auditor's independent report. However, future events or circumstances may cause Ruentex Development Company to no longer have the ability to continue to operate.

5. Evaluate the overall expression, structure, and content of the individual financial statements (including related notes) and whether the individual financial statements expressed relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of the composition of individuals of the Ruentex Development Company to express an opinion on the individual financial statements. We are responsible for the guidance, supervision, and implementation of the individual's audit, as well as the forming of audit opinions.

The matters that the accountant communicated with the governing unit, including the planned scope and time of the audit, as well as major audit findings (including significant lack of internal control identified during the audit process).

The accountant also provides the declaration of independence to the governing unit stating that the accounting firm is subject to the personnel independence, and has complied with the code of professional ethics of the Republic of China, and communicated with the governing unit all relationships that may be considered to affect the independence of the accountant and other matters (including related protective measures).

Base on the matters communicated with the governing unit, the accountant decided to audit the Ruentex Development Company on the key auditing matters for its individual financial statements for the 2018. We will make known such matters in the audit report unless the laws and regulations do not allow public disclosure of any particular matter or, in rare cases, we decide not to communicate a particular matter in the audit report, as we can reasonably expect a negative impact from such communication will outweigh the benefit to increase the public interest.

PricewaterhouseCoopers Taiwan

WANG, Chao Ming

Accountant

HSU, Ming Chuan

Ex Securities Commission of the Ministry of Finance  
Approved certification document No: (85)Tai Cai Zheng (6)  
No. 65945

Financial Supervisory Commission  
Approved certification Document No: Jin Guan Zheng  
Shen Zi No. 1050029449

March 28<sup>th</sup>, 2019

Ruentex Development Co., Ltd  
Balance Sheets  
December 31<sup>st</sup>, 2018 and 2017

Unit: NTD in Thousands

Assets	Notes	December 31 <sup>st</sup> , 2018		December 31 <sup>st</sup> , 2017		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,581,300	4	\$ 11,467,563	14
1150	Net Notes Receivable	6(2)	2,053	-	93,463	-
1170	Net accounts receivable	6(2) and 12(4)	20,331	-	12,794	-
1200	Other Receivable		6,592	-	69,931	-
1210	Other Receivable - Related Party	7	4,707	-	11,471	-
130X	Inventories	6(3) and 8	23,332,148	36	24,679,946	29
1410	Prepaid Expenses		74,571	-	245,444	-
1470	Other Current Assets	6(4) and 8	262,700	-	438,492	1
11XX	<b>Total Current Assets</b>		<u>26,284,402</u>	<u>40</u>	<u>37,019,104</u>	<u>44</u>
<b>Non-Current Assets</b>						
1517	Financial assets at fair value through other consolidated profit or loss – non-current	6(5) and 8	2,819,599	4	-	-
1523	Available-for-sale Financial Assets – non-current	12(4)	-	-	2,549,466	3
1535	Financial assets measured by amortized cost – Non-current	6(6)	60,000	-	-	-
1543	Financial Assets Carried at Cost – Non-Current	8 and 12(4)	-	-	391,946	1
1546	Debt instrument investment without active market - non-current	12(4)	-	-	60,000	-
1550	Investments adopting the Equity Method	6(7) and 8	29,133,278	45	37,524,738	45
1600	Real estate properties, plants and equipment	6(8)	33,656	-	41,384	-
1760	Net value of investment properties	6(9) and 8	1,960,861	3	897,174	1
1840	deferred tax assets	6(26)	213,379	-	167,282	-
1900	Other non-current Assets	6(10) and 8	5,104,119	8	5,090,512	6
15XX	<b>Total Non-current Assets</b>		<u>39,324,892</u>	<u>60</u>	<u>46,722,502</u>	<u>56</u>
1XXX	<b>Total Assets</b>		<u>\$ 65,609,294</u>	<u>100</u>	<u>\$ 83,741,606</u>	<u>100</u>

(Continue to the following page)

Ruentex Development Co., Ltd  
Balance Sheets  
December 31<sup>st</sup>, 2018 and 2017

Unit: NTD in Thousands

Liabilities and Equity		Notes	December 31 <sup>st</sup> , 2018		December 31 <sup>st</sup> , 2017	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2100	Short-Term loan	6(11) and 8	\$ 710,000	1	\$ 12,640,000	15
2110	Short term notes payable	6(12) and 8	179,958	-	5,475,975	7
2130	Contract liabilities - current	6(19), 7 and 12(5)	384,280	1	-	-
2150	Notes Payable		42,645	-	38,166	-
2160	Notes Payable – related party	7	6,178	-	75,121	-
2170	Accounts Payable		192,192	-	249,446	-
2180	Account Payable - Related Party	7	342,501	1	324,071	1
2200	Other Payable	7	325,108	1	311,289	-
2230	Current tax liabilities		649,077	1	1,980,753	2
2300	Other Current Liabilities	6(13), 7, 8 and 12(5)	<u>6,834,955</u>	<u>10</u>	<u>6,367,996</u>	<u>8</u>
21XX	<b>Total Current Liabilities</b>		<u>9,666,894</u>	<u>15</u>	<u>27,462,817</u>	<u>33</u>
<b>Non-current liabilities</b>						
2540	Long-term Loan	6(13) and 8	22,660,565	34	6,182,338	7
2570	Deferred tax liabilities	6(26)	1,341,451	2	591,735	1
2600	Other Non-current Liabilities	6(14)	<u>1,044,051</u>	<u>2</u>	<u>1,027,955</u>	<u>1</u>
25XX	<b>Total Non-Current Liabilities</b>		<u>25,046,067</u>	<u>38</u>	<u>7,802,028</u>	<u>9</u>
2XXX	<b>Total Liabilities</b>		<u>34,712,961</u>	<u>53</u>	<u>35,264,845</u>	<u>42</u>
<b>Equity</b>						
<b>Capital</b>						
3110	Common stock	6(15)	10,032,540	15	16,720,900	20
<b>Capital Reserve</b>						
3200	Capital Reserve	6(16)	18,013,510	27	17,986,504	22
<b>Retained Earnings</b>						
3310	Legal reserves	6(17)	4,829,705	7	3,719,263	4
3320	Special reserves		17,450,088	27	17,447,134	21
3350	Undistributed earnings		13,066,788	20	11,104,418	13
<b>Other Equities</b>						
3400	Other Equities	6(18)	( 32,411,659)	( 49)	( 18,396,258)	( 22)
3500	Treasury stock	6(7)(15)	<u>( 84,639)</u>	<u>-</u>	<u>( 105,200)</u>	<u>-</u>
3XXX	<b>Total Equity</b>		<u>30,896,333</u>	<u>47</u>	<u>48,476,761</u>	<u>58</u>
<b>Significant contingent liabilities 9</b>						
<b>and unrecognized contractual</b>						
<b>commitments</b>						
<b>Matters after the major period 11</b>						
3X2X	<b>Total liabilities and Equity</b>		<u>\$ 65,609,294</u>	<u>100</u>	<u>\$ 83,741,606</u>	<u>100</u>

Ruentex Development Co., Ltd  
Statement of comprehensive Income  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands  
(Except for earnings per share of NTD)

Item	Notes	2018		2017	
		Amount	%	Amount	%
4000 <b>Operation income</b>	6(19) and 7	\$ 5,834,768	100	\$ 6,980,281	100
5000 <b>Operation cost</b>	6(3)(20)(24)(25) and 7	( 4,333,022)	( 75)	( 6,154,681)	( 88)
5950 <b>Operating Gross profit</b>		<u>1,501,746</u>	<u>25</u>	<u>825,600</u>	<u>12</u>
<b>Operating Expenses</b>	6(14)(24)(25) and 7				
6100 Selling Expenses		( 602,532)	( 10)	( 579,486)	( 8)
6200 General and Administrative Expenses		( 225,738)	( 4)	( 232,341)	( 4)
6450 Expected credit impairment loss	6(24)	( 262)	-	-	-
6000 <b>Total Operating Expenses</b>		<u>( 828,532)</u>	<u>( 14)</u>	<u>( 811,827)</u>	<u>( 12)</u>
6900 <b>Operating profit</b>		<u>673,214</u>	<u>11</u>	<u>13,773</u>	<u>-</u>
<b>Non-operating income and expenses</b>					
7010 Other Income	6(6)(21) and 7	199,430	3	36,801	1
7020 Other Profits and Losses	6(22)	258,179	4	( 130,857)	( 2)
7050 Financial Costs	6(23)	( 196,068)	( 3)	( 142,355)	( 2)
7070 Share of other comprehensive gains and losses of subsidiaries, affiliates and joint ventures recognized using the Equity method	6(7)	<u>10,536,970</u>	<u>181</u>	<u>13,708,887</u>	<u>196</u>
7000 <b>Total non-operating income and expenses</b>		<u>10,798,511</u>	<u>185</u>	<u>13,472,476</u>	<u>193</u>
7900 <b>Profit before Income Tax</b>		<u>11,471,725</u>	<u>196</u>	<u>13,486,249</u>	<u>193</u>
7950 Income tax expenses	6(26)	( 1,539,631)	( 26)	( 2,321,611)	( 33)
8000 <b>Net profit for the period of the continued business unit</b>		<u>9,932,094</u>	<u>170</u>	<u>11,164,638</u>	<u>160</u>
8200 <b>Net Income Current Period</b>		<u>\$ 9,932,094</u>	<u>170</u>	<u>\$ 11,164,638</u>	<u>160</u>
<b>Other comprehensive income</b>					
<b>Items not to be reclassified into profit or loss</b>					
8311 Remeasurement of defined benefit plan	6(14)	\$ 3,845	-	( \$ 3,390)	-
8316 Equity instrument investments measured at fair value through other comprehensive gains and losses unrealized the assessed profit or loss	6(5)	( 337,490)	( 6)	-	-
8330 Share of other comprehensive gains and losses of subsidiaries, affiliates, and joint ventures recognized using the Equity method that are not be reclassified into profit or loss	6(17)	( 89,813)	( 1)	( 56,865)	( 1)
8349 Income tax related to items not reclassified into profit or loss	6(26)	<u>17,702</u>	<u>-</u>	<u>( 2,919)</u>	<u>-</u>
8310 <b>Total amount of items not reclassified into profit or loss</b>		<u>( 405,756)</u>	<u>( 7)</u>	<u>( 63,174)</u>	<u>( 1)</u>
<b>Items that may be subsequently reclassified into profit or loss</b>					
8361 Financial statements translation differences of foreign operations		218,071	4	( 626,509)	( 9)
8362 The financial asset for sale has not realized the assessed profit or loss	12(4)	-	-	33,930	1
8380 Share of other comprehensive gains and losses of subsidiaries, affiliates, and joint ventures recognized under Equity that may be reclassified to profit or loss	6(18)	( 36,544,381)	( 626)	5,512,124	79
8399 Income tax relating to items that may be reclassified subsequently	6(17)(26)	<u>28,596</u>	<u>-</u>	<u>9,662</u>	<u>-</u>
8360 <b>Total amount of items that may</b>		<u>( 36,297,714)</u>	<u>( 622)</u>	<u>4,929,207</u>	<u>71</u>

Ruentex Development Co., Ltd  
Statement of comprehensive Income  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands  
(Except for earnings per share of NTD)

	<b>be reclassified into profit or loss at later stage.</b>				
8300	<b>Other consolidated profit and loss (net)</b>		<u>(\$ 36,703,470)</u>	<u>( 629)</u>	<u>\$ 4,866,033</u>
8500	<b>Total Comprehensive Income Current Period</b>		<u>(\$ 26,771,376)</u>	<u>( 459)</u>	<u>\$ 16,030,671</u>
	<b>Earnings per share</b>	6(27)			
9750	<b>Basic earnings per share</b>		<u>\$ 7.22</u>		<u>\$ 6.91</u>
9850	<b>Diluted earnings per share</b>		<u>\$ 7.22</u>		<u>\$ 6.90</u>

Ruentex Development Co., Ltd  
statement of changes in Equity  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands

	Notes	Retained Earnings						Treasury stock	Total equity
		Common stock	Capital Reserve	Legal reserves	Special reserves	Undistributed earnings	Other Equities		
<u>2017</u>									
Balance as of January 1 <sup>st</sup> , 2017		\$ 13,934,083	\$ 17,900,583	\$ 2,929,448	\$ 13,128,571	\$ 7,898,149	(\$ 23,325,465 )	(\$ 105,200 )	\$ 32,360,169
Net Income for the year ended December 31, 2017		-	-	-	-	11,164,638	-	-	11,164,638
Other comprehensive Income	6(18)	-	-	-	-	( 63,174 )	4,929,207	-	4,866,033
Total Comprehensive Income for the year ended December 31, 2017		-	-	-	-	11,101,464	4,929,207	-	16,030,671
Surplus allocation and distribution of 2016's profits:	6(17)								
Legal reserves		-	-	789,815	-	( 789,815 )	-	-	-
Special reserves		-	-	-	4,318,563	( 4,318,563 )	-	-	-
Stock dividends	6(15)	2,786,817	-	-	-	( 2,786,817 )	-	-	-
Changes in related companies and joint ventures recognized using the equity method	6(16)	-	86,001	-	-	-	-	-	86,001
Changes in the ownership interest of subsidiaries	6(16)	-	( 80 )	-	-	-	-	-	( 80 )
Balance as of December 31 <sup>st</sup> , 2017		\$ 16,720,900	\$ 17,986,504	\$ 3,719,263	\$ 17,447,134	\$ 11,104,418	(\$ 18,396,258 )	(\$ 105,200 )	\$ 48,476,761
<u>2018</u>									
Balance as of January 1 <sup>st</sup> , 2018		\$ 16,720,900	\$ 17,986,504	\$ 3,719,263	\$ 17,447,134	\$ 11,104,418	(\$ 18,396,258 )	(\$ 105,200 )	\$ 48,476,761
Impact of retrospective application and retrospective restatement	12(4)	-	-	-	-	( 193,654 )	19,369,575	-	19,175,921
Restatement balance as of January 1 <sup>st</sup> , 2018		16,720,900	17,986,504	3,719,263	17,447,134	10,910,764	973,317	( 105,200 )	67,652,682
Net Income for the year ended December 31, 2018		-	-	-	-	9,932,094	-	-	9,932,094
Other comprehensive Income	6(17), (18)	-	-	-	-	( 80,498 )	( 36,622,972 )	-	( 36,703,470 )
Total Comprehensive Income for the year ended December 31, 2018		-	-	-	-	9,851,596	( 36,622,972 )	-	( 26,771,376 )
Capital reduction	6(15)	( 6,688,360 )	-	-	-	-	-	8,552	( 6,679,808 )
Surplus allocation and distribution of 2017's profits:	6(17)								
Legal reserves		-	-	1,110,442	-	( 1,110,442 )	-	-	-
Special reserves		-	-	-	2,954	( 2,954 )	-	-	-
Cash dividends		-	-	-	-	( 3,344,180 )	-	-	( 3,344,180 )
Out of date dividends unclaimed by	6(16)	-	9,205	-	-	-	-	-	9,205



Ruentex Development Co., Ltd  
statement of changes in Equity  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands

	Notes	<u>Retained Earnings</u>					Other Equities	Treasury stock	Total equity
		Common stock	Capital Reserve	Legal reserves	Special reserves	Undistributed earnings			
shareholders									
Changes in related companies and joint ventures recognized using the equity method	6(16)	-	17,801	-	-	-	-	12,009	29,810
Dispose of Equity instruments measured at fair value through other comprehensive gains and losses	6(17), (18)	-	-	-	-	( 3,237,996 )	3,237,996	-	-
Balance as of December 31 <sup>st</sup> , 2018		<u>\$ 10,032,540</u>	<u>\$ 18,013,510</u>	<u>\$ 4,829,705</u>	<u>\$ 17,450,088</u>	<u>\$ 13,066,788</u>	<u>(\$ 32,411,659 )</u>	<u>(\$ 84,639 )</u>	<u>\$ 30,896,333</u>

Ruentex Development Co., Ltd  
Statement of Cash Flow  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands

	Notes	2018	2017
<u>Cash flow of operating activities</u>			
Profit before Income Tax current period		\$ 11,471,725	\$ 13,486,249
Adjustment item			
Income and expenses item			
Depreciation	6(24)	36,023	31,139
Expected credit loss	6(24)	262	-
Listed figure of bad debts	12(4)	-	24
Interest Expense	6(23)	196,068	142,355
Interest Income	6(21)	( 159,087 )	( 5,689 )
Dividend income	6(21)	( 11,671 )	( 8,142 )
Share of the interests of related companies recognized by the equity method	6(7)		
Disposition of interest in real estate, plant and equipment	6(22)	( 10,536,970 )	( 13,708,887 )
		( 11 )	( 2 )
Changes in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Notes Receivable		91,410	( 88,199 )
Accounts Receivable		( 7,799 )	75,866
Accounts Receivable – related Party		-	10,476
Other Receivable		63,339	( 65,037 )
Other accounts receivable – related Party		6,764	( 4,503 )
Inventories		449,601	( 1,802,017 )
Prepaid Expenses		170,873	( 52,347 )
Other Current Assets		57,121	( 71,809 )
Net change in liabilities related to operating activities			
Contract Liabilities - Current		118,811	-
Notes Payable		4,479	5,464
Notes Payable – related Party		( 68,943 )	( 19,025 )
Accounts Payable		( 57,254 )	( 89,042 )
Accounts Payable – related Party		18,430	( 119,088 )
Other Payable		8,696	44,647
Other Current Liabilities		( 5,572 )	227,571
Other Non-current Liabilities		( 605 )	( 540 )
Cash inflow (outflow) from operations		1,845,690	( 2,010,536 )
Interest received		159,087	5,689
Amount of interest Paid		( 370,767 )	( 387,459 )
Dividend received		1,134,719	12,381,715
Income Taxes Paid		( 2,128,237 )	( 81,607 )
Cash inflow from operating activities		640,492	9,907,802

(Continue to the following page)

Ruentex Development Co., Ltd  
Statement of Cash Flow  
Years ended December 31, 2018 and 2017

Unit: NTD in Thousands

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>Cash flow of investment activities</u>			
Investment accounted for under the equity method	6(7)	(\$ 87,500)	(\$ 100,000)
Return of funds to reduced investment adopting the Equity method	6(7)	811,412	193,348
Investment in real estate properties, plants, and equipment	6(8)	( 4,169)	( 4,447)
Disposal the payment of real estate, plants, and equipment		137	2
Acquisition of investment real property	6(9)	( 4,490)	( 4,599)
Decrease (increase) in guarantee fund		105,318	( 4,972,679)
Decrease (increase) in other non-current assets		( 254)	766
Net cash inflow (outflow) of the investment activities		<u>820,454</u>	<u>( 4,887,609)</u>
<u>Cash flow from financing activities</u>			
Net increase (decrease) of short-term loan		( 11,930,000)	8,200,000
Net increase (decrease) of short-term notes payable		( 5,296,017)	2,497,276
Amount of long-term loan		26,333,475	10,311,212
Amount of repayments to long term loan		( 9,113,673)	( 14,894,955)
Increase of the guarantee fund		20,546	54,076
Cash dividends paid	6(17)	( 3,344,180)	-
Increase in the ownership of a subsidiary	6(7)	( 329,000)	( 919,000)
Cash reduction	6(15)	( 6,688,360)	-
Net cash inflow (out flow) of financing activities		<u>( 10,347,209)</u>	<u>5,248,609</u>
Increase (decrease) of cash and cash equivalents – current period		( 8,886,263)	10,268,802
Cash and cash equivalents at beginning of year	6(1)	<u>11,467,563</u>	<u>1,198,761</u>
Cash and cash equivalents at the end of year	6(1)	<u>\$ 2,581,300</u>	<u>\$ 11,467,563</u>

**Ruentex Development Co., Ltd.**

Comparison Table of Amended Clauses of the Procedure for Acquisition or Disposal of Assets

Amended Clause	Existing Clause	Remarks on Amendment
<p>Article 3: The term "assets" as used in this Procedure includes the following:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities</li> <li>2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. <u>Right-of-use assets.</u></li> <li>6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>7. Derivatives.</li> <li>8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>9. Other major assets.</li> </ol>	<p>Article 3: The term "assets" as used in this Procedure includes the following:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment property, <u>right of land use,</u> and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>6. Derivatives.</li> <li>7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>8. Other major assets.</li> </ol>	<ol style="list-style-type: none"> <li>1. Subparagraph 5 added in accordance with International Financial Reporting Standards No. 16 "Lease" to enlarge the scope of right-of-use assets. Current subparagraph 2 right of land use is also moved to subparagraph 5.</li> <li>2. Current subparagraphs 5 to 8 moved to subparagraphs 6 to 9.</li> </ol>
<p>Article 4: The terms used in this Procedure are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</li> <li>2. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger</li> </ol>	<p>Article 4: The terms used in this Procedure are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from an <u>asset, interest rate, foreign exchange rate, index, or other interest; or hybrid contracts combining the above products.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</li> <li>2. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under <u>the 8<sup>th</sup> paragraph,</u> Article 156 of the</li> </ol>	<ol style="list-style-type: none"> <li>1. Subparagraph 1 amended in accordance with the definition of financial products under International Financial Reporting Standards No. 9, together with slight wording changes.</li> <li>2. In accordance with the amendment to the Company Act, [the 8<sup>th</sup> paragraph of Article 156] referred to under subparagraph 2 is changed to [Article 156-3].</li> <li>3. Amendment of the scope of investment professionals in accordance with the law.</li> <li>4. In order to clearly define domestic and overseas securities exchanges and</li> </ol>

Amended Clause	Existing Clause	Remarks on Amendment
<p>Act, and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>3. Related Party or Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional Appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of Occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China Area Investment: Refers to investments in the Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland China area.</p> <p>7. <u>Investment Professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>8. <u>Securities Exchange: "Domestic Securities Exchange" refers to the Taiwan Stock Exchange Corporation; "Foreign Securities Exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>9. <u>Over-the-counter Venue ("OTC Venue", "OTC"): "Domestic OTC Venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "Foreign OTC Venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to</u></p>	<p>Company Act.</p> <p>3. Related Party or Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional Appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of Occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China Area Investment: Refers to investments in the Mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland China area.</p>	<p>over-the-counter venues, subparagraphs 8 and 9 are added to clearly define the scope of domestic and overseas stock exchanges and over-the-counter venues.</p>

Amended Clause	Existing Clause	Remarks on Amendment
<p><u>conduct securities business.</u></p> <p>Article 5: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions <u>shall meet the following requirements:</u></p> <ol style="list-style-type: none"> <li>1. <u>May not have previously received a final and unappealable sentence of imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></li> <li>2. <u>May not be a related party or de facto related party of any party to the transaction.</u></li> <li>3. <u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></li> </ol> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <ol style="list-style-type: none"> <li>1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></li> <li>2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></li> <li>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></li> <li>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and</u></li> </ol>	<p>Article 5: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions <u>shall not be a related party to any party to the transaction.</u></p>	<p>1. Amendment to negative requirements and the principle of ethics for professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters in accordance with the law. When a transaction involving the acquisition or disposal of assets is 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 objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Subparagraphs 1 and 3 of the first paragraph added.</p> <p>2. To specify the responsibilities of external experts, the second paragraph is added in accordance with the law, clearly stipulating evaluations, audits, and declarations in evaluation reports or opinions issued by experts.</p>

Amended Clause	Existing Clause	Remarks on Amendment
<p><u>regulations.</u></p>		
<p>Article 7: The Company’s procedure for acquisition or disposal of assets is as follows: 1 and 2 (omitted) 3. The total amounts of real property <u>and right-of-use assets thereof</u> or securities acquired by the Company and each subsidiary for non-business use and limits on individual securities are as follows: (1) The Company and subsidiaries that are not investment professionals: i. Total amounts of real property <u>and right-of-use assets thereof</u> for non-business use: No more than 1/2 of the paid-in capital. ii. Limits on securities investment: Investment and total investment amount in individual securities not related to the operation of the Company’s own business shall not exceed 1.5 times the shareholders’ equity of the parent company. (II) Subsidiaries that are investment professionals: i. The total amounts of real property <u>and right-of-use assets thereof</u> or securities for non-business use and limits: No more than 1/2 of the paid-in capital. ii. Limits on securities investment: Investment in individual securities shall not exceed 4 times the shareholders’ equity of the parent company and total investment amount shall not exceed 6 times the shareholders’ equity of the parent company.</p> <p>4. (omitted) Any employee of the Company who acquires or disposes of assets in violation of this Procedure shall be subject to regular reporting and evaluation in accordance with the Human Resource Management Regulations of the Company and shall be sanctioned depending on the level of gravity.</p>	<p>Article 7: The Company’s procedure for acquisition or disposal of assets is as follows: 1 and 2 (omitted) 3. The total amounts of real property or securities acquired by the Company and each subsidiary for non-business use and limits on individual securities are as follows: (1) The Company and subsidiaries that are not investment professionals: i. Total amounts of real property for non-business use: No more than 1/2 of the paid-in capital. ii. Limits on securities investment: Investment and total investment amount in individual securities not related to the operation of the Company’s own business shall not exceed 1.5 times the shareholders’ equity of the parent company. (II) Subsidiaries that are investment professionals: iii. Total amounts of real property for non-business use: No more than 1/2 of the paid-in capital. iv. Limits on securities investment: Investment in individual securities shall not exceed 4 times the shareholders’ equity of the parent company and total investment amount shall not exceed 6 times the shareholders’ equity of the parent company.</p> <p>4. (omitted) Any employee of the Company who acquires or disposes of assets in violation of this Procedure shall be subject to regular reporting and evaluation in accordance with the Human Resource Management Regulations of the Company and shall be sanctioned depending on the level of gravity.</p>	<p>In accordance with International Financial Reporting Standards No. 16 “Lease”, real property right-of-use assets for non-business use are included in the calculation of limit amount.</p>
<p>Article 8: With respect to the Company’s acquisition or disposal of assets that is subject to the approval of the board of directors under the Company’s procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director’s dissenting opinion to each supervisor.</p>	<p>Article 8: With respect to the Company’s acquisition or disposal of assets that is subject to the approval of the board of directors under the Company’s procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director’s dissenting opinion to each supervisor.</p>	<p>Slight wording changes.</p>

Amended Clause	Existing Clause	Remarks on Amendment
<p>The Company has independent directors in accordance with the law. When a transaction involving the acquisition or disposal of assets is 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 objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>The Company has an audit committee in accordance with the law. Transactions involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5.</p>	<p>The Company has independent directors in accordance with the law. When a transaction involving the acquisition or disposal of assets is 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 objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>The Company has an audit committee in accordance with the law. Transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5.</p>	
<p>Article 9: In acquiring or disposing of real property, <u>equipment, or right-of-use assets</u> thereof where the transaction amount reaches 20 percent of the Company’s paid-in capital or NTD300 million or more, the Company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the same</u> procedure shall also be followed whenever there is any <u>subsequent</u> change to the terms and conditions of the transaction.</p> <p>2 to 4 (omitted)</p> <p>Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant’s opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.</p>	<p>Article 9: In acquiring or disposing of real property <u>or</u> equipment, where the transaction amount reaches 20 percent of the Company’s paid-in capital or NTD300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the above</u> procedure shall also be followed whenever there is any change to the terms and conditions of the transaction <u>in the future</u>.</p> <p>2 to 4 (omitted)</p> <p>Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the report, and the certified public accountant’s opinion under subparagraph 3 of the preceding paragraph, shall be obtained within 2 weeks counting inclusively from the date of occurrence.</p>	<p>1. In accordance with International Financial Reporting Standards No. 16 “Lease”, include right-of-use under this Article.</p> <p>2. Specify that the government agencies under the first paragraph are limited to domestic government agencies.</p> <p>3. Slight wording changes.</p>
<p>Article 11: Where the Company acquires or disposes of intangible assets <u>or right-of-use assets thereof or memberships</u> and the transaction amount reaches 20 percent or more of paid-in capital or NTD300 million or more, except in transactions with a <u>domestic</u> government agency, the</p>	<p>Article 11: Where the Company acquires or disposes of <u>membership or intangible assets</u> and the transaction amount reaches 20 percent or more of paid-in capital or NTD300 million or more, except in transactions with a government agency, the Company shall engage a certified</p>	<p>1. In accordance with International Financial Reporting Standards No. 16 “Lease”, include right-of-use of assets under this Article.</p>



Amended Clause	Existing Clause	Remarks on Amendment
<p>Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>2. Specify that the government agencies under the first paragraph are limited to domestic government agencies.</p> <p>3. Minor wording changes.</p>
<p>Article 14: When the Company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company’s total assets, or NTD300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>1 to 2 (omitted)</p> <p>3. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</p> <p>4 to 7 (omitted)</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 29, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p><u>With respect to the types of transactions listed below</u>, when to be conducted between the Company and its <u>parent</u> or subsidiaries, <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the Company’s board of directors may, pursuant to Article 7, paragraph 1, delegate the power to decide such matters and have the decisions subsequently submitted to and ratified by the next board of directors meeting:</p> <p>1. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p>2. <u>Acquisition or disposal of real property</u></p>	<p>Article 14: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company’s total assets, or NTD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>1 to 2 (omitted)</p> <p>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 15 and Article 16.</p> <p>4 to 7 (omitted)</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 29, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p><u>In the case of acquisition or disposal of equipment for business use between the Company and its subsidiaries</u>, the board of directors may pursuant to Article 7, paragraph 1 delegate the power to decide such matters and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p>	<p>1. In accordance with International Financial Reporting Standards No. 16 “Lease”, include right-of-use of assets under this Article.</p> <p>2. Specify that the government bonds under the first paragraph are limited to domestic government bonds.</p> <p>3. Considering the overall business planning between the parent company and subsidiaries or among directly or indirectly owned 100% subsidiaries and the need and necessity for collective purchase or transfer of lease of equipment for business use (including sale and purchase or sublease), or the possibility to sublease any leased real property, since such transactions involve lower risks, the third paragraph is amended to relax the regulations on the acquisition or disposal of equipment for business use among these companies, allowing for transactions of use-of-right assets or real property use-of-right assets for business use before authorization.</p> <p>4. Minor wording changes.</p>

Amended Clause	Existing Clause	Remarks on Amendment
<p><u>right-of-use assets held for business use.</u></p> <p>The Company has independent directors in accordance with the law. When a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>The Company has an audit committee in accordance with the law. Matters for which paragraph 1 requires recognition by the supervisors shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5.</p>	<p>The Company has independent directors in accordance with the law. When a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>The Company has an audit committee in accordance with the law. Matters for which paragraph 1 requires recognition by the supervisors shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5.</p>	
<p>Article 15: When the Company acquires real property <u>or right-of-use assets thereof</u> from a related party it shall evaluate the reasonableness of the transaction costs through the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</li> <li>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</li> </ol> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and appraises the cost of the real property <u>or right-of-use assets thereof</u> in accordance with the preceding two paragraphs, it shall also</p>	<p>Article 15: When the Company acquires real property from a related party it shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</li> <li>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</li> </ol> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When the Company acquires real property from a related party and appraises the cost of the real property in accordance with <u>the first and second paragraphs of this Article</u>, it shall also engage a</p>	<ol style="list-style-type: none"> <li>1. In accordance with International Financial Reporting Standards No. 16 "Lease", the first to the fourth paragraphs are amended to include acquisition of real property through lease from a related party into this Article.</li> <li>2. Considering the overall business planning between the parent company and subsidiaries or among directly or indirectly owned 100% subsidiaries and the need and necessity for collective lease of real property, followed by sublease, since such transactions involve lower risks, subparagraph 4 is added under the 4<sup>th</sup> paragraph to exclude the requirement for evaluation of reasonableness of transaction cost (price at which a related party acquires real property or price paid to lease real property) in this Article for such transactions. Since the requirement of this Article is excluded, there is no need to provide proof showing reasonableness of the</li> </ol>

Amended Clause	Existing Clause	Remarks on Amendment
<p>engage a CPA to check the appraisal and render a specific opinion.</p> <p>When the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with <u>the preceding article</u>, and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</li> <li>4. <u>The real property right-of-use assets for business use are acquired by the public Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></li> </ol>	<p>CPA to check the appraisal and render a specific opinion.</p> <p>When the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with <u>Article 14</u>, and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</li> </ol>	<p>transaction price or to provide special reserve.</p> <p>3. Minor wording changes.</p>
<p>Article 16:</p> <p>When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: <ol style="list-style-type: none"> <li>(1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance,</li> </ol> </li> </ol>	<p>Article 16:</p> <p>When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: <ol style="list-style-type: none"> <li>(1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is</li> </ol> </li> </ol>	<p>In accordance with the practice of leasing real property such as plants, the regulations are relaxed in providing that, in relation to acquisition of real property use-of-right assets from a related party, references may be made to cases of lease transactions between unrelated parties within the preceding year in the neighborhood to calculated and presume the reasonableness of transaction price. In the current section 3 of subparagraph 1, the first paragraph is combined under section 2. Lease cases are added as transaction cases of reference. Section 2, subparagraph 1 and subparagraph 2 of the first paragraph and the second paragraph are amended accordingly for clarification.</p>

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<p>whichever is lower.</p> <p>(2) Completed <u>transactions</u> by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale <u>or leasing</u> practices.</p> <p>2. In acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u> from a related party, the Company provides evidence that the terms of the transaction are similar to the terms of completed <u>transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed <u>transactions</u> involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; <u>transactions</u> involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof</u>.</p>	<p>lower.</p> <p>(2) Completed <u>closings</u> by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.</p> <p>(3) <u>Other cases of lease by unrelated parties within the preceding year involving other floors of the same property after calculation of reasonable price discrepancies in floor prices in accordance with standard property market lease practices.</u></p> <p>2. In acquiring real property from a related party, the Company provides evidence that the terms of the transaction are similar to the terms of completed closings involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed <u>closings</u> involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; <u>closings</u> involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	
<p>Article 17: Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with <u>the preceding two articles</u> are uniformly lower than the transaction price, the following steps shall be taken.</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or right-of-use asset</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other</p>	<p>Article 17: Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with <u>Article 15 and 16</u> are uniformly lower than the transaction price, the following steps shall be taken.</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other</p>	<p>1. In accordance with International Financial Reporting Standards No. 16 "Lease", the preamble and subparagraph 1 of the first paragraph and the second and third paragraphs are amended to include the lease of real property right-of-use assets from a related party under the steps to be taken when the evaluated cost is lower than the transaction price.</p> <p>2. The Company has independent directors. Thus, the reference to supervisors under subparagraph 2 of the first paragraph is</p>

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<p>company.</p> <p>2. <u>Independent directors</u> shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to <u>the preceding two subparagraphs</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>If the Company has set aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction</p>	<p>company.</p> <p>2. <u>Supervisors</u> shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to <u>subparagraphs 1 and 2</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>If the Company has set aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>amended to independent directors.</p> <p>3. Minor wording changes.</p>
<p>Article 18: In engaging in derivatives trading, the Company shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures.</p> <p>1. Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts. (1) To (5) omitted</p> <p>2. Risk management measures. (1) To (4) omitted.</p> <p>(5) Procedure Risk Management</p> <p>i. Due compliance with the Company's authorization limits, process flows and inclusion under internal audit to avoid procedure risks.</p> <p>ii. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>iii. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</p> <p>iv. Derivatives trading positions held shall</p>	<p>Article 18: In engaging in derivatives trading, the Company shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures.</p> <p>1. Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts. (2) To (5) omitted</p> <p>2. Risk management measures. (1) To (4) omitted.</p> <p>(5) Procedure Risk Management</p> <p>i. Due compliance with the Company's authorization limits, process flows and inclusion under internal audit to avoid procedure risks.</p> <p>ii. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>iii. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.</p> <p>iv. Derivatives trading positions held shall</p>	<p>1. The Company has an audit committee. Thus, reference to supervisors under subparagraph 3 of the first paragraph is amended to the audit committee.</p> <p>2. Minor wording changes.</p>

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<p>be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be delivered to senior management personnel authorized by the board of directors.</p> <p>(6) to (7) omitted.</p> <p>3. Internal Audit System</p> <p>(1) The Company’s internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, <u>the audit committee</u> shall be notified in writing.</p> <p>(2) Omitted</p> <p>4. Regular Evaluation Manner and Handling of Anomalies:</p> <p>(1) The board of directors shall authorize senior management personnel to supervise and evaluate regularly whether derivatives trading is in compliance with the transaction procedures established by the Company and whether the risks undertaken are within the scope of toleration. If the market value evaluation report shows any anomaly (such as excess of loss limit for positions held), a report shall be filed immediately to the board of directors and corresponding measures shall be undertaken.</p> <p>(2) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be delivered to senior management personnel authorized by the board of directors.</p>	<p>be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be <u>submitted</u> to senior management personnel authorized by the board of directors.</p> <p>(6) to (7) omitted</p> <p>3. Internal Audit System</p> <p>(1) The Company’s internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, <u>all supervisors</u> shall be notified in writing.</p> <p>(2) Omitted.</p> <p>4. Regular Evaluation Manner and Handling of Anomalies:</p> <p>(1) The board of directors shall authorize senior management personnel to supervise and evaluate regularly whether derivatives trading is in compliance with the transaction procedures established by the Company and whether the risks undertaken are within the scope of toleration. If the market value evaluation report shows any anomaly (such as excess of loss limit for positions held), a report shall be filed immediately to the board of directors and corresponding measures shall be undertaken.</p> <p>(2) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be <u>submitted</u> to senior management personnel authorized by the board of directors.</p>	
<p>Article 19: In engaging in derivatives trading, the Company’s board of directors shall faithfully supervise and manage such trading in accordance with the following principles: (omitted) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <p>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in</p>	<p>Article 19: In engaging in derivatives trading, the Company’s board of directors shall faithfully supervise and manage such trading in accordance with the following principles: (omitted) Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:</p> <p>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in</p>	<p>Minor wording changes.</p>

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<p>accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the Company.</p> <p>2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.</p> <p>The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>	<p>accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the Company.</p> <p>2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.</p> <p>The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.</p>	
<p>Article 23:</p> <p>A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference.</p> <p>1 to 3 (omitted)</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the competent authority for recordation.</p> <p>If any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs of this Article.</p>	<p>Article 23:</p> <p>A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference.</p> <p>1 to 3 (omitted)</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the competent authority for recordation.</p> <p>If any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the 3<sup>rd</sup> and 4<sup>th</sup> paragraphs of this Article.</p>	<p>Minor wording changes.</p>

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<p>Article 28: Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 23, Article 24, and <u>the preceding article</u>.</p>	<p>Article 28: Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 23, Article 24, and <u>Article 27</u>.</p>	<p>Minor wording changes.</p>
<p>Article 29: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC’s designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company’s total assets, or NTD300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by <u>domestic securities investment trust enterprises</u>.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> <li>4. Where equipment <u>or right-of-use assets thereof</u> for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: <ol style="list-style-type: none"> <li>(1) For a public company whose paid-in capital is less than NTD10 billion, the transaction amount reaches NTD500 million or more.</li> <li>(2) For a public company whose paid-in capital is NTD10 billion or more, the transaction amount reaches NTD1 billion or more.</li> </ol> </li> <li>5. Acquisition or disposal by a public company in the construction business of real property <u>or right-of-use assets thereof</u> for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NTD500 million; <u>among such cases, if the public company has paid-in capital of NTD10 billion or more, and it is disposing</u></li> </ol>	<p>Article 29: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC’s designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company’s total assets, or NTD300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> <li>4. Where <u>the nature of equipment acquired is for business use</u>, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: <ol style="list-style-type: none"> <li>(1) For a public company whose paid-in capital is less than NTD10 billion, the transaction amount reaches NTD500 million or more.</li> <li>(2) For a public company whose paid-in capital is NTD10 billion or more, the transaction amount reaches NTD1 billion or more.</li> </ol> </li> <li>5. Acquisition or disposal by a public company in the construction business of real property <u>thereof</u> for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NTD500 million.</li> <li>6. Where land is acquired under an arrangement on engaging others to build on the Company’s own land, engaging others to build on rented land, joint construction and allocation of housing units, joint</li> </ol>	<ol style="list-style-type: none"> <li>1. Subparagraph 1 and Section 1, subparagraph 7 of the first paragraph are amended in accordance with the law to specify that government bonds referred to are limited to domestic government bonds.</li> <li>2. In accordance with International Financial Reporting Standards No. 16 “Lease”, the main texts of subparagraphs 1, 4, and 5 of the first paragraph and subparagraph 3 of the second paragraph are amended to include the right-of-use assets under this Article.</li> <li>3. In accordance with the law, to avoid excessive frequency of publication due to easier satisfaction of the publication threshold by construction companies’ own constructions, and in consideration of the significance of information disclosure, a second part is added to subparagraph 5 of the first paragraph to relax the publication threshold for such disposal transactions when the transaction counterparty is an unrelated party.</li> <li>4. Considering that subparagraph 1 of the first paragraph already provides for publications for related party transactions and that subparagraph 6 of the same paragraph governs</li> </ol>



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<p><u>of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NTD1 billion or more.</u></p> <p>6. Where land is acquired under an arrangement on engaging others to build on the Company’s own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party,</u> and the amount the company expects to invest in the transaction reaches NTD500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20 percent or more of paid-in capital or NTD300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of <u>domestic</u> government bonds.</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics <u>(excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds</u> in the primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>The amount of any individual transaction.</li> <li>The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>The cumulative transaction amount of acquisitions and disposals (cumulative</li> </ol>	<p>construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NTD500 million.</p> <p>7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20 percent or more of paid-in capital or NTD300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Where done by professional investors—securities trading on <u>domestic or overseas securities exchanges or OTC markets,</u> or subscription of ordinary corporate bonds or general bank debentures without equity characteristics in the <u>domestic</u> primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>The amount of any individual transaction.</li> <li>The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.</li> <li>The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with this Procedure need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on</p>	<p>transactions between unrelated parties, to facilitate compliance, subparagraph 6 of the first paragraph is amended for clarity.</p> <p>5. In accordance with the law, relevant provisions about investment professionals are amended, with minor wording changes, under section 2, subparagraph 7 of the first paragraph.</p> <p>6. Minor wording changes.</p>

Amended Clause	Existing Clause	Remarks on Amendment
<p>acquisitions and disposals, respectively) of real property <u>or right-of-use assets thereof</u> within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with this Procedure need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of learning of such error or omission.</p> <p>In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of learning of such error or omission.</p> <p>In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the <u>Company</u>, where they shall be retained for 5 years except where another act provides otherwise.</p>	
<p>Article 31: Information required to be publicly announced and reported in accordance with the provisions of <u>the preceding Chapter</u> on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 29, paragraph 1.</p>	<p>Article 31: Information required to be publicly announced and reported in accordance with the provisions of <u>Chapter 3</u> on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to <u>20%</u> paid-in capital or <u>10%</u> total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 29, paragraph 1.</p>	<p>1. The reporting thresholds for the subsidiaries should be consistent with the parent company. Also, in accordance with the addition of the filing and reporting threshold of paid-in capital over NTD10 billion under the first paragraph of Article 29, the second paragraph is amended accordingly so that such threshold is also applicable to the subsidiaries.</p> <p>2. Minor wording changes.</p>
<p>Article 32:</p>	<p>Article 32: The Company has an audit committee. The</p>	<p>1.This article is deleted.</p>

Amended Clause	Existing Clause	Remarks on Amendment
	<p><u>provisions in relation to supervisors under Articles 6, 8, 14, and subparagraph 3, the first paragraph of Article 18 apply mutatis mutandis to the audit committee.</u></p> <p><u>The Company has an audit committee, the provisions under subparagraph 2, the first paragraph of Article 17 apply mutatis mutandis to members of the audit committee who are independent directors.</u></p>	<p>2. Duties of prior supervisors of the Company are now exercised by the audit committee or members of the audit committee who are independent directors. Therefore, this article is deleted.</p>
<p>Article 33: For the calculation of 10 percent of total assets under this Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p>In the case of a company whose shares have no par value or a par value other than NTD10—for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent company shall be substituted; <u>for calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NTD10 billion, NTD20 billion of equity attributable to owners of the parent company shall be substituted.</u></p>	<p>Article 33: For the calculation of 10 percent of total assets under this Procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p>In the case of a company whose shares have no par value or a par value other than NTD10—for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent company shall be substituted.</p>	<p>A second part is added to the second paragraph to specify the calculation of \$10 billion paid-in capital under Article 29 if the Company’s shares do not have face value or if the face value is not NTD10 per share.</p>
<p>Article 34: This Procedure, including any amendment hereto, shall be <u>passed</u> by the audit committee, <u>submitted for passing by board resolution</u>, and further submitted to the shareholders’ meeting for approval.</p>	<p>Article 34: This Procedure, including any amendment hereto, shall be <u>approved</u> by the audit committee, <u>submitted for approval by board resolution</u>, and further submitted to the shareholders’ meeting for approval.</p>	<p>Minor wording changes.</p>

## Articles of Incorporation of Ruentex Development Co., Ltd.

### Chapter 1 General

Article 1 The Company is organized in accordance with the Company Act and is named Ruentex Development Co., Ltd.

Article 2 The Company operates the following businesses:

1. E801010 Interior furnishing business.
2. F111090 Construction materials wholesale business.
3. F211010 Construction materials retail business.
4. H701010 Residence and building development and leasing business.
5. H701040 Specific professional zone development business.
6. H701060 New town and new community development business.
7. H701070 Land parcel appropriation and urban land replanning agency business.
8. H701080 Urban update reconstruction business.
9. H703100 Real property leasing business.
10. F108031 Medical equipment wholesale business.
11. F208031 Medical equipment retail business.
12. F108011 Chinese medicine wholesale business.
13. F108021 Western medicine wholesale business.
14. F208011 Chinese medicine retail business.
15. F208021 Western medicine retail business.
16. F101081 Seed wholesale business.
17. F201061 Seed retail business.
18. F401071 Seed import and export business.
19. H704031 Real property brokerage business.
20. F401181 Measurement equipment import business.
21. F101040 Livestock and poultry wholesale business.
22. F101050 Aqua product wholesale business.
23. F101070 Fishing equipment wholesale business.
24. F101130 Fruit and vegetables wholesale business.
25. F102020 Food oil wholesale business.
26. F102030 Tobacco and alcohol wholesale business.
27. F102040 Beverage wholesale business.
28. F102050 Tea leaves wholesale business.
29. C104020 Baked and steamed food manufacturing business.
30. F102170 Food and miscellaneous goods wholesale business.
31. F102180 Alcohol wholesale business.
32. F103010 Feed wholesale business.
33. F104110 Fabric, attire, shoe, hat, umbrella, and apparel wholesale business.
34. F105050 Furniture, bedding, kitchenware, and fixture wholesale business.
35. F106020 Daily product wholesale business.
36. F106030 Mold wholesale business.
37. F106040 Water container materials wholesale business.
38. F106050 Ceramic and glass container wholesale business.
39. F107010 Paint and coating wholesale business.
40. F107020 Dye and pigment wholesale business.
41. F107030 Cleaning product wholesale business.
42. F108040 Cosmetics wholesale business.
43. F107190 Plastic wrap/bag wholesale business.

44. F109070 Culture, musical instrument, education, and entertainment product wholesale business.
45. F112040 Petroleum product wholesale business.
46. F113020 Electronic appliance wholesale business.
47. F113060 Metrology wholesale business.
48. F114040 Bicycle and parts wholesale business.
49. F115010 Jewelry and precious metal wholesale business.
50. F115020 Ore wholesale business.
51. F116010 Photographic apparatus wholesale business.
52. F201010 Agricultural product retail business.
53. F201022 Livestock product retail business.
54. F201030 Aqua product retail business.
55. F202010 Feed retail business.
56. F203010 Food, miscellaneous goods, and beverage retail business.
57. F203020 Tobacco and alcohol retail business.
58. F203030 Alcohol retail business.
59. F204110 Fabric, attire, shoe, hat, umbrella, and apparel retail business.
60. F205040 Furniture, bedding, kitchenware, and fixture retail business.
61. F206020 Daily supplies retail business.
62. F206040 Water container materials retail business.
63. F207030 Cleaning product retail business.
64. F207050 Fertilizer retail business.
65. F207080 Environmental pesticide retail business.
66. F208040 Cosmetics retail business.
67. F207190 Plastic wrap/bag retail business.
68. IZ06010 Merchandizing and packaging business.
69. F209060 Culture, musical instrument, education, and entertainment product retail business.
70. F215010 Jewelry and precious metal retail business.
71. F301010 Department store business.
72. F301020 Supermarket business.
73. F399010 Convenience store business.
74. F501030 Beverage store business.
75. F501060 Restaurant business.
76. G202010 Parking lot operation business.
77. F401021 Telecommunications controlled emission equipment import business.
78. ZZ99999 Any business that is not prohibited or restricted by law, except businesses requiring special approvals.

Article 3 The Company has its headquarters in Taipei City and may set up domestic and overseas branches as required through board resolutions.

Article 4 The Company makes public announcements in accordance with Article 28 of the Company Act.

Article 5 The Company may provide guarantees.

Article 6 To achieve diversified and sustainable operation, the Company may engage in the operation and investment of different businesses. The total amount of investment is not limited to 40% of its paid-in capital under Article 13 of the Company Act.

## Chapter 2 Shares

Article 7 The Company's total capital is NTD20 billion, divided into 2,000,000,000 shares, at NTD10 per share. The board of directors is authorized to issue the shares through several issuances in accordance with the Company Act and applicable laws. Special shares may also be issued.

Article 8 The share certificates of the Company shall be issued following signatures or seals of at least 3 directors and certification in accordance with the law. Shares issued by the Company

may be without share certificates.

- Article 9 Shareholders shall report their real names and residences to the Company and shall complete sample seal cards and submit them to the Company for safekeeping. Any subsequent collection of dividends and exercise of shareholders' rights in writing shall be done through such registered sample seals.
- Article 10 To transfer registered shares of the Company, the assignor and the assignee shall put down their names in the back of the share certificate, with sample seals affixed. A share transfer application form shall be completed to seek registration with the Company. No share transfer may be used against the Company unless it is registered in the Company's shareholder register.
- Article 11 Loss, theft, or damage of share certificates and any other share certificate related matters shall be governed by applicable laws and regulations of the competent authority.
- Article 12 A handling fee may be charged for re-issuance of a share certificate due to loss or other reason.
- Article 13 Share transfer registration is suspended during a period of 60 days before any general shareholders' meeting, 30 days before any special shareholders' meeting, and 5 days before any record date for the Company's decision to distribute dividends, bonuses, or other benefits.

### Chapter 3 Shareholders' Meetings

- Article 14 Shareholders' meetings are divided into general meetings and special meetings. General meetings are convened by the board of directors in accordance with the law once every year within 6 months from the end of each accounting year. Special meetings are convened as required in accordance with the law.
- Article 15 Any shareholder who cannot attend a shareholders' meeting may issue a proxy in accordance with Article 177 of the Company Act, specifying the scope of authorization and affixing a signature and seal, to designate a representative to attend the meeting on its behalf. Each shareholder shall issue no more than one proxy to designate no more than one representative. If the same person receives proxies from 2 or more shareholders, the voting right on behalf of such shareholders shall not exceed 3% of the voting rights of all outstanding shares. Any voting right in excess of such limit shall be excluded from calculation. If a corporate shareholder has more than one representative, the exercise of voting rights shall be calculated based on the total shares held by the shareholder.
- Article 16 The chairman of the Company shall serve as the chairman of shareholders' meetings. If the chairman is absent, representation shall be in accordance with Article 208 of the Company Act.
- Article 17 Shareholders of the Company are entitled to one voting right per share, provided that the Company shall enjoy no voting rights for its own shares that it holds in accordance with the law.
- Article 18 Unless otherwise provided by the Company Act, shareholder resolutions shall be approved by shareholders representing the majority of voting rights represented in a meeting that is attended by shareholders holding the majority of all outstanding shares.
- Shareholders of the Company may exercise voting rights electronically in accordance with the regulations of the competent authority. Shareholders exercising voting rights electronically shall be deemed to have attended the meeting in person. Relevant matters shall be governed by the law.
- Article 19 Shareholder resolutions shall be recorded in meeting minutes, which shall be affixed with the signature or seal of the chairman and distributed to each shareholder within 20 days

from the meeting.

Meeting minutes under the previous paragraph may be prepared and distributed electronically. Meeting minutes shall be affixed with the signature or seal of the chairman and shall be kept in custody in accordance with the law. Matters related to meeting minutes shall be governed by Article 183 of the Company Act.

#### Chapter 4 Directors and Audit Committee

Article 20 The Company has 7 to 11 directors, serving terms of 3 years. Liability insurance shall be purchased for directors to cover compensation liabilities that they must undertake in accordance with the law during the term and to the extent of their business activities. Directors are elected through the candidate nomination system. Shareholders shall elect the directors from a list of candidates in accordance with Article 198 of the Company Act. The same person may be re-elected again upon expiry of the term.

Among the directors, there shall be at least 3 independent directors. The number of independent directors shall represent at least 1/5 of all board seats.

Independent directors and non-independent directors shall be elected at the same time. The number of elected directors shall be calculated separately.

The total number of registered shares held by all directors shall be no less than the percentage prescribed by the competent authority.

Article 21 If the vacancies in the board of directors exceed 1/3, the board of directors shall convene a special shareholders' meeting within 60 days to fill such vacancies. The term of the elected directors shall be until the end of the original term before the vacancies are created.

Article 22 If the directors are not re-elected upon expiry of the term, the duties shall be extended until the newly elected directors report to the positions.

Article 23 The board of directors is composed of directors. One chairman and one vice chairman shall be elected by the directors from among themselves through the majority of directors attending a meeting that is attended by at least 2/3 of all directors. The board of directors performs all business affairs of the Company in accordance with the law, the Articles of Association, shareholders resolutions, and board resolutions. The chairman also serves as the Company's representative.

Article 24 The duties of the board of directors are as follows:

1. Convene shareholders' meetings and execute shareholders resolutions.
2. Decide business guidelines.
3. Review budgets and closings.
4. Review and establish all charters and regulations.
5. Decide to establish or close down branch organizations.
6. Prepare proposals for profit distribution or loss compensation.
7. Prepare proposals for capital increase or decrease.
8. Decide real property purchase, sale, split, swap, creation of encumbrance, and all other disposals of properties (the Company being a construction company, all land and housing shall be subject to board resolutions).
9. Decide applications for financing loans by the Company from financial institutions.
10. Other duties in accordance with the law and assigned by the shareholders' meeting.

Article 25 The Company's operating guidelines and other important matters shall be resolved by the board of directors. Other than the first meeting of each term of the board of directors, which shall be convened in accordance with Article 203 of the Company Act, all other board meetings shall be convened and chaired by the chairman. If the chairman cannot perform his duties, representation shall be in accordance with Article 208 of the Company Act.

The notice for board meetings shall specify the agenda and be sent to all directors 7 days in

advance. However, in the case of emergency, board meetings may be held at any time.

With the recipient's consent, meeting notice under the previous paragraph may be sent electronically.

Article 26 Unless otherwise provided by the Company Act, the board of directors shall proceed with the approval of the majority of directors attending a meeting that is attended by the majority of all directors.

Directors may attend board meetings through other directors as their representatives in accordance with Article 205 of the Company Act or through video conference.

Article 27 Board meetings shall be recorded as meeting minutes, to be affixed with the chairman's signature and seal and distributed to each director within 20 days from the meeting. The meeting minutes shall specify the meeting time, day, location, chairman's name, and manner of resolution. The main proceedings and results of the meeting shall be recorded. The meeting minutes shall be kept in the Company together with the signature book showing attending directors.

Article 28 The Company has an audit committee in accordance with Article 14-4 of the Securities Transaction Act. The audit committee shall be composed of all independent directors. The audit committee or members of the audit committee are responsible for performing the duties of the supervisors under the Company Act, the Securities and Exchange Act, and other laws.

The exercise of duties of the audit committee and relevant matters shall be governed by the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies and shall also be established in accordance with the Organizational Charter of the Audit Committee.

Article 29 If the chairman is on leave or cannot perform his/her duties, representation shall be in accordance with Article 208 of the Company Act.

Article 30 The board of directors is authorized to determine the remuneration for all directors depending on the level of participation to the Company's operation and the value of contribution. Remuneration shall be paid based on the common standard of the industry regardless of profit or loss of the Company.

#### Chapter 5 Managers

Article 31 The Company may have managers, the hiring, dismissal, and remuneration of which shall be governed by Article 29 of the Company Act.

#### Chapter 6 Accounting

Article 32 The Company's accounting year is from January 1 to December 31. The board of directors shall prepare the (1) Business Report, (2) Financial Statements, and (3) Profit Distribution or Loss Compensation Proposal at the end of each accounting year and submit them to the general shareholders' meeting for approval in accordance with the law.

Article 33 0.3% to 5% of the Company's annual before-tax net profit, before deduction of employee remuneration, shall be provided as employee remuneration. However, if the Company still has accumulated losses, provisions shall first be made to compensate the losses.

The employee remuneration under the previous paragraph may be paid in stocks or in cash. The recipients of such distribution may be employees of subsidiaries who meet certain conditions.

Article 34 If the Company has no profit, no dividend or bonus shall be distributed.



Article 35 If the Company has after-tax net profit after annual closing, in addition to paying income taxes in accordance with the law and compensating accumulated losses, 10% shall be provided as legal reserve. After the special reserve is provided or recycled in accordance with the law, if there is still profit remaining, it shall be combined with undistributed profit in the beginning of the period and the board of directors shall prepare a profit distribution proposal for the shareholders' meeting to reach a resolution for reserve or distribution.

Article 35-1 The Company's dividend policy is a residual dividend policy. The funding requirements in the future years shall be evaluated based on the Company's future capital budget plans. Reserved profit shall first be used to finance the funds required. Remaining profit shall then be distributed through cash dividends or stock dividends.

#### Chapter 7 Miscellaneous

Article 36 Any matter that is not fully stipulated in these Articles of Association shall be governed by the provisions of the Company Act.

Article 37 These Articles of Association were established on August 10, 1977. The first amendment was made on September 3, 1977. The second amendment was made on October 16, 1978. The third amendment was made on January 30, 1981. The fourth amendment was made on April 1, 1981. The fifth amendment was made on September 26, 1983. The sixth amendment was made on April 10, 1984. The seventh amendment was made on June 15, 1987. The eighth amendment was made on July 27, 1987. The ninth amendment was made on December 8, 1987. The tenth amendment was made on April 20, 1989. The eleventh amendment was made on November 28, 1989. The twelfth amendment was made on February 19, 1990. The thirteenth amendment was made on February 25, 1991. The fourteenth amendment was made on March 14, 1992. The fifteenth amendment was made on April 27, 1993. The sixteenth amendment was made on April 8, 1994. The seventeenth amendment was made on May 25, 1995. The eighteenth amendment was made on June 27, 1996. The nineteenth amendment was made on April 25, 1997. The twentieth amendment was made on April 8, 1998. The twenty-first amendment was made on June 24, 1999. The twenty-second amendment was made on June 22, 2000. The twenty-third amendment was made on May 23, 2001. The twenty-fourth amendment was made on June 17, 2002. The twenty-fifth amendment was made on June 13, 2003. The twenty-sixth amendment was made on June 25, 2004. The twenty-seventh amendment was made on June 28, 2005. The twenty-eighth amendment was made on May 22, 2006. The twenty-ninth amendment was made on June 12, 2007. The thirtieth amendment was made on June 23, 2010. The thirty-first amendment was made on December 31, 2010. The thirty-second amendment was made on June 9, 2011. The thirty-third amendment was made on June 5, 2012. The thirty-fourth amendment was made on June 10, 2013. The thirty-fifth amendment was made on June 15, 2015. The thirty-sixth amendment was made on June 14, 2016. The thirty-seventh amendment was made on June 15, 2017.

# Ruentex Development Co., Ltd.

## Rules and Procedure of Shareholders Meetings

Approved by the general shareholders' meeting on February 19, 1990.

First amendment approved by the general shareholders' meeting on April 8, 1998.

Second amendment approved by the general shareholders' meeting on June 17, 2002.

Third amendment approved by the general shareholders' meeting on June 10, 2013.

Fourth amendment approved by the general shareholders' meeting on June 15, 2015.

1. In addition to the laws and the Articles of Association of the Company, shareholders' meetings of the Company are governed by these Rules.
2. Shareholders referred to in these Rules mean the shareholders and the representatives attending shareholders' meetings on shareholders' behalf.
3. The Company has a signature register for signatures by attending shareholders. Attending shareholders may also submit attendance cards in lieu of signatures. The number of shares represented in the meeting shall be calculated based on the signature register or the attendance cards submitted, plus voting rights exercised in writing or electronically.
4. When the Company holds a shareholders' meeting, shareholders may choose to exercise their voting rights electronically or on site.  
If shareholders exercise their voting rights electronically under the previous paragraph, it shall be in accordance with the Company Act, the Securities and Exchange Act and the Regulations Governing the Administration of Shareholder Services of Public Companies.  
Attendance and voting of shareholders' meetings shall be calculated based on shares. The number of shares represented shall be calculated based on the attendance cards submitted, plus voting rights exercised electronically. However, shares represented shall be calculated in a duplicated manner between electronic exercise of voting rights and attendance to shareholders' meetings in person. However, the Company has no voting right to its shares that it holds.
5. Shareholders' meetings of the Company shall be held in the place where the Company is located or in a location that is convenient for shareholders' attendance and that is suitable for holding a shareholders' meeting. Meetings shall not start earlier than 9 a.m. or later than 3 p.m.
6. If a shareholders' meeting is convened by the board of directors, the chairman of the board of directors shall chair the meeting. If the chairman is on leave or cannot exercise his/her duties due to any reason, the vice chairman shall do so on behalf of the chairman. If there is no vice chairman or if the vice chairman is also on leave or cannot exercise his/her duties, the chairman shall appoint one director to act on his/her behalf. If the chairman does not make such appointment, one person shall be elected by the directors from among themselves.  
If the shareholders' meeting is convened by a person entitled to convene the meeting other than the board of directors, such person shall chair the meeting. If there are two or more persons who have convened the meeting, one person shall be elected from among themselves.
7. The Company may designate its attorneys, accountants, or relevant personnel to sit in on shareholders' meetings.  
Meeting staff of shareholders' meetings shall wear identification badges or armbands.
8. Shareholders' meetings shall be fully recorded by audio or video. Recordings shall be kept for at least 1 year.
9. The chairman shall announce the start of the meeting when the meeting time arrives. However, if the shareholders present represent less than the majority of all outstanding shares, the chairman may announce an adjournment of the meeting. A meeting shall be adjourned no more than twice. The time of an adjourned meeting shall not exceed one hour in total. After two adjournments and if shareholders present still fail to meet the quorum and if shareholders present represent at least 1/3 of all outstanding shares, a provisional resolution may be passed in accordance with the first paragraph, Article 175 of the Company Act.  
Before the meeting ends, if the shares represented by the attending shareholders represent the majority of all outstanding shares, the chairman may submit the provisional resolution to the meeting for votes again in accordance with Article 174 of the Company Act.
10. If a shareholders' meeting is convened by the board of directors, the agenda shall be determined by the board of directors. Meetings shall proceed in accordance with the agenda, which shall not change unless

there is a shareholders' resolution. In the case of breach of procedure, the chairman shall stop the speaker and advise for the proposal to be made as a motion.

If the shareholders' meeting is convened by any person entitled to convene the meeting other than the board of directors, the previous paragraph shall apply mutatis mutandis.

Before the agenda determined under the previous two paragraphs (including motions) is completed, the chairman shall not announce the close of the meeting unless there is a resolution. If the chairman breaches the meeting rules and announces the close of the meeting, one person may be elected by the majority of voting rights represented by attending shareholders to chair and continue the meeting.

After a meeting is closed, shareholders shall not elect another chairman to continue the meeting either at the same address or elsewhere.

11. Before speaking, a shareholder must first complete a speaking note, specifying the main points of the speech, shareholder account number (or number of attendance card), and account name, for the chairman to determine the order of speech.

If an attending shareholder only submits a speaking note and does not speak, they shall be deemed not to have spoken. If the speech is inconsistent with the specifications on the speaking note, the speech shall prevail.

When an attending shareholder speaks, no other shareholder shall speak to interfere unless the chairman or the speaking shareholder agrees. In the case of any breach, the chairman shall stop such interference.

12. Unless the chairman agrees, each shareholder shall speak no more than twice for the same agenda item, and each speech shall be no more than 5 minutes.

When a shareholder speaks in violation of the previous paragraph or beyond the scope of the agenda item, the chairman may stop such speech.

13. When a corporation attends a shareholders' meeting, such corporation shall designate no more than one person as its representative.

If a corporate shareholder designates 2 or more persons to attend a shareholders' meeting on its behalf, only one person may speak on behalf of the shareholder for the same agenda.

14. After an attending shareholder speaks, the chairman may provide a response or procure a response by the relevant personnel.

15. When the chairman deems that a proposal has been sufficiently discussed to the point that it could be put up for a vote, he may declare closure of discussion and put up the proposal for a vote.

16. The vote supervisors and vote counters shall be designated by the chairman, provided that the vote supervisors must be shareholders. The result of the vote shall be announced on site and recorded.

17. During the meeting, the chairman may announce breaks. Upon occurrence of any event of force majeure, the chairman may rule for a suspension of the meeting and announce a time for the meeting to be continued.

Before the agenda scheduled for the shareholders meeting (including motions) is completed, if the meeting venue is no longer available, a shareholders' resolution may be passed to continue the meeting in a different place.

Shareholders may follow Article 182 of the Company Act and postpone or continue the meeting within 5 days by resolution.

18. Unless otherwise provided by the Company Act or the Articles of Association of the Company, votes shall be approved by the majority of votes held by attending shareholders. If the chairman makes an inquiry at the time of vote and if there is no objection, the matter shall be deemed approved, with the same effect as approval by vote.

19. If the same proposal has an amended or alternative version, the chairman shall determine the order of vote for such versions, together with the original version. If one proposal has been approved, the other versions shall be deemed denied and there is no need for further voting.

20. The chairman may direct disciplinary staff (or security staff) to help maintain the order of the meeting place. Disciplinary staff (or security staff) shall wear armbands or identification badges showing "disciplinary staff" when they help maintain order on site.

If the meeting venue has loudspeaker equipment, when a shareholder speaks through equipment that is not put in place by the Company, the chairman may stop such speech.

If a shareholder breaches the meeting rules and fails to follow corrections by the chairman, resulting in interference with the proceeding of the meeting, the chairman may direct disciplinary staff or security staff to escort such shareholder away from the meeting venue.

21. In the case of an air strike alarm during the meeting, the meeting shall be suspended and participants shall be evacuated. The meeting shall resume one hour after the alarm is cancelled.

22. Any matter that is not provided for in these Rules shall be governed by the meeting rules published by the Ministry of the Interior.

23. These Rules, including any amendment hereto, are implemented following approval by the shareholders' meeting.

[Appendix 3]

## Ruentex Development Co., Ltd.

### Shareholdings of All Directors

**General Shareholders Meeting Share Transfer Stop Date: April 7, 2019**

1. Minimum number of shares to be held by all directors and number of shares recorded in the shareholder register:

Title	Statutory Number of Shares	Recorded Shares in Shareholder Register
All Directors	32,000,000 shares	279,264,015 shares
Total	32,000,000 shares	279,264,015 shares

2. Director Shareholding Details:

Title	Name	Date of Election	Term (Years)	Number of Shares Recorded in Shareholder Register	
				Number of Shares	Shareholding Percentage
Chairman	Ying Chia Investment Co., Ltd. Representative: Jean, Tsang-Jiunn	2017.6.15	3	12,270,528	1.22
Director	Ruentex Industries Limited Representative: Wang, Chi-Fan	2017.6.15	3	257,844,024	25.70
	Ruentex Industries Limited Representative: Yin, Chung-Yao	2017.6.15	3		
	Ruentex Xing Co., Ltd. Representative: Lee, Chih-Hung	2017.6.15	3	8,861,463	0.88
	Ruentex Xing Co., Ltd. Representative: Chen, Li-Yu	2017.6.15	3		
	Ling, Chien-Yu	2017.6.15	3	288,000	0.03
Independent Director	Ko, Shun-Hsiung	2017.6.15	3	–	–
	Chao, Yi-Lung	2017.6.15	3	–	–
	Chang, Kuo-Chen	2017.6.15	3	–	–
Total Number of Shares and Percentages Held by All Directors				279,264,015	27.84

Note 1: Number of shares held by all directors of the Company meets the statutory standard.

Note 2: The Company established the audit committee in June, 2016.