

Stock code: 3013

uneec[®] 晟銘電子科技股份有限公司
CHENMING MOLD IND. CORP.

2019 Annual General Meeting

Meeting Agenda Handbook

Date of meeting: June 14, 2019

Location: Grand Victoria Hotel (No.168, Jingye 4th Rd.,
Zhongshan Dist., Taipei City)

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Chenming Mold Ind. Corp.
2019 Annual General Meeting Agenda

Time of meeting: 9:00 am, June 14, 2019.

Location: Grand Victoria Hotel (No.168, Jingye 4th Rd., Zhongshan Dist., Taipei City)

One. Announcement of the Commencement of the Meeting.

Two. The Chairperson's Remarks

Three. Reporting Matters:

I. 2018 Business Report.

II. Supervisors' Review of the 2018 Year-end Closure.

III. The Status of Implementation of Buyback in Treasury Stocks.

IV. Distribution of Remuneration to Employees and Directors and Supervisors

Four. Recognition Matters:

I. 2018 Business Report and Financial Statements.

II. 2018 Earnings Distribution Plan.

Five. Discussion Matters:

I. Amendments to the Company's "Articles of Incorporation".

II. Amendments to the Company's "Asset Acquisition and Disposal Procedures."

III. Amendments to the Company's "External Party Lending Procedures."

IV. Amendments to the Company's "Endorsement and Guarantee Procedures."

Six. Extraordinary Motions.

Seven. Meeting Adjourned.

One. Announcement of the Commencement of the Meeting

Two. The Chairperson's Remarks

Three. Reporting Matters

Reporting Matter I (Proposed by the Board of Directors)

Subject: 2018 Business Report, please kindly review.

Explanation: I. Please refer to Attachment I for Business Report (Page 24~ 25).
II. Please refer to Attachment III for financial information (Pages 27-40).

Reporting Matter II (Proposed by the Board of Directors)

Subject: Supervisors' review on 2018 Financial Statements, please kindly review.

Explanation: Please refer to Attachment II for Supervisors' Review Report (Page 26).

Reporting Matter III (Proposed by the Board of Directors)

Subject: The Status of Implementation of Buyback in Treasury Stocks, please kindly review.

Explanation: The Status of Implementation of Buyback in Treasury Stocks in Year 2018 has been duly verified by the Financial Supervisory Commission. The facts of buyback are described below:

Unit: New Taiwan Dollars

Term of buyback	2018 first buyback	2018 second buyback
Purposes of buyback	In an effort to safeguard the Company's credit standing and shareholders' equity	In an effort to safeguard the Company's credit standing and shareholders' equity
Buyback period	November 8, 2018 ~ December 18, 2018	December 27, 2018 ~ February 20, 2019
Price range of buyback	NT\$ 11 ~NT\$ 21	NT\$ 11 ~NT\$ 22
The categories and quantities of buyback	3,500,000 common shares	3,500,000 common shares
Amount of buyback	NT\$ 52,026,594	NT\$ 52,512,440
Number of shares having been cancelled and transferred	3,500,000 share	3,500,000 share
Accumulated holding of the Company's shares	0 share	0 share
Cumulative holding of own shares as a percentage to total outstanding shares	0%	0%
Date of verification	December 20, 2018	February 23, 2019
File number of verification	Letter Jin-Guan-Zheng-Jiao-Zi 1070347438	Letter Jin-Guan-Zheng-Jiao-Zi 1080305083

Reporting Matter IV (Proposed by the Board of Directors)

Subject: Please kindly review Employees', directors' and supervisor's remuneration distribution plan.

- Explanation: I. Pursuant to the Company's Articles of Incorporation, if Company records a profit in a year, an amount not less than 2% shall be appropriated as remuneration to employees and an amount no more than 2% shall be appropriated as remuneration to directors and supervisors.
- II. Employee remuneration totaling NT\$5 million and director/supervisor remuneration totaling NT\$1.5 million have been proposed according to the above rules. Both amounts will be paid in cash, and the amount proposed was indifferent from the expenses first estimated.

Four. Acknowledgment Matters

Recognition Matter I: (Proposed by the Board of Directors)

Subject: 2018 Business Report and Financial Statements, please kindly recognize.

- Explanation: I. The Company has prepared the 2018 Financial Statements, and CAPs, Yen Hsing-Fu and Kuo Kuan-Ying of KPMG, have audited and issued the CAPs' Report on the Financial Statements. Along with the Business Report and Earnings appropriation report, the Financial Statements were submitted and reviewed by the supervisors.
- II. Please refer to Attachment I~III of this Handbook for detail of the aforementioned Report and Statements. (Page 24-40).
- III. Please kindly recognize.

Resolution:

Recognition Matter II: (Proposed by the Board of Directors)

Subject: 2018 Earnings Distribution Plan, please kindly recognize.

- Explanation: I. The Company had opening undistributed earnings of NT\$272,624,705 at the beginning of 2018; after deducting actuarial gains and losses on the pension plan, adding current net income of NT\$110,051,215, and making a 10% provision totaling NT\$11,005,122 for legal reserve and NT\$14,122,443 for special reserve according to laws and the Articles of Incorporation, the Company had NT\$356,175,625 of earning available for distribution, and dividends totaling NT\$48,880,506 have been proposed. Please refer to the earnings appropriation report for details.
- II. Once the NT\$48,880,506 cash dividend is approved during

shareholder meeting, the board of directors shall be authorized to set the ex-dividend date and other related details. Cash dividends shall be paid based on the number of shares held as at the ex-dividend date, as shown on the shareholder registry. Cash dividends shall be paid at NT\$0.3 per share, truncated to the nearest dollar. Fractions that do not amount to a full NT\$1 shall be summed and recognized by the Company as other income.

III. In the event that the distribution ratio mentioned in preceding paragraph is subject to an adjustment due to any subsequent changes to the number of outstanding shares caused by conditions such as changes of laws, adjustments made by the competent authorities or shares repurchase by the Company, it is proposed to authorize the board of directors to make such an adjustment.

IV. Please kindly recognize.

Resolution:

Chenming Mold Ind. Corp.
2018 Earnings Appropriation Report

Unit: NT\$

Item	Amount
Beginning retained earnings	272,624,705
Less: Changes in actuarial gains or losses	(1,372,730)
Add: Net profit after tax for current period	110,051,215
Less: Legal reserve	(11,005,122)
Less: Special reserve	(14,122,443)
Adjusted ending undistributed earnings	356,175,625
Distributable earnings	356,175,625
Items of distribution	
Dividend to shareholders – Cash dividend	(48,880,506)
Ending unappropriated earnings	307,295,119

Note: 1. Distribution shall be allocated out of 2018 earnings first.

2. The cash dividend NT\$0.3 per share was calculated based on the number of outstanding shares, totaling 162,935,018 shares on March 18, 2019.

Chairman: Lin Mu-Ho Manager: Lo Chih-Chi Accounting Manager: Su Chung-Ching

Five. Discussion Matters:

Discussion I: (Proposed by the Board of Directors)

Subject: Amendments to the Company's "Articles of Incorporation" is submitted for discussion.

Explanation: I. To proceed according to partial amendments of The Company Act announced in Letter No. Tai-Jing-1070037184 issued by the Executive Yuan on October 26, 2018, instructions of the Financial Supervisory Commission issued in Letter No. Jin-Guan-Zheng-Fa-10703452331 dated December 19, 2018, and Regulations Governing the Exercise of Powers by Audit Committees

of Public Companies on July 28, 2017. Refer to the following for comparison of amendments made:

II. Please kindly resolve.

Resolution:

The comparison table of the Articles of Incorporation

After amendment	Original clauses	Explanation
<p>Article VII: The Company's share certificates shall be the registered ones and shall be duly signed and sealed by <u>directors capable of representing the Company</u> and duly authenticated before issuance.</p>	<p>Article VII: The Company's share certificates shall be the registered ones and shall be duly signed and sealed by the minimum of three directors and duly authenticated before issuance.</p>	<p>Amended according to Article 162 of The Company Act</p>
<p>Article XIII: The Company's directors and supervisors shall be elected by shareholders' meeting from candidates of disposing capacity, <u>using a nomination system and a method that complies with Article 192-1 of The Company Act</u>, with a three-year tenure of office and eligible for reelection.</p>	<p>Article XIII: The Company's directors and supervisors shall be elected by shareholders' meeting from candidates of disposing capacity, with a three-year tenure of office and eligible for reelection.</p>	<p>Amended according to Article 192-1 of The Company Act</p>
<p>Article XIII-I: Pursuant to Article 14-2 of Securities and Exchange Act, the Company has seven directors, <u>including at least two independent directors that comprise no less than one-fifth of the board</u>. In election of directors, each share is entitled to the electing power equivalent to the number of directors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates. The candidates who win more election powers shall be elected the directors. The independent directors and non-independent directors shall be elected in the same package and the numbers of elected ones shall be calculated respectively.</p>	<p>Article XIII~I: Pursuant to Article 14~2 of Securities and Exchange Act, the Company has seven directors, including two independent directors and five non-independent directors. In election of directors, each share is entitled to the electing power equivalent to the number of directors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates. The candidates who win more election powers shall be elected the directors. The independent directors and non-independent directors shall be elected in the same package and the numbers of elected ones shall be calculated respectively.</p>	<p>Amended according to Article 14 of the Securities and Exchange Act</p>
<p>Article XIII-IV: <u>Once the Company has assembled its Audit Committee in 2020, all clauses pertaining to supervisors in the Articles of Incorporation shall no longer apply. The Audit Committee shall consist entirely of independent directors. The exercise of duties and matters concerning independent directors shall proceed according to relevant laws and be regulated separately by the board of directors.</u></p>	<p>None</p>	<p>To conform with Article 14-4 of the Securities and Exchange Act and Letter No. Jin-Guan-Zheng -Fa10703452331 issued by the FSC on December 19, 2018.</p>

After amendment	Original clauses	Explanation
<p>Article XXI: The Articles of Incorporation was established on June 4, 1976; Duly amended on July 20, 1976 as the 1st amendment; amended on January 10, 1977 as the 2nd amendment; amended on June 26, 1982 as the 3rd amendment; amended on July 12, 1985 as the 4th amendment; amended on April 6, 1987 as the 5th amendment; amended on October 8, 1992 as the 6th amendment; amended on October 28, 1997 as the 7th amendment; amended on January 7, 1998 as the 8th amendment; amended on June 30, 1998 as the 9th amendment; amended on June 20, 1999 as the 10th amendment; amended on May 24, 2000 as the 11th amendment; amended on May 16, 2001 as the 12th amendment; amended on May 20, 2002 as the 13th amendment; amended on March 10, 2003 as the 14th amendment; amended on June 6, 2003 as the 15th amendment; amended on June 11, 2004 as the 16th amendment; amended on June 10, 2005 as the 17th amendment; amended on June 15, 2007 as the 18th amendment; amended on June 13, 2008 as the 19th amendment; amended on June 10, 2009 as the 20th amendment; amended on June 9, 2010 as the 21st amendment; amended on June 10, 2011 as the 22nd amendment; amended on June 17, 2016 as the 23rd amendment; amended on June 13, 2018 as the 24th amendment; <u>amended on June 14, 2019 as the 25th amendment.</u></p>	<p>Article XXI: The Articles of Incorporation was established on June 4, 1976; Duly amended on July 20, 1976 as the 1st amendment; amended on January 10, 1977 as the 2nd amendment; amended on June 26, 1982 as the 3rd amendment; amended on July 12, 1985 as the 4th amendment; amended on April 6, 1987 as the 5th amendment; amended on October 8, 1992 as the 6th amendment; amended on October 28, 1997 as the 7th amendment; amended on January 7, 1998 as the 8th amendment; amended on June 30, 1998 as the 9th amendment; amended on June 20, 1999 as the 10th amendment; amended on May 24, 2000 as the 11th amendment; amended on May 16, 2001 as the 12th amendment; amended on May 20, 2002 as the 13th amendment; amended on March 10, 2003 as the 14th amendment; amended on June 6, 2003 as the 15th amendment; amended on June 11, 2004 as the 16th amendment; amended on June 10, 2005 as the 17th amendment; amended on June 15, 2007 as the 18th amendment; amended on June 13, 2008 as the 19th amendment; amended on June 10, 2009 as the 20th amendment; amended on June 9, 2010 as the 21st amendment; amended on June 10, 2011 as the 22nd amendment; amended on June 17, 2016 as the 23rd amendment; amended on June 13, 2018 as the 24th amendment.</p>	<p>To add the date of amendment.</p>

Discussion II: (Proposed by the Board of Directors)

Subject: Amendments to the Company’s “Procedures for the Acquisition or Disposal of Assets.”

Explanation: I. Amendments to the Company’s “Procedures for the Acquisition or Disposal of Assets” have been proposed according to the Financial Supervisory Commission’s instructions issued in Letter No. Jin-Guan-Zheng-Fa-1070341072 dated November 26, 2018. Below is a comparison of changes made:

II. Please kindly resolve.

Resolution:

Contents of Procedures for the Acquisition or Disposal of Assets, before and after amendment in comparison

Amended article	Original article	Descriptions
<p>II. Scope of application for assets: (I) Investment in stocks, government bonds, corporate bonds, financial bonds,</p>	<p>II. Scope of application for assets: (I) Investment in stocks, government bonds, corporate bonds, financial bonds,</p>	<p>This is to be duly handled in accordance with Article 3 of the “Regulations Governing the Acquisition and Disposal of Assets by Public</p>

Amended article	Original article	Descriptions
<p>negotiable securities manifesting funds, deposit receipt certificates (DRC), share subscription (sales) warrants, beneficiary securities and asset-backed securities.</p> <p>(II) Real estate (including land, building, investment properties, and construction in progress), plant and equipment.</p> <p>(III) Membership certificates</p> <p>(IV) Patent rights, copyrights, trademark rights, franchises and such intangible assets.</p> <p><u>(V) Right-of-use Asset.</u></p> <p><u>(VI) Financial institutions' creditor's rights</u> (including accounts receivable, discount in remittance purchase, loans, delinquent accounts).</p> <p><u>(VII) Derivative financial instruments: The forward contracts, option contracts, futures contracts, leverage guarantee contracts, swap contracts the value of which derives from <u>specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables, or any combination of the above or structured contracts/products with embedded derivatives.</u> The term "forward contract" as set forth herein excludes insurance contract, performance contract, after-sales services contract, long-term lease agreement and long-term purchase(sales) contract.</u></p> <p>(VIII) Assets duly acquired or disposed as a result of merger, demerger, acquisition or share</p>	<p>negotiable securities manifesting funds, deposit receipt certificates (DRC), share subscription (sales) warrants, beneficiary securities and asset-backed securities.</p> <p>(II) Real estate (including land, building, investment properties, <u>land usage rights</u>, and construction in progress), plant and equipment.</p> <p>(III) Membership certificates</p> <p>(IV) Patent rights, copyrights, trademark rights, franchises and such intangible assets.</p> <p>(V) Financial institutions' creditor's rights (including accounts receivable, discount in remittance purchase, loans, delinquent accounts).</p> <p>(VI) Derivative financial instruments: The forward contracts, option contracts, futures contracts, leverage guarantee contracts, swap contracts the value of which derives from assets, interest rates, exchange rates, indices or other interests and combined contracts composed of the aforementioned merchandise. The term "forward contract" as set forth herein excludes insurance contract, performance contract, after-sales services contract, long-term lease agreement and long-term purchase(sales) contract.</p> <p>(VII) Assets duly acquired or disposed as a result of merger, demerger, acquisition or share transfer.</p> <p>(VIII) Other major assets</p>	<p>Companies".</p> <p>I. As IFRS 16 - Leases takes effect, Subparagraph 5 was added to expand the scope of usage right assets whereas the clause relating to leasehold rights was renumbered from Subparagraph 2 to Subparagraph 5.</p> <p>II. Existing Subparagraphs 5 to 8 were renumbered Subparagraphs 6 to 9, respectively.</p> <p>III. Revised Subparagraph 1 to conform with the derivative definition of IFRS 9 - Financial Instruments and the Regulations, and revised wording.</p>

Amended article	Original article	Descriptions
<p>transfer. (IX) Other major assets.</p>		
<p>XXV. Where the Company obtains expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter, such expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter shall conform with the following requirements:</p> <p>(I) <u>No previous violation against the Act, The Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or Regulation on Business Entity Accounting Act, and no conviction of fraud, breach of trust, misappropriation, forgery or any crime relating to business activities resulting in a sentence of one-year imprisonment or higher. This excludes situations where three years have passed since the subject has served the sentence, endured the probation period or is pardoned of the crime.</u></p> <p>(II) <u>Must not be related to the transaction counterparty.</u></p> <p>(III) <u>In situations where the Company is required to obtain valuation reports from two or more professional valuers, the valuation firms or valuers shall not be related in any way.</u></p> <p><u>The abovementioned personnel shall follow the principles below when issuing valuation reports or opinions:</u></p> <p>(I) <u>Assess own professional capacity, practical experience and independence before undertaking the case.</u></p> <p>(II) <u>Make appropriate plans and procedures, and execute accordingly to form conclusions, reports</u></p>	<p>XXV. Where the Company obtains expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter, such expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter shall not be a related party with the person involved in the transaction.</p>	<p>This is to be duly handled in accordance with Article 5 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> <p>I. To outline responsibilities of outside experts and add Paragraph 2 to address matters concerning CPA’s evaluation, audit and declaration on valuation reports in cases where investment properties are involved, and thereby conform with Article 9 of Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>

Amended article	Original article	Descriptions
<p><u>or opinions. Complete the worksheet with details of the executed procedures, the collected data and the final conclusion.</u></p> <p><u>(III) Evaluate the completeness, correctness and rationality of the data, parameters and information used to issue a valuation report or opinion.</u></p> <p><u>(IV) Issue declarations on the professionalism and independence of relevant personnel, the rationality and correctness of information used, and compliance-related matters.</u></p>		
<p>VII. Scope and credit line of investment: Other than assets acquired by the Company and the Company’s subsidiaries oriented to use for business operation, the Company may, as well, invest and purchase real estate <u>and a right-of-use asset</u> and negotiable securities beyond the use for own business operation, with the restriction upon the credit line as enumerated below. Upon calculation of Paragraphs (IV) , (V), those participating in investment and incorporation or serving as the directors and supervisors who intend to hold the investment on a long-term basis may not be counted.</p> <p>(I) The aggregate total amount of real estate <u>and a right-of-use asset</u> not oriented for use in business operation shall not exceed 10% of the net worth of the Company and the Company’s subsidiaries as shown through the latest financial statements.</p>	<p>VII. Scope and credit line of investment: Other than assets acquired by the Company and the Company’s subsidiaries oriented to use for business operation, the Company may, as well, invest and purchase real estate and negotiable securities beyond the use for own business operation, with the restriction upon the credit line as enumerated below: Upon calculation of Paragraphs (IV) , (V), those participating in investment and incorporation or serving as the directors and supervisors who intend to hold the investment on a long-term basis may not be counted.</p> <p>(I) The aggregate total amount of real estate not oriented for use in business operation shall not exceed 10% of the net worth of the Company and the Company’s subsidiaries as shown through the latest financial statements.</p>	<p>This is to be duly handled in accordance with Article 7 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> <p>I. As IFRS 16 - Leases takes effect, Subparagraph 5, Paragraph 1, was revised to include usage rights of non-operating real estate into the calculation of relevant limits.</p>
<p>VI. Procedures for appraisal of assets: Except for transactions involving <u>domestic</u> government agency,</p>	<p>VI. Procedures for appraisal of assets: Except for transactions involving government agency, commissioned development of</p>	<p>This is to be duly handled in accordance with Article 9 of the “Regulations Governing the Acquisition and Disposal of Assets by Public</p>

Amended article	Original article	Descriptions
<p>commissioned development of purchased land, commissioned development of leased land, and acquisition/disposal of equipment <u>or a right-of-use asset</u> relevant to business operations, all other acquisitions and disposals of property and equipment <u>or a right-of-use asset</u> amounting to more than 20% of the Company's paid-up capital or NT\$ 300 million shall be supported with valuation reports issued by professional valuers prior to the date of occurrence (refer to Attachment 1 for mandatory report details). These valuation reports shall also comply with the following. Where the Company acquires or disposes of assets through auction procedures with a court, the verifying document issued by that court is acceptable instead of the appraisal report or the Certified Public Accountant's opinion.</p> <p>(I) Where the Company takes restricted price(s) or specific price(s) as the grounding reference due to an extraordinary reason, that transaction shall be subject to resolution by the board of directors beforehand. <u>Any changes in transaction term thereafter shall also be subject to the same procedures.</u></p>	<p>purchased land, commissioned development of leased land, and acquisition/disposal of equipment relevant to business operations, all other acquisitions and disposals of property and equipment amounting to more than 20% of the Company's paid-up capital or NT\$ 300 million shall be supported with valuation reports issued by professional valuers prior to the date of occurrence (refer to Attachment 1 for mandatory report details). These valuation reports shall also comply with the following. Where the Company acquires or disposes of assets through auction procedures with a court, the verifying document issued by that court is acceptable instead of the appraisal report or the Certified Public Accountant's opinion.</p> <p>(I) Where the Company takes restricted price(s) or specific price(s) as the grounding reference due to an extraordinary reason, that transaction shall be subject to resolution by the board of directors beforehand. The same procedures above shall apply in case of a change in the terms of transaction in the future.</p>	<p>Companies".</p> <p>I. The term "government institution" mentioned in Paragraph 1 refer to central and local government institutions of the nation. Considering the fact that transactions with the central and local governments are subject to public tender, there is small likelihood of price manipulation and therefore the need for experts' opinion can be waived. Transactions with foreign government bodies, however, involve rules and tender systems that are less transparent and therefore the requirement should not be waived. As a result, Paragraph 1 was revised to limit the exemption only to transactions with local government bodies.</p> <p>II. As IFRS 16 - Leases takes effect, Paragraph 1 was revised to include usage right assets.</p> <p>III. Revised wording to Subparagraph 1, Paragraph 1 for compliance.</p>
<p>(II) Where the Company acquires or disposes of negotiable securities, the Company shall obtain the financial statements duly audited and certified by independent Certified Public Accountant or other data concerned of the target company in the latest term for reference in the transaction price before the date of fact occurrence. Where the Company acquires or disposes of negotiable</p>	<p>(II) Where the Company acquires or disposes of negotiable securities, the Company shall obtain the financial statements duly audited and certified by independent Certified Public Accountant or other data concerned of the target company in the latest term for reference in the transaction price before the date of fact occurrence. Where the Company acquires or disposes of negotiable securities, private</p>	<p>This is to be duly handled in accordance with Article 11 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>Amended under the same reasons as Descriptions 1 and 2 of Article 6, and revised wording.</p>

Amended article	Original article	Descriptions
<p>securities, private placement securities, membership certificates, intangible assets <u>and a right-of-use asset</u> not traded in the centralized securities exchanges or over-the-counter exchange with transaction amount up to 20% of the Company's paid-in capital or NT\$300 million, the Company shall consult the independent Certified Public Accountant to offer opinions on the rationality, <u>unless the counterparty is a domestic government institution</u>. Where the independent Certified Public Accountant has to adopt expert reports, the issue shall be duly handled in accordance with Statement of General Auditing Procedures No. 20 published by the ARDF, Republic of China.</p>	<p>placement securities, membership certificates, intangible assets not traded in the centralized securities exchanges or over-the-counter exchange with transaction amount up to 20% of the Company's paid-in capital or NT\$300 million, the Company shall consult the independent Certified Public Accountant to offer opinions on the rationality. Where the independent Certified Public Accountant has to adopt expert reports, the issue shall be duly handled in accordance with Statement of General Auditing Procedures No. 20 published by the ARDF, Republic of China.</p>	
<p>XI. Resolution procedures: Where the Company intends to acquire or dispose of real estate <u>or a right-of-use asset</u> from or to a related party, or where the Company intends to acquire or dispose of assets other than real estate <u>or a right-of-use asset</u> from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of <u>domestic government bonds</u> or bonds under repurchase, resale agreement (repo and reverse repo), or subscription to or repurchase of money market funds issued by domestic securities investment trust enterprises, the unit in enforcement shall not proceed to enter into a transaction contract or make a payment until the following documents have been approved by the board of directors and acknowledged by the</p>	<p>XI. Resolution procedures: Where the Company intends to acquire or dispose of real estate from or to a related party, or where the Company intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase, resale agreement (repo and reverse repo), or subscription to or repurchase of money market funds issued by domestic securities investment trust enterprises, the unit in enforcement shall not proceed to enter into a transaction contract or make a payment until the following documents have been approved by the board of directors and acknowledged by the supervisors:</p>	<p>This is to be duly handled in accordance with Article 15 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>I. The government bond mentioned in Paragraph 1 refers to domestic government bonds. Considering the fact that credit information of domestic central/local government bonds are transparent and easily accessible, a decision was made to waive the need for board of directors' approval and supervisors' acknowledgment. Accessibility of credit information on foreign government bonds, however, varies from country to country and therefore are not</p>

Amended article	Original article	Descriptions
<p>supervisors:</p> <p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a trading counterparty.</p> <p>(III) With respect to the acquisition of real property <u>or usage rights thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 & Article 13.</p>	<p>(I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(II) The reason for choosing the related party as a trading counterparty.</p> <p>(III) 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 12 & Article 13.</p>	<p>exempted from the above requirements, meaning that only domestic government bonds are exempted. Furthermore, as IFRS 16 - Leases takes effect, Paragraph 1 was revised to include usage right assets.</p>
<p>V. Procedures for public announcement and declaration:</p> <p>(I) Where the Company acquires or disposes of property and meets a situation falling within those enumerated below, the Company shall, based on the format and contents specified by the competent authority, launches public announcement and declaration through the website designated by the Financial Supervisory Commission, Executive Yuan within two (2) days from occurrence of the fact.</p> <p>1. Where the Company acquires from or disposes of real estate <u>or a right-of-use asset</u> with a related party or Company acquires from or disposes of assets other than real estate <u>or a right-of-use asset</u> with a related party with transaction amount up to 20% of the Company's paid-in capital or up to 10% of the Company's total assets or in amount in excess of NT\$300 million. This excludes trading of <u>domestic</u> government bond, repurchase/resale agreement, and subscription or</p>	<p>V. Procedures for public announcement and declaration:</p> <p>(I) Where the Company acquires or disposes of property and meets a situation falling within those enumerated below, the Company shall, based on the format and contents specified by the competent authority, launches public announcement and declaration through the website designated by the Financial Supervisory Commission, Executive Yuan within two (2) days from occurrence of the fact.</p> <p>1. Where the Company acquires from or disposes of real estate with a related party or Company acquires from or disposes of assets other than real estate with a related party with transaction amount up to xx% of the Company's paid-in capital or up to 10% of the Company's total assets or in amount in excess of NT\$300 million. This excludes trading of government bond, repurchase/resale agreement, and subscription or redemption of money market funds issued by</p>	<p>To proceed according to Article 31 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p> <p>I. Considering the fact that credit information of domestic central/local government bonds are transparent easily accessible, a decision was made to waive the need for announcement. Foreign government bonds, however, do not carry consistent credit information and therefore are not exempted. The Article was revised to limit the exemption only to domestic government bonds.</p> <p>II. As IFRS 16 - Leases takes effect, revisions were made to include usage right assets.</p>

Amended article	Original article	Descriptions
<p>redemption of money market funds issued by domestic securities investment trust companies.</p> <p>2. Where the Company launches merger, demerger, acquirement or accepts transfer of shares</p> <p>3. Where the Company engages in transaction derivative financial instruments and, as a result, undergoes a loss up to the amount set forth under Article 14, Chapter Three of these Procedures or the maximum limit in the loss in an individual contract.</p> <p>4. An event while a financial institution disposes of creditor's right or investment in Mainland China in a transaction other than those set forth under three preceding Paragraphs, with amount of transaction up to 20% of the Company's paid-in capital or an amount of NT\$300 million. Except, nevertheless, a situation among those enumerated below:</p> <p>(1) Buys and sales of <u>domestic</u> government bonds.</p> <p>(2) Repurchase/resale agreements, or subscription/redemption of money market funds issued by domestic securities investment trust companies.</p> <p>(3) Acquisition or disposal of operating equipment <u>or a right-of-use asset</u> with an unrelated party, and the transaction amount meets any of the following requirements:</p> <p>(a) For public companies with paid-up capital less than NT\$10 billion, the transaction amounts to NT\$500 million and above.</p> <p>(b) For public companies with paid-up capital of at</p>	<p>domestic securities investment trust companies.</p> <p>2. Where the Company launches merger, demerger, acquirement or accepts transfer of shares</p> <p>3. Where the Company engages in transaction derivative financial instruments and, as a result, undergoes a loss up to the amount set forth under Article 14, Chapter Three of these Procedures or the maximum limit in the loss in an individual contract.</p> <p>4. An event while a financial institution disposes of creditor's right or investment in Mainland China in a transaction other than those set forth under three preceding Paragraphs, with amount of transaction up to 20% of the Company's paid-in capital or an amount of NT\$300 million. Except, nevertheless, a situation among those enumerated below:</p> <p>(1) Buys and sales of government bonds.</p> <p>(2) Repurchase/resale agreements, or subscription/redemption of money market funds issued by domestic securities investment trust companies.</p> <p>(3) Acquirement or disposal of <u>assets in the category</u> as equipment facilities oriented to use for business, in an amount of transaction up to one within those enumerated below:</p> <p>(a) For public companies with paid-up capital less than NT\$10 billion, the transaction amounts to NT\$500 million and above.</p> <p>(b) For public companies with paid-up capital of at least NT\$10 billion, the transaction amounts to</p>	

Amended article	Original article	Descriptions
<p>least NT\$10 billion, the transaction amounts to NT\$1 billion and above.</p> <p>(4) Acquisition of real estate property in the form of development over purchased land, development over leased land, joint development with separate ownership, joint development with proportional holding, or joint development with partial sale, <u>where the counterparty is unrelated</u> and in which the Company expects to invest NT\$ 500 million or above.</p>	<p>NT\$1 billion and above.</p> <p>(4) A case where the 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 with amount of transaction the Company anticipates to invest not up to NT\$500 million.</p>	
<p>5. Other transactions: Other transactions shall be duly handled in accordance with the internal control system and operating procedures within the authorized powers. Where the amount of transaction is up to the criteria for public announcement and declaration under Article V, except the machinery & equipment <u>or a right-of-use asset and real estate leasehold rights</u> which are acquired or disposed of for use in business operation which shall be reported to and acknowledged retrospectively by the board of directors, the transaction shall be subject to resolution and pass in the board of directors. A case falling under Article 185 of the Company Act,</p>	<p>5. Other transactions: Other transactions shall be duly handled in accordance with the internal control system and operating procedures within the authorized powers. Where the amount of transaction is up to the criteria for public announcement and declaration under Article V, except the machinery & equipment which are acquired or disposed of for use in business operation which shall be reported to and acknowledged retrospectively by the board of directors, the transaction shall be subject to resolution and pass in the board of directors. A case falling under Article 185 of the Company Act, shall be duly resolved and passed in the shareholders’ meeting beforehand.</p>	<p>This is to be duly handled in accordance with Article 15 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> <p>I. Considering the fact public companies and their parent companies, subsidiaries and 2nd-tier subsidiaries (100% directly or indirectly owned) may engage each other in a collective purchase, leasing or transfer (selling or subleasing) of operating equipment or real estate property, which involve lower transaction risks, a decision was made to revise Paragraph 3 to empower the Chairman to approve intra-group acquisition/disposal of operating equipment, real estate or usage rights thereof upfront, with wordings revised.</p>
<p>XII. Evaluation over reasonableness for the terms of transaction: In situation where the Company intends to acquire or dispose of real estate <u>or usage rights thereof</u> from or to a</p>	<p>XII. Evaluation over reasonableness for the terms of transaction: Where the Company intends to acquire or dispose of real estate from or to a related party, or where the Company intends to acquire or dispose of assets</p>	<p>This is to be duly handled in accordance with Article 16 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

Amended article	Original article	Descriptions
<p>related party, or where the Company intends to acquire or dispose of assets other than real estate or usage rights thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, unless the related party acquired the real property <u>or a right-of-use asset through inheritance or as a gift</u>; or where more than five (5) years have elapsed from the time the related party signed the contract to obtain the real property <u>or a right-of-use asset</u> to the signing date for the current transaction; or where 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; <u>or where a public company acquires from or disposes of operating real estate or a right-of-use asset with its parent company, subsidiary or 2nd-tier subsidiary (with 100% direct or indirect ownership)</u>; the Company shall evaluate the reasonableness of the transaction cost and shall retain an independent Certified Public Accountant to recheck and to offer concrete opinions.</p>	<p>other than real estate from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except three situations as enumerated below, i.e., where the related party acquired the real property through inheritance or as a gift; more than five (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; where 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, the Company shall evaluate the reasonableness of the transaction cost and shall retain an independent Certified Public Accountant to recheck and to offer concrete opinions.</p>	<p>I. As IFRS 16 - Leases takes effect, the policy was revised to govern leasing and acquisition of leasehold rights with related parties.</p> <p>II. Considering the fact that a public company, its parent company, subsidiaries and 2nd-tier subsidiaries (100% directly or indirectly owned) may engage each other in collective leasing and subleasing of real estate properties, which involve lower transaction risks, Subparagraph 4, Paragraph 4 was added to waive the need to assess rationality of transaction cost (the price at which real estate property is acquired or leased by related party) under the Article. Since such transactions have been exempted from this Article, Article 17 on pricing rationality and Article 18 on provision for special reserves no longer apply.</p>
<p>XIII. Agendum required where the imputed transaction cost is below the transaction price: Where the transaction costs appraised based on the preceding Article are below the actual transaction price, except a situation among those enumerated below which are backed up with objective proof and expert opinions from expert real estate appraisers and independent Certified Public Accountant for the reasonableness, the case shall be duly handled in accordance with Paragraph III.</p> <p>(I) Where the related party acquired undeveloped</p>	<p>XIII. Agendum required where the imputed transaction cost is below the transaction price: Where the transaction costs appraised based on the preceding Article are below the actual transaction price, except a situation among those enumerated below which are backed up with objective proof and expert opinions from expert real estate appraisers and independent Certified Public Accountant for the reasonableness, the case shall be duly handled in accordance with Paragraph III.</p> <p>(I) Where the related party acquired undeveloped</p>	<p>This is to be duly handled in accordance with Article 17 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>I. To conform with real estate (including factory premise) leasing practices, the rules have been relaxed so that pricing rationality of leasehold rights acquired from related parties can be established and inferred from non-related leasing arrangements</p>

Amended article	Original article	Descriptions
<p>virgin land or leased land for development, the Company shall submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped virgin land is appraised in accordance with the means set forth under the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual <u>transaction</u> price. The term "reasonable construction profit" as set forth herein denotes the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and <u>transaction</u> terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market or <u>leasing</u> practices.</p> <p>(II) Where the Company acquiring real property or <u>real estate leasehold rights thereof</u> from a related party provides evidence that the terms of the transaction are similar to the terms of <u>transactions</u> completed for the acquisition of neighboring or closely valued parcels of land of</p>	<p>virgin land or leased land for development, the Company shall submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped virgin land is appraised in accordance with the means set forth under 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 term "reasonable construction profit" as set forth herein denotes the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>3. <u>Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>(II) Where the Company</p>	<p>taking place in the nearby area in the last year.</p> <p>II. As IFRS 16 - Leases takes effect, the policy was revised to govern leasing and acquisition of leasehold rights with related parties, and impose the necessary steps to take when the assessed cost is lower than the transaction price.</p> <p>III. To clarify that the first part of the corresponding Subparagraph applies to independent directors of an Audit Committee, if the company has an Audit Committee in place.</p>

Amended article	Original article	Descriptions
<p>a similar size by unrelated parties within the preceding year.</p> <p>The term “concluded <u>transactions</u> for neighboring or closely valued parcels of land” as set forth in the preceding paragraph refers in principle to the 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. The term “<u>transaction</u> for similarly sized parcels” in principle refers to transactions concluded by an unrelated party for parcels with a land area of no less than 50% of the property in the planned transaction. The term “within the preceding year” refers retrospectively to the year preceding the date of occurrence of the acquisition of the real property <u>or a right-of-use asset</u>.</p> <p>Where a public company transacts with a related party and the results of appraisals conducted in accordance with the preceding Article are uniformly lower than the transaction price and all situations set forth under Paragraph I of this Article prove nonexistent, the following steps shall be taken:</p> <p>(I) A special reserve shall be set aside in accordance with paragraph 1, Article 41, of the Act against the differential discrepancy between the real property transaction price or the price of usage rights and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. The special reserve so amortized shall not be put into use until the assets purchased <u>or rented</u> at high prices have been recognized for loss from falling price, <u>disposed of or have lease terminated</u>, appropriately supplemented or restored</p>	<p>acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>The term “concluded transactions for neighboring or closely valued parcels of land” as set forth in the preceding paragraph refers in principle to the 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. The term “transaction for similarly sized parcels” in principle refers to transactions concluded by an unrelated party for parcels with a land area of no less than 50% of the property in the planned transaction. The term “within the preceding year” refers retrospectively to the year preceding the date of occurrence of the acquisition of the real property.</p> <p>Where a public company transacts with a related party and the results of appraisals conducted in accordance with the preceding Article are uniformly lower than the transaction price and all situations set forth under Paragraph I of this Article prove nonexistent, the following steps shall be taken:</p> <p>(I) A special reserve shall be set aside in accordance with paragraph 1, Article 41, of the Act against the differential discrepancy between the real property transaction price and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. The special reserve so amortized shall not be</p>	

Amended article	Original article	Descriptions
<p>to status quo ante, or until there are other proofs verifying no irrationality and until after being approved by the Financial Supervisory Commission, Executive Yuan.</p> <p>(II) The supervisors shall handle the issue in accordance with Article 218 of the Company Act. <u>If an Audit Committee has been assembled according to the policy, the first part of this Subparagraph shall apply to members of the Audit Committee (i.e. independent directors).</u></p> <p>(III) The performance in handling as under <u>the preceding two Subparagraphs</u> shall be reported to the shareholders' meeting and the detailed contents of transaction shall be disclosed in the annual report and prospectus.</p>	<p>put into use until the assets purchased at high prices have been recognized for loss from falling price, disposed of, appropriately supplemented or restored to status quo ante, or until there are other proofs verifying no irrationality and until after being approved by the Financial Supervisory Commission, Executive Yuan.</p> <p>(II) The supervisors shall handle the issue in accordance with Article 218 of the Company Act.</p> <p>(III) The performance in handling as under Paragraph I and II shall be reported to the shareholders' meeting and the detailed contents of transaction shall be disclosed in the annual report and prospectus.</p>	
<p>XVI. Internal audit system:</p> <p>(I) The Company's internal auditors shall look into the appropriateness of internal control system in derivatives transactions on a regular basis and shall audit the department(s) in charge of transaction about their compliance in operating procedures of derivatives transactions. Whenever a significant violation is noticed, they shall immediately report to the ranking supervisor(s) designated by the chairman and the board of directors and shall keep all supervisors informed in writing.</p> <p><u>(II) Where the Company has independent directors in place, the notifications addressed to supervisors, as mentioned in the preceding Paragraph, shall also be sent to</u></p>	<p>XVI. Internal audit system:</p> <p>(I) The Company's internal auditors shall look into the appropriateness of internal control system in derivatives transactions on a regular basis and shall audit the department(s) in charge of transaction about their compliance in operating procedures of derivatives transactions. Whenever a significant violation is noticed, they shall immediately report to the ranking supervisor(s) designated by the chairman and the board of directors and shall keep all supervisors informed in writing.</p> <p>(II) The Company's auditors shall enumerate derivatives transactions into the audit plans and shall declare and report to the Securities & Futures Institute about</p>	<p>This is to be duly handled in accordance with Article 22 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>I. Paragraph 2 was added according to Article 15 of Regulations Governing Establishment of Internal Control Systems by Public Companies to specify that, if the Company has independent directors in place, any significant violation involving derivatives shall be escalated to independent directors in writing upon discovery.</p> <p>II. Paragraph 3 was added to specify that, if the Company has Audit Committee in place, any significant violation</p>

Amended article	Original article	Descriptions
<p><u>independent directors in writing at the same time.</u></p> <p>(III) <u>Where the Company has assembled an Audit Committee in accordance with law, the rules mentioned in Paragraph 1 concerning supervisors shall also apply to the Audit Committee.</u></p> <p>(IV) The Company's auditors shall enumerate derivatives transactions into the audit plans and shall declare and report to the Securities & Futures Institute about performance in audit plans in the preceding fiscal year in late February of the ensuing year and shall further declare the rectification performance over abnormalities to the Securities & Futures Institute not later than late May of the ensuing year as the latest deadline.</p>	<p>performance in audit plans in the preceding fiscal year in late February of the ensuing year and shall further declare the rectification performance over abnormalities to the Securities & Futures Institute not later than late May of the ensuing year as the latest deadline.</p>	<p>involving derivatives shall be escalated to the Audit Committee in writing upon discovery.</p>

Discussion III: (Proposed by the Board of Directors)

Subject: Amendments to the Company's "External Party Lending Procedures."

Explanation: I. Amendments to the Company's "External Party Lending Procedures" have been proposed according to the Financial Supervisory Commission's instructions issued in Letter No. Jin-Guan-Zheng-Shen-1080304826 dated March 7, 2019. Below is a comparison of changes made:

II. Please kindly resolve.

Resolution:

Comparison of changes to External Party Lending Procedures

Amended article	Original article	Descriptions
<p>Article II: The Company may extend loans to external parties that meet any of the following conditions:</p> <p>(I) Businesses that the Company has business dealing with.</p> <p>(II) Entities in need of short-term liquidity. The amount of loan granted can not exceed 40% of</p>	<p>Article II: The Company may extend loans to external parties that meet any of the following conditions:</p> <p>(I) Businesses that the Company has business dealing with.</p> <p>(II) Entities in need of short-term liquidity. The amount of loan granted can not exceed 40% of</p>	<p>To proceed according to Article 3 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."</p>

Amended article	Original article	Descriptions
<p>the borrower’s net worth.</p> <p>The duration of “short-term” refers to a period of one year or one business cycle (whichever the longer). “Amount of loan” refers to the cumulative balance of short-term lending made by the public company.</p> <p>(III) Lending between the Company’s 100% directly or indirectly held foreign subsidiaries are not subject to the above restrictions, provided that outstanding balance does not exceed 100% of net worth of the respective companies, and that the tenor does not exceed 3 years.</p> <p><u>(IV) The borrower’s person-in-charge shall bear joint liability to repay the lender in the event that Paragraph 1 is violated. If the violation causes any damage to the company, the person-in-charge shall also be held liable for compensations.</u></p>	<p>the borrower’s net worth.</p> <p>The duration of “short-term” refers to a period of one year or one business cycle (whichever the longer). “Amount of loan” refers to the cumulative balance of short-term lending made by the public company.</p> <p>(III) Lending between the Company’s 100% directly or indirectly held foreign subsidiaries are not subject to the above restrictions, provided that outstanding balance does not exceed 100% of net worth of the respective companies, and that the tenor does not exceed 3 years.</p>	
<p>Article V: The lending process</p> <p>3. The Company’s internal auditors shall conduct audits on loans granted to third parties at least on a quarterly basis, and produce written reports of audit findings. Any major violations discovered must be escalated immediately in writing to supervisors. <u>If the public company has independent directors in place, the independent directors shall also be notified in writing at the same time.</u></p> <p>5. In the event that the Company is found to have loaned to an ineligible party or in excess of authorized limits due to change of circumstances, the Finance Department shall propose a correction plan to the supervisors and complete corrections according to plan. <u>If the public company has independent directors in place, the correction plan shall also be sent to independent directors at the same time.</u></p>	<p>Article V: The lending process</p> <p>3. Internal audit staff shall perform audits relating to the execution of external party lending procedures on a quarterly basis, and produce written reports on audit findings. Any major violation discovered must be notified immediately to all supervisors in writing.</p> <p>5. In the event that the Company is found to have loaned to an ineligible party or in excess of authorized limits due to change of circumstances, the Finance Department shall propose a correction plan to the supervisors and complete corrections according to plan.</p>	<p>To proceed according to Article 26-2 of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.”</p>

Amended article	Original article	Descriptions
<p>Article XI: This procedure, once approved by the board of directors, shall be implemented with the consent of supervisors and shareholders' approval in a shareholder meeting. Where directors have expressed objections on record or in writing, these objections must also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.</p> <p><u>If the public company has independent directors in place, the independent directors' opinions shall also be fully taken into consideration in the manner described in the preceding Paragraph when the external party lending procedure is raised for discussion by the board of directors. Any objections or qualified opinions expressed by independent directors shall be shown in board of directors meeting minutes.</u></p>	<p>Article XI: This procedure, once approved by the board of directors, shall be implemented with the consent of supervisors and shareholders' approval in a shareholder meeting. Where directors have expressed objections on record or in writing, these objections must also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.</p>	<p>To proceed according to Article 8 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."</p>

Discussion IV: (Proposed by the Board of Directors)

Subject: Amendments to the Company's "Endorsement and Guarantee Procedures."

Explanation: I. Amendments to the Company's "Endorsement and Guarantee Procedures" have been proposed according to the Financial Supervisory Commission's instructions issued in Letter No. Jin-Guan-Zheng-Shen-1080304826 dated March 7, 2019. Below is a comparison of changes made:

II. Please kindly resolve.

Resolution:

Comparison of changes to Endorsement and Guarantee Procedures

Amended article	Original article	Descriptions
<p>Five. Endorsement and Guarantee Procedures</p> <p>IV. The Company's internal auditors shall conduct audits on endorsements and guarantees granted to external parties on a quarterly basis, and produce written reports of audit findings. Any major violations discovered must be escalated immediately in writing to supervisors. <u>If the public company has independent directors in place, the independent directors shall also be notified in writing at the same</u></p>	<p>Five. Endorsement and Guarantee Procedures</p> <p>IV. Internal audit staff shall perform audits relating to the execution of endorsement and guarantee on a quarterly basis, and produce written reports on audit findings. Any major violation discovered must be notified immediately to all supervisors in writing.</p>	<p>To proceed according to Article 26-2 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."</p>

Amended article	Original article	Descriptions
<p><u>time.</u></p> <p>VI. If the endorsed/guaranteed party initially conformed with eligibility requirements but fails to comply with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies on a later date, or if the amount endorsed/guaranteed exceeds the prescribed limits due to change of the calculation basis, the Finance Department shall propose a correction plan with respect to the amount endorsed/guaranteed or the excess. All excess must be resolved within a specified period upon approval by the Chairman. These correction plans shall be presented to supervisors for review and executed by accountable parties according to schedule. <u>If the public company has independent directors in place, the correction plan shall also be sent to independent directors at the same time.</u></p>	<p>VI. If the endorsed/guaranteed party initially conformed with eligibility requirements but fails to comply with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies on a later date, or if the amount endorsed/guaranteed exceeds the prescribed limits due to change of the calculation basis, the Finance Department shall propose a correction plan with respect to the amount endorsed/guaranteed or the excess. All excess must be resolved within a specified period upon approval by the Chairman. These correction plans shall be presented to supervisors for review and executed by accountable parties according to schedule.</p>	
<p>Ten. Announcement Procedures (III) When the balance of endorsements and guarantees offered to a single business aggregate to NT\$ 10 million or above, while the balance of endorsements, guarantees, <u>book value of investments accounted using the equity method</u>, and loans to that business amount to more than 30% of the Company's net worth, as shown in the latest financial statements.</p>	<p>Ten. Announcement Procedures (III) When the balance of endorsements and guarantees offered to a single business aggregate to NT\$ 10 million or above, while the balance of endorsements, guarantees, long-term investments, and loans to that business amount to more than 30% of the Company's net worth, as shown in the latest financial statements.</p>	<p>To proceed according to Article 25 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."</p>
<p>Thirteen. Other Terms</p> <p>I. Endorsements and guarantees made by the Company and subsidiaries each year shall be reported during the next shareholder meeting.</p> <p>II. This procedure, once approved by the board of directors, shall be implemented with the consent of supervisors and shareholders' approval in a shareholder meeting. Where directors have expressed objections on record or in writing, these objections must also be escalated to supervisors and raised for discussion in the</p>	<p>Thirteen. Other Terms</p> <p>I. Endorsements and guarantees made by the Company and subsidiaries each year shall be reported during the next shareholder meeting.</p> <p>II. This procedure, once approved by the board of directors, shall be implemented with the consent of supervisors and shareholders' approval in a shareholder meeting. Where directors have expressed objections on record or in writing, these objections must also be escalated to supervisors and raised for discussion in the</p>	<p>To proceed according to Article 11 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."</p>

Amended article	Original article	Descriptions
<p>shareholder meeting. The same process shall apply to all subsequent amendments.</p> <p><u>If the public company has independent directors in place, the independent directors' opinions shall also be fully taken into consideration in the manner described in the preceding Paragraph when the external party endorsement/guarantee procedure is raised for discussion by the board of directors. Any objections or qualified opinions expressed by independent directors shall be shown in board of directors meeting minutes.</u></p>	<p>shareholder meeting. The same process shall apply to all subsequent amendments.</p>	

Six. Extraordinary Motions

Seven. Adjournment

Chenming Mold Ind. Corp.
2018 Business Report

Chenming continued to make progress with respect to optimization of production process, enhancement of management practice, and integration of smart manufacturing and intelligent technologies in 2018. By introducing automation modules to the Company's already exceptional production process and making continuous process optimizations, Chenming is able to develop sound business practices that ensure constant improvements in terms of production efficiency and product quality. By enforcing quality from the inside out, the Company is able to raise industry competitiveness and satisfy customers' diverse production requirements, for which it has been highly praised among customers. Looking forwards, Chenming will take the advantage in manufacturing process to increase revenue and assets size continuously and seek for ceaseless growth of profits, so as to enhance shareholders' equity. The following is a report of the Company's 2018 business performance and 2019 business prospect:

2018 business performance and R&D outcomes

The Company generated net consolidated revenues totaling NT\$6,186,402,000 in 2018, up 27.81% from the NT\$4,840,129,000 reported in 2017, and concluded net income of NT\$110,051,000 during the year, equivalent to an EPS of NT\$0.65. In the coming year, the Company will continue adhering to its principles of pragmatism and grow businesses amidst intensive competition.

R&D outcomes

- (1) Completed Ti6Al4V MIM production process, with microstructures and physical properties conforming with industry standards.
- (2) Completed a series of fundamental research and analysis on 17-4PH steel material, and developed an internal database for physical properties of 17-4PH. This research was published in several international conferences in 2018, including PM China (Shanghai China), Powdermet (Texas, USA), ARBURG (Lossburg, Germany), World PM (Beijing, China) and EuroPM (Bilbao, Spain), and was published in PIM International Vol.12 No.3 (page 101-111).
- (3) Completed MIM procedures for in-product, non-linear channels, and registered patent.
- (4) Completed development of micro plastic injection molds and over-molding technique on MIM products. This process was successfully applied on multiple Type-C connector projects.

2019 business prospect and R&D plans

Chenming will continue to place emphasis on cloud server products and introduce Industry 4.0 and intelligent manufacturing. In addition to the implementation of automated manufacturing and continuous quality and cost-effectiveness improvement for competitiveness, we will also reinforce the comprehensive services to customers, so as to expand our market reach and customer services. Moreover, we will grow our advantage in MIM manufacturing (metal powder injection molding) and target the components of handheld devices and wearable products. Through the advance of manufacturing technology and differentiated services and products, we hope to expand applications in customers' product lines.

R&D plan

- (1) Develop MIM procedures for high-temperature, high-strength nickel-based alloy - Inconel 713C.
- (2) We will continue to develop CIM (Ceramic Injection Molding) surface finish technique.
- (3) Develop MIM procedures for High Strength Non-Magnetic Austenitic Stainless Steel (X15 CrMnMoN 17-11-3).
- (4) Develop MIM procedures for corrosion-resistant, wear-resistant, non-magnetic cobalt-based alloy - F75 (Co-28Cr-6Mo).
- (5) Develop automatic visualizing cosmetic inspection system.

Application of new technologies such as smart manufacturing and smart factory is expected to drive production and sale of consumer electronic parts and IT products in the future, and the Company will respond to this trend by continuing its focus on innovation, technology application, industrial evolution as well as cloud and smart technologies.

By making ongoing improvements to R&D, quality and design, the Company not only satisfies the market's demand for increasing product diversity, but also prepares itself with the solid foundation needed to withstand intensifying competition of the future industry. Meanwhile, the Company responds to shareholders' support and expectations by directing attention towards corporate governance, social responsibilities and equity enhancement.

Chairman: Lin Mu-Ho

Manager: Lo Chih-Chi

Accounting Manager: Su Chung-Ching

Chenming Mold Ind. Corp.
Supervisors' Review Report

This is to certify that

The 2018 Financial Statements of the Company submitted by the Board of Directors have been audited by the CAPs, Yen Hsing-Fu and Kuo Kuan-Ying of KPMG. Along with the Business Report and Earnings appropriation report, the Financial Statements were submitted and reviewed by the supervisors and deemed in compliance with the Company Act and relevant laws. The financial statements herewith, in accordance with Article 219 of the Company Act, are submitted for your review.

To:
The 2019 Annual General Meeting

Supervisor: Lin Po-Hsiang
Lin Pei-Yu

March 18, 2019

Independent Auditors' Report

To the Board of Directors of CHENMING MOLD IND. CORP.:

Opinion

We have audited the financial statements of CHENMING MOLD IND. CORP. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. The share of profit (loss) of associates and joint ventures accounted for using equity method - Subsidiary's Inventory valuation

Please refer to Note (4)(g) and Note (5) for accounting policy of uncertainty of the valuation of inventory from using equity method - subsidiary. Information of the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation are disclosed in Notes (6)(d) of the financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price variability for the inventories of the Company are expected to change. Therefore, the test of the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation is one of the significant evaluation in our audit procedures.

Audit Procedure:

Our principal audit procedure included: testing the related controls of subsidiary's production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories, to determine whether they are in compliance with the Company's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Company.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Fu Yen and Kuan-Ying Kuo.

KPMG
Taipei, Taiwan (Republic of China)
March 18, 2018

Notes to Readers

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenue(note (6)(n) and (7))	\$ 3,138,229	100	2,808,551	100
5000 Operating costs (note (6)(c) and (7))	2,913,952	93	2,461,515	88
5900 Gross profit from operations	224,277	7	347,036	12
6000 Operating expenses (note (6)(j) and (12)):				
6100 Selling expenses	31,013	1	34,990	1
6200 Administrative expenses	77,056	2	75,213	3
6300 Research and development expenses	15,753	1	21,465	-
	123,822	4	131,668	4
6900 Net operating income	100,455	3	215,368	8
7000 Non-operating income and expenses:				
7050 Finance costs, net	(6,888)	-	(5,257)	-
7100 Interest income	720	-	985	-
7110 Rent income (note (6)(i) and (7))	13,062	-	12,748	-
7190 Other income (note (7))	4,444	-	3,980	-
7230 Foreign exchange gains (losses), net (note (6)(p))	36,749	1	(58,313)	(2)
7590 Other expense and losses	-	-	153	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	2,271	-	77,394	3
	50,358	1	31,690	1
7900 Profit before tax	150,813	4	247,058	9
7950 Less: Tax expense (note (6)(k))	40,762	1	34,149	1
Profit	110,051	3	212,909	8
8300 Other comprehensive income:				
8310 Items that may not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(1,729)	-	(349)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	357	-	59	-
Total item that may not be reclassified to profit or loss	(1,372)	-	(290)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statement	(14,122)	-	(1,118)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	(14,122)	-	(1,118)	-
8300 Other comprehensive income, net	(15,494)	-	(1,408)	-
8500 Comprehensive income	\$ 94,557	3	211,501	8
Earnings per share (expressed in dollars) (note (6)(m)):				
9750 Basic earnings per share	\$ 0.65		1.25	
9850 Diluted earnings per share	\$ 0.65		1.25	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP.

Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements		
Balance at January 1, 2017	\$ 1,699,350	14,722	232,416	-	302,109	534,525	(29,978)	-	2,218,619
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	19,780	-	(19,780)	-	-	-	-
Special reserve	-	-	-	29,978	(29,978)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)
Profit for the year ended December 31, 2017	-	-	-	-	212,909	212,909	-	-	212,909
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(290)	(290)	(1,118)	-	(1,408)
Comprehensive income for the year ended December 31, 2017	-	-	-	-	212,619	212,619	(1,118)	-	211,501
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,763	-	-	-	-	-	-	37,763
Balance at December 31, 2017	1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	2,382,915
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557
Increase in treasury share	-	-	-	-	-	-	-	(52,027)	(52,027)
Balance at December 31, 2018	\$ 1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP.

Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 150,813	247,058
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,585	8,325
Amortization expense	1,274	1,182
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	412	172
Interest expense	6,888	5,257
Interest income	(720)	(985)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	<u>(2,271)</u>	<u>(77,394)</u>
Total adjustments to reconcile profit (loss)	10,168	(63,443)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(174,956)	(11,977)
Decrease (increase) in inventories	(63)	1,610
Decrease (increase) in other current assets	(185)	111
Increase (decrease) in notes and accounts payable	(67,256)	33,382
Increase (decrease) in other payable and other current liabilities	(11,870)	529
Other	<u>242</u>	<u>(4)</u>
Total changes in operating assets and liabilities	(254,088)	23,651
Total adjustments	(243,920)	(39,792)
Cash inflow (outflow) generated from operations	(93,107)	207,266
Interest received	720	985
Income taxes paid	<u>(37,747)</u>	<u>(26,486)</u>
Net cash flows from (used in) operating activities	(130,134)	181,765
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of investments accounted for using equity method	(46,684)	(149,117)
Acquisition of property, plant and equipment	(76)	(474)
Acquisition of intangible assets	(956)	(1,499)
Other	<u>250</u>	<u>250</u>
Net cash flows from (used in) investing activities	(47,466)	(150,840)
Cash flows from (used in) financing activities:		
Increase in short-term loans	220,000	10,000
Increase in long-term loans	160,000	230,000
Decrease in long-term loans	(88,000)	(258,000)
Cash dividends paid	(84,968)	(84,968)
Cost of increase in treasury shares	(52,027)	-
Interest paid	<u>(6,750)</u>	<u>(5,295)</u>
Net cash flows from (used in) financing activities	148,255	(108,263)
Net increase (decrease) in cash and cash equivalents	(29,345)	(77,338)
Cash and cash equivalents at beginning of period	200,956	278,294
Cash and cash equivalents at end of period	\$ 171,611	200,956

See accompanying notes to financial statements.

Independent Auditors' Report

To the Board of Directors of CHENMING MOLD IND. CORP.:

Opinion

We have audited the consolidated financial statements of CHENMING MOLD IND. CORP. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Inventory valuation

Please refer to Note (4)(h) and Note (5) for accounting policy of uncertainty of the valuation of inventory. Information of inventories and related expenses are disclosed in Note (6)(c) of the consolidated financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design, the price variability for the inventories of the Group are expected to change. Therefore, the test of inventory valuation is one of the significant evaluation in our audit procedures.

Our principal audit procedure included: testing the related controls of production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories to determine whether they are in compliance with the Company's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Group.

Other Matter

CHENMING MOLD IND. CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Supervisors) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. The engagement partners on the audit resulting in this independent auditors' report are Hsin Fu Yen and Kuan Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)

March 18, 2019

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenue (note 6(n))	\$ 6,186,402	100	4,840,129	100
5000 Operating costs (note (6)(c) and (12))	5,714,259	92	4,178,209	86
5900 Gross profit from operations	472,143	8	661,920	14
6000 Operating expenses (note (6)(i), (6)(j) and (12)):				
6100 Selling expenses	137,813	2	118,210	2
6200 Administrative expenses	199,781	3	188,615	4
6300 Research and development expenses	35,697	1	34,036	1
	373,291	6	340,861	7
6900 Net operating income	98,852	2	321,059	7
7000 Non-operating income and expenses:				
7050 Finance costs, net	(8,696)	-	(5,295)	-
7100 Interest income	1,695	-	1,763	-
7110 Rent revenue (note (6)(i) and (7))	15,078	-	14,116	-
7190 Other income	17,482	-	19,977	-
7230 Foreign exchange gains (losses), net (note (6)(p))	63,883	1	(67,540)	(1)
7590 Other expense and losses	(3,027)	-	(4,013)	-
	86,415	1	(40,992)	(1)
7900 Profit before tax	185,267	3	280,067	6
7950 Less: Income tax expenses (note (6)(k))	40,762	1	34,149	1
	144,505	2	245,918	5
8300 Other comprehensive income:				
8310 Items that may not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (note (6)(j))	(1,729)	-	(349)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(k))	357	-	59	-
	(1,372)	-	(290)	-
Total items that may not be reclassified to profit or loss				
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(19,614)	-	(7,849)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	(19,614)	-	(7,849)	-
Total items that may be reclassified subsequently to profit or loss				
8300 Other comprehensive income	(20,986)	-	(8,139)	-
8500 Comprehensive income	\$ 123,519	2	237,779	5
Profit attributable to:				
8610 Owners of parent	\$ 110,051	2	212,909	4
8620 Non-controlling interests	34,454	-	33,009	1
	\$ 144,505	2	245,918	5
Comprehensive income attributable to:				
8710 Owners of parent	\$ 94,557	2	211,501	4
8720 Non-controlling interests	28,962	-	26,278	1
	\$ 123,519	2	237,779	5
Earnings per share (expressed in dollars) (note (6)(m)):				
9750 Basic earnings per share	\$ 0.65		1.25	
9850 Diluted earnings per share	\$ 0.65		1.25	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other components of equity Exchange differences on translation of foreign financial statements	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings					
			Legal reserve	Special reserve	Unappropriated retained earnings						
Balance on January 1, 2017	\$ 1,699,350	14,722	232,416	-	302,109	534,525	(29,978)	-	2,218,619	379,962	2,598,581
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	19,780	-	(19,780)	-	-	-	-	-	-
Special reserve	-	-	-	29,978	(29,978)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)	-	(84,968)
Profit for the year ended December 31, 2017	-	-	-	-	212,909	212,909	-	-	212,909	33,009	245,918
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(290)	(290)	(1,118)	-	(1,408)	(6,731)	(8,139)
Comprehensive income for the year ended December 31, 2017	-	-	-	-	212,619	212,619	(1,118)	-	211,501	26,278	237,779
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,763	-	-	-	-	-	-	37,763	-	37,763
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(165,527)	(165,527)
Balance on December 31, 2017	1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	2,382,915	240,713	2,623,628
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051	34,454	144,505
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)	(5,492)	(20,986)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557	28,962	123,519
Increase in treasury stock	-	-	-	-	-	-	-	(52,027)	(52,027)	-	(52,027)
Balance on December 31, 2018	\$ 1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477	269,675	2,610,152

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 185,267	280,067
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	247,607	206,639
Amortization expense	2,168	2,438
Expected credit loss / Provision (reversal of provision) for bad debt expense	1,310	(3,738)
Interest expense	8,696	5,295
Interest income	(1,695)	(1,763)
Loss (gain) from disposal of property, plant and equipment, net	(194)	4,028
Other	12,392	10,880
Total adjustments to reconcile profit (loss)	270,284	223,779
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(509,844)	(301,864)
Decrease (increase) in inventories	(231,770)	(144,945)
Decrease (increase) in other current assets	20,405	(38,230)
Decrease (increase) in other financial assets	(2,433)	(16)
Increase (decrease) in contract liabilities	2,023	-
Increase (decrease) in notes and accounts payable	305,522	387,666
Increase (decrease) in other payable and other current liabilities	32,099	(411)
Total changes in operating assets and liabilities	(383,998)	(97,800)
Total adjustments	(113,714)	125,979
Cash inflow generated from operations	71,553	406,046
Interest received	1,695	1,763
Income taxes paid	(37,747)	(26,486)
Net cash flows from operating activities	35,501	381,323
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (reduce acquired cash)	-	(74,175)
Acquisition of property, plant and equipment	(229,264)	(149,176)
Proceeds from disposal of property, plant and equipment	3,157	-
Decrease (increase) in prepayment for business facilities	(4,453)	(25,678)
Acquisition of intangible assets	(955)	(2,503)
Decrease (increase) in refundable deposits	(2,368)	(3,197)
Net cash flows (used in) investing activities	(233,883)	(254,729)
Cash flows from (used in) financing activities:		
Increase in short-term loans	220,000	10,000
Increase in long-term loans	160,000	230,000
Decrease in long-term loans	(88,000)	(258,000)
Increase (decrease) in guarantee deposits	657	(3,820)
Cash dividends paid	(84,968)	(84,968)
Cost of increase in treasury stock	(52,027)	-
Interest paid	(8,558)	(5,333)
Acquisition of non-controlling interests	(47,616)	(80,148)
Net cash flows from (used in) financing activities	99,488	(192,269)
Effect of exchange rate changes on cash and cash equivalents	(13,979)	(5,323)
Net increase (decrease) in cash and cash equivalents	(112,873)	(70,998)
Cash and cash equivalents at beginning of period	533,887	604,885
Cash and cash equivalents at end of period	\$ 421,014	533,887

See accompanying notes to financial statements.

Chenming Mold Ind. Corp.

Articles of Incorporation

Chapter I General Provisions

- Article I: This Company is duly incorporated in accordance with the Company Act in the full name of Chenming Mold Ind. Corp. (hereinafter referred to as the “Company”).
- Article II: The Company may engage in the following business activities:
- I. A variety of metallic machines, punching machines, steel molds, metallic electrical parts & components purchase, manufacturing, import and export, buy & sales.
 - II. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
 - III. CC01060 Wired Communication Equipment and Apparatus Manufacturing.
 - IV. CC01050 Data storage & processing equipment manufacturing.
 - V. CC01070 Telecommunication Equipment and Apparatus Manufacturing.
 - VI. CC01080 Electronic Parts and Components Manufacturing.
 - VII. E605010 Computing Equipments Installation Construction.
 - VIII. F113070 Wholesale of Telecom Instruments.
 - IX. F213060 Retail Sale of Telecom Instruments.
 - X. F601010 Intellectual Property.
 - XI. I301010 Software Design Services.
 - XII. I301020 Data Processing Services.
 - XIII. I301030 Digital Information Supply Services.
 - XIV. I501010 Product Designing.
 - XV. IE01010 Telecommunications Number Agencies.
 - XVI. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article II~I: The Company is entitled to render guarantee business externally.
- Article II~II: The Company is entitled to invest externally where the aggregate total of such outward investment may exceed 40% of the Company’s paid-in capital.
- Article III: The Company is headquartered in Taipei City, Taiwan and may have branches set elsewhere at home and abroad as duly resolved by the Board of Directors.
- Article IV: Public announcements of the Company shall be duly made according to Article 28 of Company Act.

Chapter II Shares

Article V: The Company has aggregate total capital in an amount of NT\$2.472 billion, divided into 247,200,000 shares at Ten New Taiwan Dollars par value. The Board of Directors is bestowed with full power to issue the shares as necessary in installments.

The total capital mentioned in the above Paragraph shall have NT\$200 million in 20 million shares of NT\$10 each reserved to accommodate the exercise of employee stock option, preferred share with embedded option, or corporate bond with embedded option.

Article V~I: Where the Company intends to issue employee stock option certificates at price of issue below the price of the Company's common shares closed on the day of issue, a decision shall be duly resolved by two-thirds majority vote in the shareholders' meeting which is attended by shareholders who account for a majority of the Company's outstanding shares beforehand.

Where the Company intends to transfer shares to employees at a price below the average price in actual buyback, a decision shall be duly resolved by two-thirds majority vote in the latest shareholders' meeting which is attended by shareholders who account for a majority of the Company's outstanding shares beforehand.

Article VI: For the shares issued by the Company, the Company may be exempted from printing any share certificate for the shares issued but shall appoint a centralized securities custody enterprise to make recordation of the issue of such shares.

Article VII: The Company's share certificates shall be the registered ones and shall be duly signed and sealed by the minimum of three directors and duly authenticated before issuance.

Article VIII: Transfer of shares shall be discontinued within sixty (60) days prior to a shareholders' regular meeting, or within thirty (30) days prior to a special shareholders meeting, or within five (5) days prior to the base day scheduled to allocate dividend, bonus or other interests.

Chapter III Shareholders' meeting

Article IX: The shareholders' meeting of the Company is in two categories, i.e., shareholders' meeting and special shareholders meeting. The shareholders' regular meeting shall be duly convened by the board of directors once per annum within six months from closing of each fiscal

year. A special shareholders meeting shall be duly convened according to law whenever necessary.

Article X: A shareholder who is unavailable to attend a shareholders' meeting may duly issue a written proxy in the Company provided form, expressly bearing the scope of authorized powers to authorize a proxy to attend the meeting on his or her behalf.

Article XI: Each share held by a shareholder of the Company is entitled to one voting power except an event as set forth under Article 179 of the Company Act which is not entitled to voting power.

Article XII: Unless otherwise provided for in the Company Act, decisions in the shareholders' meeting shall be resolved by a majority vote in the meeting which is attended by shareholders who represent a majority of the total issued shares.

Chapter IV Directors and supervisors

Article XIII: The Company's directors and supervisors shall be elected by shareholders' meeting from candidates of disposing capacity, with a three-year tenure of office and eligible for reelection.

Article XIII-I: Pursuant to Article 14~2 of Securities and Exchange Act, the Company has seven directors, including two independent directors and five non-independent directors.

In election of directors, each share is entitled to the electing power equivalent to the number of directors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates. The candidates who win more election powers shall be elected the directors. The independent directors and non-independent directors shall be elected in the same package and the numbers of elected ones shall be calculated respectively.

Article XIII-II: The Company's independent directors shall be duly elected in candidate nomination system. The Company's shareholders who hold over 1% of the total outstanding shares and the board of directors may nominate the candidates for independent directors. The board of directors shall review and screen those nominees and then submit the qualified nominees to the shareholders' meeting. The shareholders' meeting shall elect independent directors out of those qualified candidates for independent directors.

The nominated candidates for independent directors shall be duly accepted and promulgated in accordance with Company Act, Securities and Exchange Act and laws and ordinances concerned.

Article XIII-III: The Company may set two supervisors. In election of supervisors,

each share is entitled to the electing power equivalent to the number of supervisors to be elected. Such election power may be used in concentration to elect one candidate or be allocated to elect several candidates. The candidates who win more election powers shall be elected the supervisors.

Article XIV: The board of directors shall appoint one Chairman and one Vice Chairman in a board meeting with more than two-thirds of directors present, and with the support of more than half of all attending directors. The Chairman serves as the Company's representative to the outside world.

Article XV: During the chairman's absence or unavailability for performance of duties, the substitution shall be duly handled in accordance with Article 208 of the Company Act. The Board meeting shall be duly convened in accordance with Article 204 of the Company Act. The notices for a Board meeting may be served in writing, by e-mail or by FAX. Where a director commissions another director to attend a Board meeting, the proxies shall be duly handled in accordance with Article 205 of the Company Act.

Article XVI: The board of directors is authorized to determine remuneration for all directors and supervisors in reference to peer levels. The amount of travel or transportation allowance to directors and supervisors shall be duly resolved by the board of directors. The remuneration to directors and supervisors for their performance of duty shall be granted disregarding whether the Company operates at a profit. The Company may acquire liability insurance for the directors and supervisors to lower or disperse their potential risks of critical impairment to the Company and to shareholders in case of a fault in their exercise of their duties.

Chapter V Managers

Article XVII: The Company has one general manager whom shall be duly appointed, discharged and paid in accordance with Article 29 of the Company Act.

Chapter VI Accounting

Article XVIII: Upon closing of each fiscal year of the Company, the board of directors shall work out: I. Business report; II. Financial statements and III. the following documents to be audited by supervisors thirty(30) days prior

to the regular meeting of shareholders before being acknowledged by the shareholders.

Article XIX: With the Company's profit before tax of a year after deduction of the remuneration to employees and remuneration to directors and supervisors as well as the sum to make up previous loss, if any, a sum 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum 2% maximum shall be appropriated with the balance as the remuneration to directors and supervisors. The remuneration to employees and remuneration to directors and supervisors may be distributed either in stocks or in cash at the percentages which shall be resolved by a majority vote in the Board meeting which is attended by directors who account for two-thirds of the aggregate total of director seats. The percentages so resolved shall be reported to the shareholders' meeting. The remuneration to employees may be distributed either in stocks or in cash and may be distributed to employees of subordinate company (ies) who satisfy the specified qualification requirements.

Article XIX-I: From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first amortized, then 10% for legal reserve and then the sum for special reserve for amortization or rotation as required by law or by the competent authority of the government. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages as proposed by the board of directors and resolved in the shareholders' meeting. The Company may distribute earnings through cash dividend or stock dividend given consideration of the Company's financial standing and business performance and such factors and shall be preferentially distributed in cash dividend. The cash dividend shall be at the ratio not below 10% of the aggregate total dividend to be distributed in the year.

Chapter VII Supplementary provisions

Article XX: Any matters inadequately provided for in these Articles of Incorporation shall be duly handled according to Company Act

Article XXI:

These Articles were duly enacted on June 4, 1976;
Duly amended on July 20, 1976 as the 1st amendment;
amended on January 10, 1977 as the 2nd amendment;
amended on June 26, 1982 as the 3rd amendment;

amended on July 12, 1985 as the 4th amendment;
amended on April 6, 1987 as the 5th amendment;
amended on October 8, 1992 as the 6th amendment;
amended on October 28, 1997 as the 7th amendment;
amended on January 7, 1998 as the 8th amendment;
amended on June 30, 1998 as the 9th amendment;
amended on June 20, 1999 as the 10th amendment;
amended on May 24, 2000 as the 11th amendment;
amended on May 16, 2001 as the 12th amendment;
amended on May 20, 2002 as the 13th amendment;
amended on March 10, 2003 as the 14th amendment;
amended on June 6, 2003 as the 15th amendment;
amended on June 11, 2004 as the 16th amendment;
amended on June 10, 2005 as the 17th amendment;
amended on June 15, 2007 as the 18th amendment;
amended on June 13, 2008 as the 19th amendment;
amended on June 10, 2009 as the 20th amendment;
amended on June 9, 2010 as the 21st amendment;
amended on June 10, 2011 as the 22nd amendment;
amended on June 17, 2016 as the 23rd amendment;
amended on June 13, 2018 as the 24th amendment.

Chenming Mold Ind. Corp.
Procedure Rules for Shareholders' Meeting

- I. The Company's shareholders' meeting shall be duly convened in accordance with these Procedure Rules unless otherwise prescribed in laws concerned.
- II. In a shareholders' meeting, the sign-in book shall be prepared for the present shareholders to sign in. Or the present shareholders' meetings may submit sign-in cards instead of the sign-in process. The number of shares represented by present shareholders shall be duly calculated based on the sign-in book or the sign-in cards submitted by present shareholders.
- III. The presence and voting in a shareholders' meeting shall be duly calculated based on the number of shares so represented.
- IV. A shareholders' meeting shall be convened at a venue where the Company is located or a location appropriate for a shareholders' meeting to be convened. A shareholders' meeting shall be convened at a timeframe not earlier than 9:00 a.m. or later than 3:00 p.m.
- V. A shareholders' meeting shall be chaired by the chairman if convened by the board of directors. Where the chairman is on leave or unavailable to exercise his responsibilities and powers, the vice chairman shall act as the substitute. If there is no vice chairman or where the vice chairman is unavailable to exercise the responsibilities and powers as well, the chairman shall appoint one managing director to act as the substitute. Where the chairman does not appoint a managing director, a managing director or a director shall be elected from among themselves to act as the substitute.

Where a shareholders' meeting is convened by a convener beyond the board of directors, that shareholders' meeting shall be chaired by that convener.
- VI. An Attorney-at-Law, a Certified Public Accountant or a person concerned commissioned by the Company may participate in a shareholders' meeting as a non-voting (guest) participant.

The staff taking charge of a shareholders' meeting shall wear identity certificates or armbands.
- VII. The entire process of a shareholders' meeting shall be audio recorded or videotaped and such audio record or videotape shall be archived for one year minimum.
- VIII. The chairperson shall call the meeting to order when the time is up. In the event that the present shareholders are not up to the quorum for a majority of the total outstanding shares, the chairperson may announce a postponement of the meeting. The aggregate total of the postponements shall not exceed twice and the aggregate total of postponements in accumulation shall not be in excess of

one hour. Where the number of shareholders present does not constitute the specified quorum after postponements twice but those present shareholders represent one-third or more of the total number of issued shares, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of the Company Act.

In the event that the issued shares represented by present shareholders are up to a majority of the total issued shares before the current meeting ends, the chairperson may pose the tentative resolution so resolved to the shareholders' meeting for voting anew in accordance with Article 174 of the Company Act.

- IX. Where a shareholders' meeting is convened by the board of directors, the agenda shall be fixed by the board of directors. The shareholders' meeting shall be duly handled in accordance with the scheduled agenda which shall not be changed unless duly resolved in the shareholders' meeting.

The provision set forth under the preceding Paragraph is applicable mutatis mutandis to shareholders' meeting which is convened by a person beyond the board of directors.

Unless duly resolved, the chairperson shall not declare adjournment of the meeting until the issues set in the agenda in the two preceding Paragraphs (including extraordinary motions) are concluded.

After a shareholders' meeting is Adjourned, the shareholders shall not elect another chairperson to continue the meeting at the same venue or a new venue. Where the chairperson proves in contravention of Procedure Rules for Shareholders' Meeting by declaring adjournment of the meeting unlawfully, nevertheless, a new chairperson may be elected by a majority vote of the present shareholders to continue the meeting.

- X. Shareholders who wish to speak during the meeting must produce an opinion slip detailing the topic, shareholder ID (or the attendance ID serial) and shareholder's name. The order of shareholders' comments shall be determined by the chairperson.

A present shareholder who has submitted the floor note but does not take the floor is deemed as having not taken the floor. Where a present shareholder speaks contents inconsistent with the contents shown on the floor note, the contents actually spoken shall prevail.

While a present shareholder takes the floor, other shareholder(s) shall not speak to interfere with the floor unless consented by the chairperson and the speaking shareholder. The chairperson shall stop the offender, if any.

- XI. On the same issue, every shareholder shall not speak more than twice and shall not speak in excess of five (5) minutes in each floor.

Where a shareholder violates the provision set forth under the preceding Paragraph or speaks beyond the scope of the subject issue, the chairperson may

stop his or her speech.

- XII. Where a juristic person is commissioned to participate in a shareholders' meeting as a proxy, that juristic person may assign only one person to participate in the shareholders' meeting.
- A juristic person who assigns two or more representatives to participate in a shareholders' meeting may appoint only one person to take the floor on the same issue.
- XIII. After a present shareholder completes the floor, the chairperson may answer the floor either in person or by assigning a person concerned to respond.
- XIV. Where an issue is found having been discussed enough up to the extent of resolution, the chairperson may announce discontinuance from discussion and put that issue to vote.
- XV. For the voting process, the ballot scrutinizer and the tally clerk shall be appointed by the chairperson. The ballot scrutinizer shall, nevertheless, be appointed from among the shareholders. The outcome of the voting process shall be reported on-the-spot and put into the minutes.
- XVI. During progress of the meeting, the chairperson may set an intermission as appropriate.
- XVII. Unless otherwise provided for in the Company Act and the Articles of Incorporation, the decision of an issue shall be resolved by a majority vote in the meeting which is attended by shareholders who represent a majority of the total issued shares.
- During the voting process, an issue which proves to meet no objection in response to the inquiry by the chairperson is deemed duly passed in the validity same as an issue duly resolved through balloting process.
- XVIII. Where a same issue is accompanied with an amendment or an alternate, the chairperson shall rule the voting order for the amendment or alternate in consolidation with the original bill. Where one bill among them is passed, other bill(s) is(are) deemed having been vetoed without a need for voting any more.
- XIX. The chairperson may command picket personnel (or security guard(s) to maintain the order of the meeting venue. The picket personnel (or security guard(s) shall wear "picket personnel" armbands while serving the meeting site to maintain the order.
- XX. This same provision is applicable mutatis mutandis to an event of amendment. There Regulations shall be put into enforcement after being resolved in the shareholders' meeting.

Chenming Mold Ind. Corp.
Procedures for the Acquisition or Disposal of Assets

Chapter One General Provisions

I. Objectives and statutory authority:

These Procedures are duly enacted in accordance with Article 36~1 of Securities and Exchange Act and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” in an effort to strengthen management over assets and implement thoroughly open and transparent information policy.

II. Scope of application for assets:

- (I) Investment in stocks, government bonds, corporate bonds, financial bonds, negotiable securities manifesting funds, deposit receipt certificates (DRC), share subscription (sales) warrants, beneficiary securities and asset-backed securities.
- (II) Real estate (including land, buildings & constructions, investment oriented real estate, land usage rights, inventory in construction industry), plant buildings and equipment.
- (III) Membership certificates.
- (IV) Patent rights, copyrights, trademark rights, franchises and such intangible assets.
- (V) Financial institutions’ creditor’s rights (including accounts receivable, discount in remittance purchase, loans, delinquent accounts).
- (VI) Derivative financial instruments: The forward contracts, option contracts, futures contracts, leverage guarantee contracts, swap contracts the value of which derives from assets, interest rates, exchange rates, indices or other interests and combined contracts composed of the aforementioned merchandise. The term “forward contract” as set forth herein excludes insurance contract, performance contract, after-sales services contract, long-term lease agreement and long-term purchase(sales) contract.
- (VII) Assets duly acquired or disposed as a result of merger, demerger, acquisition or share transfer.
- (VIII) Other major assets.

III. Appraisal procedures:

- (I) Before the Company acquires or disposes of investment in negotiable securities or engages in transaction in derivative financial instruments, the Financial Department and Accounting Department shall conduct analyses on the relevant benefits and assessment of potential risks.

Before the Company acquires or disposes of real estate and other assets, the department(s) concerned shall work out capital expenditure plans and assess the feasibility of the objectives of acquirement or disposal and the anticipated benefit. In case of transaction with a related party, evaluation of the rationality shall be duly conducted in accordance with Chapter Two of these Procedures beforehand.

- (II) Where the Company acquires or disposes of negotiable securities, the Company shall obtain the financial statements duly audited and certified by independent Certified Public Accountant or other data concerned of the target company in the latest term for reference in the transaction price before the date of fact occurrence. Where the Company acquires or disposes of negotiable securities, private placement securities, membership certificates, intangible assets not traded in the centralized securities exchanges or over-the-counter exchange with transaction amount up to 20% of the Company's paid-in capital or NT\$300 million, the Company shall consult the independent Certified Public Accountant to offer opinions on the rationality. Where the independent Certified Public Accountant has to adopt expert reports, the issue shall be duly handled in accordance with Statement of General Auditing Procedures No. 20 published by the ARDF, Republic of China.
- (III) Where the Company acquires or disposes of real estate or other fixed assets with transaction amount up to 20% of the Company's paid-in capital or NT\$300 million, the Company shall obtain the appraisal report issued by specialist appraiser before the date of occurrence of the fact and shall duly handle the transaction based on Asset Appraisal Procedures as set forth under these Procedures.
- (IV) Acquisition and disposal of assets with related parties are subject to the resolution procedures and rationality assessments described in the preceding and current sections if they amount to 10% or more of the Company's total assets. In addition, a valuation report from a professional valuer or an opinion from a CPA shall be obtained in accordance with the preceding section to support the transaction.
- (V) Where the Company conducts a merger, demerger, acquisition, or transfer of shares, the Company shall, before the decision is resolved by the board of directors retain a independent Certified Public Accountant, Attorney-at-Law or securities underwriter about the opinion on the reasonableness of the share conversion ratio, acquisition price, cash in distribution to shareholders or other properties and submit such expert opinion to the board of directors for discussion and resolution.

In case of a public company that merges a subsidiary which holds

100% of outstanding shares either directly or indirectly or a merger among its subsidiaries, nevertheless, the opinion on rationality to be issued by the aforementioned experts may be exempted.

(VI) For the means of price determination and supporting reference materials where the Company acquires or disposes of assets, other than the aforementioned expert appraisal, opinions from independent Certified Public Accountant or such experts, the Company shall duly handle based on the situations below:

1. The prices for purchase or sales of the negotiable securities which have been traded in centralized securities exchanges or over-the-counter exchange shall be determined based on the prices of the equity or bond prevalent that time.
2. The prices for purchase or sales of the negotiable securities which have not been traded in centralized securities exchanges or over-the-counter exchange shall be determined with reference to the net worth per share, capability in technology or profitability, potential of future development, interest rate prevalent in the market, interest rates shown through face amount of the bonds and the debtor's credit standing and further with reference to the latest closed prices.
3. For acquisition or disposal of membership certificates, the Company shall take into account the yieldable benefits with reference to the latest closing prices. For acquisition or disposal of patent rights, copyrights, trademark rights, franchise and such intangible assets, the Company should take reference to customs prevalent in international community or markets, durable years and the impact upon the Company in technology or business operation.
4. For acquisition or disposal of real estate and other fixed assets, the Company shall take into account the official land price latest promulgated by the government, appraised current value, closing prices or book values of the neighboring real estate and prices quoted by service providers. Where the Company acquires assets from a related party, the Company shall, first of all, conduct imputation in the means as set forth under Chapter Two of these Procedures so as to appraise whether the trading prices are reasonable.
5. Where the Company engages in transaction in derivative financial instruments, the Company shall take reference to the trading conditions in the futures exchange, trends in exchange rate and interest rate.

6. Where the Company conducts a merger, demerger, acquisition, or transfer of shares, the Company shall take into account attribute of the business operation, net worth per share, asset value, capability in technology and profitability as well as potential in future growth.

IV. Operating procedures:

(I) Credit line and level in authorization:

1. In case of negotiable securities: The Company shall authorize its general manager to proceed with the transaction within the credit line set forth under Article 7 of these Procedures. Where the negotiable securities prove consistent with the criteria for declaration set forth under Article V, the Company shall declare the issue to the chairman for recordation on the ensuing day and shall further submit the case to the latest Board meeting for retrospective acknowledgement. Where the Company acquires or disposes of stocks, corporate bonds, negotiable securities in private placement beyond the centralized securities exchanges or over-the-counter exchange with amount in transaction up to the criteria for public announcement and declaration, the case shall first be duly resolved in the board of directors beforehand. Where the Company intends to invest in Mainland China, the Company shall first obtain consent from the shareholders' meeting or the shareholders' meeting shall authorize the board of directors for enforcement and the Company shall further apply to and get approved from Investment Commission, Ministry of Economic Affairs beforehand.
2. Transaction in derivative financial instruments
 - (1) Hedge trade: Pursuant to the Company's sales revenues and change in the risk positions, the personnel designated by the chairman may proceed with the trade which is below US\$3 million (or other currency of equivalent value) in single transaction or accumulated position. A case beyond US\$3 million shall not be traded until applied to and approved by the chairman.
 - (2) Non-hedge trade: In an effort to minimize potential risk, a case which is below US\$3 million (or other currency of equivalent value) in single transaction or accumulated position may be conducted after being approved by the chairman. A case beyond US\$3 million shall not be conducted until being approved by the board of directors.
 - (3) To assure that the authorization by the Company may be

under coordination with the correspondent superintendence and management from the bank, the authorized trading personnel shall keep the trade informed to the bank.

- (4) Trade for derivative financial instruments as authorized under the aforementioned terms shall be reported to the board of directors afterwards.
 3. Transaction with a related party: The documents as specified under Chapter Two of these Procedures shall be submitted to, approved by the board of directors and be further acknowledged by the supervisors beforehand.
 4. In case of merger, demerger, acquisition, or transfer of shares: The Company shall duly proceed with the relevant procedures and prepare for documents in accordance with Chapter Four of these Procedures. Among the transactions, merger, demerger, acquisition shall be subject to resolution in the shareholders' meeting beforehand unless otherwise prescribed in laws which exempt convening of a shareholders' meeting. Transfer of shares may be conducted after being duly resolved in the board of directors.
 5. Other transactions: Other transactions shall be duly handled in accordance with the internal control system and operating procedures within the authorized powers. Where the amount of transaction is up to the criteria for public announcement and declaration under Article V, except the machinery & equipment which are acquired or disposed of for use in business operation which shall be reported to and acknowledged retrospectively by the board of directors, the transaction shall be subject to resolution and pass in the board of directors. A case falling under Article 185 of the Company Act, shall be duly resolved and passed in the shareholders' meeting beforehand.
- (II) Units in enforcement and transaction procedures
- For the Company's trade in negotiable securities and derivative financial instruments, the units in enforcement shall be the Financial Department and Accounting Department and the personnel designated by the chairman. For the Company's trade in real estate and other assets, the units in enforcement shall be the departments in use and the relevant competent units. For the Company's merger, demerger, acquisition, or transfer of shares, the units in enforcement shall be the units designated by the chairman. For acquisition or disposal of assets, after the appraisal process is completed and approval is obtained, the unit in enforcement may proceed with execution of contract, acceptance and granting of payment, delivery and final acceptance

check process and shall duly handle the case in accordance with the attribute of the assets and the operating procedures. Besides, the transaction in acquisition or disposal of assets, business in derivative financial instruments, merger, demerger, acquisition, or transfer of shares shall be duly handled in accordance with Chapters Two~Four of these Procedures.

V. Reporting procedures:

- (I) Where the Company acquires or disposes of property and meets a situation falling within those enumerated below, the Company shall, based on the format and contents specified by the competent authority, launches public announcement and declaration through the website designated by the Financial Supervisory Commission, Executive Yuan within two (2) days from occurrence of the fact.
 1. Where the Company acquires from or disposes of real estate with a related party or Company acquires from or disposes of assets other than real estate with a related party with transaction amount up to 20% of the Company's paid-in capital or up to 10% of the Company's total assets or in amount in excess of NT\$300 million. This excludes trading of government bond, repurchase/resale agreement, and subscription or redemption of money market funds issued by domestic securities investment trust companies.
 2. Where the Company launches merger, demerger, acquirement or accepts transfer of shares.
 3. Where the Company engages in transaction derivative financial instruments and, as a result, undergoes a loss up to the amount set forth under Article 14, Chapter Three of these Procedures or the maximum limit in the loss in an individual contract.
 4. An event while a financial institution disposes of creditor's right or investment in Mainland China in a transaction other than those set forth under three preceding Paragraphs, with amount of transaction up to 20% of the Company's paid-in capital or an amount of NT\$300 million. Except, nevertheless, a situation among those enumerated below:
 - (1) Buys and sales of government bonds.
 - (2) Repurchase/resale agreements, or subscription/redemption of money market funds issued by domestic securities investment trust companies.
 - (3) Acquisition or disposal of operating equipment with an unrelated party, and the transaction amount meets any of the following requirements:
 - (a) For public companies with paid-up capital less than

NT\$10 billion, the transaction amounts to NT\$500 million and above.

(b) For public companies with paid-up capital of at least NT\$10 billion, the transaction amounts to NT\$1 billion and above.

(4) A case where the 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 with amount of transaction the Company anticipates to invest not up to NT\$500 million.

(II) The Company shall, on a monthly basis, input the facts of transaction for derivative financial instruments conducted by the Company and subsidiaries not as a domestic public company as of the last day of the preceding month in the formula as specified under the Appendix annexed hereto into the Information Declaration Website designated by the Financial Supervisory Commission, Executive Yuan not later than the 10th day of every month.

(III) If errors or omissions are discovered in the mandatory announcements where rectifications are required, the Company shall start afresh and announce/report all items again within two days from the date of knowledge.

(IV) Where a trade which has been duly put into public announcement and declaration in accordance with Subparagraph (I) meets any among those enumerated below, the Company shall duly effect public announcement and declaration to the website designated by the Financial Supervisory Commission, Executive Yuan within two (2) days from occurrence of the fact:

1. Where a relevant contract executed for the original transaction has been changed, terminated or rescinded.
2. Where the merger, demerger, acquisition, or transfer of shares has not been completed in full within the date scheduled in the contract.
3. Where the contents of the original public announcement have been changed.

VI. Procedures for appraisal of assets:

Except for transactions involving government agency, commissioned development of purchased land, commissioned development of leased land, and acquisition/disposal of equipment relevant to business operations, all other acquisitions and disposals of property and equipment amounting to

more than 20% of the Company's paid-up capital or NT\$ 300 million shall be supported with valuation reports issued by professional valuers prior to the date of occurrence (refer to Attachment 1 for mandatory report details).

These valuation reports shall also comply with the following. Where the Company acquires or disposes of assets through auction procedures with a court, the verifying document issued by that court is acceptable instead of the appraisal report or the Certified Public Accountant's opinion.

- (I) Where the Company takes restricted price(s) or specific price(s) as the grounding reference due to an extraordinary reason, that transaction shall be subject to resolution by the board of directors beforehand. Any changes in transaction term thereafter shall also be subject to the same procedures.
- (II) Where the amount of transaction is in excess of NT\$1 billion, the Company shall retain two or more expert appraisers for appraisal.
- (III) Where the outcome of appraisal by the expert appraisers is found meeting any among those enumerated below, except an event where the appraisal outcomes are above the trading amount in case of acquirement of assets or where the appraisal outcomes are below the trading amount in case of disposal of assets, the Company shall consult with the independent Certified Public Accountant to handle the case in accordance with Statement of General Auditing Procedures No. 20 published by the ARDF, Republic of China (hereinafter referred to as ARDF) and to issue concrete opinions on the appropriateness of the trading price:
 1. Where the appraisal outcome and the trading amount show a differential gap above 20%.
 2. Where the outcome of two or more expert appraisers shows a differential gap above 10%.
- (IV) The date while the expert appraisers issued the reports shall not be more than three (3) months from the date of execution of this contract. If the official land price latest promulgated by the government of the same term is applicable and is not beyond six (6) months, the opinions issued by the same expert appraisers are acceptable.

VII. Scope and credit line of investment:

Other than assets acquired by the Company and the Company's subsidiaries oriented to use for business operation, the Company may, as well, invest and purchase real estate and negotiable securities beyond the use for own business operation, with the restriction upon the credit line as enumerated below: Upon calculation of Paragraphs (IV) , (V), those participating in investment and incorporation or serving as the directors and supervisors who intend to hold the investment on a long-term basis may not be counted.

- (I) The aggregate total amount of real estate not oriented for use in business operation shall not exceed 10% of the net worth of the Company and the Company's subsidiaries as shown through the latest financial statements.
- (II) The aggregate total amount of negotiable securities shall not exceed 150% of the net worth of the as shown through the latest financial statements of the Company and shall not exceed 100% of the net worth of the as shown through the latest financial statements of the Company's subsidiaries.
- (III) The restriction upon investment in negotiable securities shall not exceed 100% of the net worth of the as shown through the latest financial statements of the Company and shall not exceed 100% of the net worth of the as shown through the latest financial statements of the Company's subsidiaries.
- (IV) The net investment amounts of the Company and the Company's subsidiaries on a single company listed in the Taiwan Stock Exchange Corporation (TSEC) or a company listed on over-the-counter exchange shall not exceed 10% of the net worth of such respective companies the as shown through the latest financial statements of those respective companies.
- (V) The shares held by the Company and the Company's subsidiaries shall not exceed 10% of the aggregate total outstanding shares of any single company listed in the Taiwan Stock Exchange Corporation (TSEC) or listed on over-the-counter exchange.

VIII. The Company's control over assets acquired or disposed of by subsidiaries

- (I) The Company's subsidiaries shall duly enact "Procedures for the Acquisition or Disposal of Assets" in accordance with Letter Tai-Cai-Zheng-Yi-Zi 0910006105 of the Securities & Futures Institute and have such Production duly resolved by the boards of directors of the subsidiaries and approved by shareholders' meetings of the subsidiaries, and submit them to the Company's board of directors. This same provision is applicable mutatis mutandis to an event of amendment.
- (II) A subsidiary of the Company shall duly acquire or dispose of assets in accordance with its "Internal Control System" and "Procedures for the Acquisition or Disposal of Assets". Such a subsidiary of the Company shall further aggregate the assets acquired or disposed of in the same attribute in a single case or in accumulation, or in amount in excess of NT\$10 million in the preceding month and declare to the Company in writing not later than the 5th day of every month. The Company's Audit Department shall enumerate the business operations by its

subsidiaries in acquirement or disposal of assets as one of the key audit items every month. Performance in such audit shall be enumerated as the indispensable items of audit performance to the board of directors and to the supervisors.

- (III) Where a subsidiary of the Company which is not a public company and the assets acquired or disposed of by such subsidiary are not up to the criteria for public announcement and declaration, such subsidiary shall notify the Company within the date of occurrence of the fact and the Company shall launch announcement and declaration to public through the designated website.

IX. Penalty clauses:

Where a person in-charge of acquirement or disposal of assets in the Company is found in contravention of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission, Executive Yuan or these Procedures, such issue shall be duly handled in accordance with the following clauses based on the extent of violation. The violation records shall be taken as the reference in annual performance evaluation for the individuals.

- (I) Delegation of authorization for violation: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (II) Procedures to evaluate an offense: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (III) Announcement and declaration to public for an offense: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (IV) The superior supervisor of an offender is subject to penalty as well unless he or she is able to explain that he or she has conducted adequate preventive measures beforehand.
- (V) Where the board of directors or a director is found in contravention of a decision resolved in the shareholders’ meeting, the supervisors shall notify the breakdown or such director to stop the offending behavior in

accordance with Article 218~2 of the Company Act.

Chapter Two Transaction with related parties

X. Authority to identify a related party:

Transactions by the Company with related parties A related party shall be duly identified in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers. Upon the process of identification, the substantial relationship should be taken into account other than statutory formality.

XI. Resolution procedures:

Where the Company intends to acquire or dispose of real estate from or to a related party, or where the Company intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase, resale agreement (repo and reverse repo), or subscription to or repurchase of money market funds issued by domestic securities investment trust enterprises, the unit in enforcement shall not proceed to enter into a transaction contract or make a payment until the following documents have been approved by the board of directors and acknowledged by the supervisors:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a trading counterparty.
- (III) 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 12 & Article 13.
- (IV) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- (V) The monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.
- (VII) The restrictive covenants and other important stipulations associated with the transaction.

- XII. Evaluation over reasonableness for the terms of transaction:
Where the Company intends to acquire or dispose of real estate from or to a related party, or where the Company intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except three situations as enumerated below, i.e., where the related party acquired the real property through inheritance or as a gift; more than five (5) years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction; or where 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, the Company shall evaluate the reasonableness of the transaction cost and shall retain an independent Certified Public Accountant to recheck and to offer concrete opinions.
- (I) Pursuant to the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" as set forth herein is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided that, it shall not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (II) The total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as the collateral for a loan; provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. This, nevertheless, shall not apply an event where the financial institution is a related party of one of the trading counterparties.
 - (III) 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 as listed in Paragraphs (I) and (II) above.
- XIII. Agendum required where the imputed transaction cost is below the transaction price:
Where the transaction costs appraised based on the preceding Article are below the actual transaction price, except a situation among those enumerated below which are backed up with objective proof and expert opinions from expert real estate appraisers and independent Certified Public Accountant for the reasonableness, the case shall be duly handled in

accordance with Paragraph III.

- (I) Where the related party acquired undeveloped virgin land or leased land for development, the Company shall submit proof of compliance with one of the following conditions:
1. Where undeveloped virgin land is appraised in accordance with the means set forth under 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 term "reasonable construction profit" as set forth herein denotes the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (II) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

The term "concluded transactions for neighboring or closely valued parcels of land" as set forth in the preceding paragraph refers in principle to the 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. The term "transaction for similarly sized parcels" in principle refers to transactions concluded by an unrelated party for parcels with a land area of no less than 50% of the property in the planned transaction. The term "within the preceding year" refers retrospectively to the year preceding the date of occurrence of the acquisition of the real property.

Where a public company transacts with a related party and the results of appraisals conducted in accordance with the preceding Article are uniformly lower than the transaction price and all situations set forth under Paragraph I

of this Article prove nonexistent, the following steps shall be taken:

- (I) A special reserve shall be set aside in accordance with paragraph 1, Article 41, of the Act against the differential discrepancy between the real property transaction price and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. The special reserve so amortized shall not be put into use until the assets purchased at high prices have been recognized for loss from falling price, disposed of, appropriately supplemented or restored to status quo ante, or until there are other proofs verifying no irrationality and until after being approved by the Financial Supervisory Commission, Executive Yuan.
- (II) The supervisors shall handle the issue in accordance with Article 218 of the Company Act.
- (III) The performance in handling as under Paragraph I and II shall be reported to the shareholders' meeting and the detailed contents of transaction shall be disclosed in the annual report and prospectus.

Chapter Three Control of Derivative Transactions

XIV. Principles and policies of transaction:

- (I) Categories of transaction: The categories of derivative financial instruments the Company may engage in include forward contracts, options, swap of interest rate and exchange rate, futures and combined contracts of aforementioned merchandise in consolidation. The Company shall not engage in transaction in derivative financial instruments until the issue is submitted for a pass in advance by the board of directors.
- (II) Managerial and hedging strategies: The transaction in derivative financial instruments the Company may engage in is classified into hedge-oriented and non-hedge-oriented objectives (i.e., for the purposes of transaction). The strategies are primarily intended to hedge managerial risks. The Company shall choose merchandise for transaction oriented to hedging risks in foreign exchange revenues and expenditures, assets or liabilities. In case of a change in objective environments, the Company shall appropriately choose "non-hedging transaction" of derivative financial instruments in optimal timing in an effort to help the Company gain added nonoperating revenues or minimize nonoperating loss. Besides, the Company shall choose the financial institutions in business with the Company as far as possible for transaction counterparties to prevent potential credit risks. The Company shall, prior to transaction, appropriately define the transaction modes in financial operation for hedge or for pursuit of investment gains.

(III) Limits of transaction:

1. Hedge transaction: The net foreign currencies position after combined assets and liabilities (including the net position anticipated to yield in the future) shall be taken as the maximum limit.
2. Non-hedge transaction: Not in excess of US\$3 million. The transaction personnel shall, prior to implementation, submit analytical reports about foreign exchange trends. The contents of such report shall expressly specify trend analyses on foreign exchange markets and the proposed modes for operation which shall not be put into enforced until approved.

(IV) The amounts of loss ceiling for entire and individual contracts.

1. Hedge transaction: Hedge transaction is a sort of transaction aiming at the Company's substantial need for which the stop-loss points shall be set not above the maximum limit at 20% of the transaction contract amount.
2. Non-hedge trade: Set the cut loss point after establishing the position of trade to prevent excessive loss. The cut loss point is set at 20% of the contract amount in the transactions.

(V) Division of authority and responsibility

1. Finance Department: Responsible for executing transactions according to the procedures, gathering market information, familiarizing with relevant laws and practices, and providing sufficient and timely information to the management.
2. Accounting Department: The Accounting Department takes charge of confirmation of transaction, settlement and registration of details.

(VI) Key points in performance evaluation

1. Hedge transaction:
The Company shall take the profit and/or loss yielded financial transaction in derivative financial instruments as shown on the account books as the ground to evaluate performance. The Company shall evaluate performance twice per month as the minimum and provide the performance evaluation outcome to the management for reference.
2. Transaction on earmarked purposes.
The Company shall take the profit and/or loss actually incurred as the grounds for performance evaluation and shall conduct once every week as the minimum and shall provide the outcome of performance evaluation to the management for reference.

XV. Measures on risk management:

While engaging in derivatives transactions, the Company shall take risk control within the scope and measures enumerated below:

- (I) Consideration in credit exposure risks: The Company shall aim at highly reputable financial institutions and futures brokers which are capable of offering professional information as the key transaction counterparties in principle.
- (II) Consideration in market risks: Where derivatives are subject to high fluctuation in prices in future markets which might lead to uncertain losses, the Company shall strictly stick to the set up stop-loss points after the position is set up.
- (III) Consideration in liquidity risks: In an effort to assure sound liquidity of merchandise in transaction, the transaction institutions shall be in adequate equipment & facilities, information and transaction capability to proceed with transaction in any markets.
- (IV) Consideration in operating risks: The Company shall faithfully comply with the authorized credit lines, operating procedures to prevent potential risks in business operation.
- (V) Consideration in legal risks: For any contract documents to be executed with financial institutions, the Company shall adopt internationally standardized formats as far as possible to prevent potential legal risks.
- (VI) Consideration in merchandise risks: All internal trading crew shall be those who have possessed complete and accurate professional expertise to prevent potential misuse in derivatives and avoid potential loss so incurred.
- (VII) Consideration in cash settlement risks: The authorized trading crew shall strictly comply with the authorized credit lines and shall, besides, closely watch cash flow in the Company to assure that the Company holds adequate cash to deal with transactions at the moment of settlement.
- (VIII) The trading personnel and the personnel in charge of confirmation and settlement shall not serve more than one post among themselves concurrently.
- (IX) The personnel in charge of confirmation shall reconcile accounts and verify by mail with correspondent banks on a regular basis and shall check and verify the aggregate totals in the transactions to make sure of no excess beyond the ceiling limit.
- (X) The personnel in charge of risk weighing, superintendence and control shall not come from the department(s) of personnel defined under (I) and shall report to the board of directors or high ranking supervisor(s) who is(are) not in charge of transaction or policymaking process in position.

(XI) All positions shall be duly evaluated and adjusted on a weekly basis as the minimum. Where the business operation involves hedge transaction, nevertheless, such positions shall be evaluated twice per month as minimum. The evaluation report shall be submitted to the ranking supervisor authorized by the board of directors (Note: The Company shall point a ranking supervisor beyond the unit of enforcement).

XVI. Internal audit system:

- (I) The Company's internal auditors shall look into the appropriateness of internal control system in derivatives transactions on a regular basis and shall audit the department(s) in charge of transaction about their compliance in operating procedures of derivatives transactions. Whenever a significant violation is noticed, they shall immediately report to the ranking supervisor(s) designated by the chairman and the board of directors and shall keep all supervisors informed in writing.
- (II) The Company's auditors shall enumerate derivatives transactions into the audit plans and shall declare and report to the Securities & Futures Institute about performance in audit plans in the preceding fiscal year in late February of the ensuing year and shall further declare the rectification performance over abnormalities to the Securities & Futures Institute not later than late May of the ensuing year as the latest deadline.

XVII. Means of regular evaluation and countermeasures to deal with abnormalities:

- (I) Transaction over derivatives shall be conducted either on a monthly basis or on a weekly basis. The profit and/or loss and uncovered positions of the non-hedge transaction shall be aggregated for the week or for the month either on a weekly basis or on a monthly basis and submitted to the ranking supervisor authorized by the board of directors to function as reference in evaluation over performance and risks.
- (II) The ranking supervisor authorized by the Company's board of directors shall closely watch the superintendence and control over the derivatives transactions all the time. The board of directors shall evaluate the derivatives transactions to make sure whether the transactions are consistent with the established managerial strategies and whether the risks are within the scope tolerable to the Company.
- (III) The ranking supervisor authorized by the board of directors shall manage derivatives transactions in accordance with the following principles:
 - 1. To evaluate the risk control measures currently adopted on a

regular basis to make them whether they are appropriate and to proceed with the operation exactly in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Securities & Futures Institute and these Procedures.

2. To oversee the transaction and profit and/or loss and to adopt countermeasures and report to the board of directors forthwith whenever an abnormality is noticed. The Board meeting shall be attended by independent director(s) to speak up opinions.
- (IV) While engaging the derivatives transactions, the Company shall set up a memorandum book which shall bear entries in detail of the categories, amounts of the derivatives transactions, the date when adopted in the board of directors, regular monthly or weekly evaluation reports and the regular evaluation by the ranking supervisor authorized by the board of directors.

Chapter Four Merger, demerger, acquisition, or transfer of shares

- XVIII. Where engaging in merger, demerger, acquisition, or transfer of shares, the Company shall, before the Board meeting is convened for resolution, retain independent Certified Public Accountant(s), Attorney(s)-at-Law or securities underwriters to offer their expert opinions about the share swap ratios, acquisition prices, rationality of cash or other property to be distributed to shareholders and submit such opinions to the board of directors for a pass through resolution.
- XIX. For merger, demerger, acquisition, or transfer of shares by the Company, the Company shall duly work out unclassified documents to all shareholders and serve them along with the expert opinions mentioned in the preceding Article and notices to shareholders’ meeting to all shareholders before the shareholders’ meeting is convened as the handy reference to decide the merger, demerger, acquisition, or transfer of shares should be approved; Except an event where other laws specify that for an issue regarding merger, demerger, acquisition, or transfer of shares, the shareholders’ meeting may not be convened. Whenever any single company which participates in merger, demerger, acquisition fails to convene the shareholders’ meeting due to any reason, resolve the decision to pass, vetoes the participation through its shareholders’ meeting, the Company shall immediately hold an open presentation to public to state the causes, subsequent actions and the date scheduled to convene the shareholders’ meeting.
- XX. Unless otherwise prescribed in laws or duly reported to and approved by the Securities & Futures Institute beforehand, while the Company participates in

merger, demerger, acquisition, the Company shall duly convene the Board meeting and shareholders' meeting to pass with resolution the issues of merger, demerger, acquisition on the same day as all other participating companies. Where the Company participates in transfer of shares, the Company shall convene the Board meeting on the same day as other participating companies.

XXI. Percentage of share swap and acquisition prices:

The percentage of share swap and acquisition prices for merger, demerger, acquisition, or transfer of shares shall not be changed except an occurrence of any among those enumerated below:

- (I) Where the Company proceeds with cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- (II) Where the Company proceeds with an action, e.g., a disposal of major assets that would affect the Company's financial operations.
- (III) Where the Company develops an event, e.g., a major disaster or major change in technology, that would affect shareholder equity or share price.
- (IV) Where the Company participates in an adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- (V) In case of an increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (VI) Where other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

XXII. Entries required for the contents of a contract:

Where the Company participates in merger, demerger, acquisition, or transfer of shares, the contract shall expressly bear the rights & obligations of the participating companies, facts about the change in share swap ratios or acquisition prices mentioned in the preceding Article and shall further expressly bear the issues enumerated below:

- (I) Measures to deal with default in contract.
- (II) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (III) The amount of treasury stock the participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

- (IV) The manner of handling changes in the number of participating entities or companies.
- (V) Preliminary progress schedule for plan execution, and the date scheduled for completion.
- (VI) Date scheduled to convene the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

XXIII. Other key points that call for attention where the Company participates in merger, demerger, acquisition, or transfer of shares:

- (I) The Company shall request each and every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares to issue a written commitment to confidentiality and not to disclose the content of the plan prior to public disclosure of the information and not to trade, in the name of their own or of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (II) After the information of merger, demerger, acquisition, or transfer of shares is made public, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except an event where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (III) 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 comply with the provisions set forth under Article 21 and two preceding Paragraph of these Procedures.

Chapter Five Other significant issues

XXIV. The Company while acquiring or disposing of assets shall archive all relevant contracts, meeting minutes, memorandum books, appraisal reports and expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter at the Head Office of the Company for five (5) years minimum unless otherwise prescribed.

- XXV. Where the Company obtains expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter, such expert opinions of independent Certified Public Accountant, Attorney-at-Law or securities underwriter shall not be a related party with the person involved in the transaction.
- XXVI. Where the Company proceeds with acquisition or disposal of assets that is subject to the approval of the board of directors under these 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 all supervisors. Where the Company has duly set up independent directors in accordance with Securities and Exchange Act, while the issues for transaction in acquisition or disposal of assets is submitted to the board of directors for discussion, the opinions of the independent directors shall be put into adequate account. Whenever an independent director expresses dissent or a reserved opinion, such dissent or reserved opinion shall be expressly entered into the Board meeting minutes. Where the Company has duly set up Audit Committee in accordance with Securities and Exchange Act, transaction in major assets or derivatives shall be subject to approval from the Audit Committee by a majority vote of all Committee members and shall be submitted to the board of directors for approval through a resolution. If a transaction is not approved by the Audit Committee by a majority vote of all Committee members, it may be approved by the board of directors through a two-thirds majority of all directors. The decision so resolved in the Audit Committee shall be expressly entered into the Board meeting minutes. The numbers of the Audit Committee members and all directors shall be counted only for those incumbent ones.
- XXVII. These Procedures shall be put into enforcement after being approved by the board of directors, submitted to the supervisors and approved by the shareholders' meeting. This same provision is applicable mutatis mutandis to an event of amendment. Whenever a director expresses dissent or a declaration in writing, the data of dissident of such director shall be submitted to all supervisors. The opinions of all independent directors shall be taken into adequate account. Besides, their voices in pros and cons as well as the reasons shall be expressly entered into the minutes of the meeting.

Chenming Mold Ind. Corp.
External Party Lending Procedures

- Article I: The following procedures have been established according to Article 36-1 of the Securities and Exchange Act for enhanced management and transparency of loans granted to external parties, unless otherwise regulated by law.
- Article II: The Company may extend loans to external parties that meet any of the following conditions:
- (I) Businesses that the Company has business dealing with.
 - (II) Entities in need of short-term liquidity. The amount of loan granted can not exceed 40% of the borrower's net worth. The duration of "short-term" refers to a period of one year or one business cycle (whichever the longer). "Amount of loan" refers to the cumulative balance of short-term lending made by the public company.
 - (III) Lending between the Company's 100% directly or indirectly held foreign subsidiaries are not subject to the above restrictions, provided that outstanding balance does not exceed 100% of net worth of the respective companies, and that the tenor does not exceed 3 years.
- Article III: The Company shall grant loans primarily to business partners that it has transaction relationship with. The amount of loan shall be capped at the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of lending. Lending for short-term liquidity shall be limited only to the following circumstances:
- (I) Lending to the Company's equity-accounted investees for bank loan repayment, equipment purchase or working capital.
 - (II) Lending to affiliated enterprises in which the Company owns more than 50% indirect shareholding for bank loan repayment, equipment purchase or working capital.
 - (III) Lending to affiliated enterprises in which the Company owns more than 50% direct or indirect shareholding for business investment, and that the invested business is relevant and beneficial to the Company's business prospect.
- Article IV: Total and individual loan limits
- The sum of loans granted to external parties shall not exceed 20% of the Company's net worth, as shown in the latest audited or

auditor-reviewed financial statements. Individual borrower limits shall be determined as follows:

1. The Company may lend to business partners that it has business dealing with for up to the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of lending.
2. When lending for liquidity, the sum of loans granted to individual borrowers shall not exceed 10% of the Company's net worth, as shown in the latest audited or auditor-reviewed financial statements.

Article V: The lending process

(I) Procedures

1. All external party lending, whether transaction-related or for short-term liquidity, shall be reviewed by the responsible department and are subject to the Chairman's approval and the board's resolution.
2. The Finance Department shall maintain a registry of details relating to external party lending. Once external party lending has been resolved by the board, details such as the name of borrower, the amount of loan, the board's approval date, the disbursement date, and matters that are subject to due diligence assessment under the procedures shall be recorded in the registry.
3. Internal audit staff shall perform audits relating to the execution of external party lending procedures on a quarterly basis, and produce written reports on audit findings. Any major violation discovered must be notified immediately to all supervisors in writing.
4. The Finance Department shall prepare monthly statements of external party lending transactions occurred and canceled during the month to facilitate control, tracking, announcement and regulatory reporting. Adequate levels of loan loss provision shall be assessed and provided on a quarterly basis. Information regarding external party lending shall be disclosed in financial statements along with details of financial statement auditors.
5. In the event that the Company is found to have loaned to an ineligible party or in excess of authorized limits due to change of circumstances, the Finance Department shall propose a correction plan to the supervisors and complete corrections according to plan.

6. Lending between the Company's parent and subsidiaries, or lending among subsidiaries, shall be raised for resolution by the parent's board of directors. The Chairman can be authorized to approve loan disbursements in multiple drawdowns or on a revolving basis for a period no more than one year, up to the credit limit that the Board of Directors had resolved per borrower. The authorization limit mentioned in the preceding Paragraph shall be capped at 10% of borrower's net worth, as shown in the latest financial statements, and applies to aggregate loans granted by the Company and subsidiaries.
- (II) Review procedures
1. Before proceeding with external party lending, the Company shall request for financial information and explanation on the purpose of loan from the borrower. All applications are to be submitted in writing.
 2. Once the Company accepts the application, the responsible department shall investigate and assess external party lending on several aspects including the necessity and rationality of transaction, existence of direct (indirect) business dealing with the borrower, financial performance, solvency, credibility and profitability of the borrower, the purpose of loan, and impact of external party lending on the Company's business risk, financial position and shareholders' equity. Findings shall be compiled into written reports and submitted to the board of directors for review.
 3. All external party lending, whether transaction-related or for short-term liquidity, shall be secured by promissory notes of equivalent amount. Movable or real estate properties may be obtained as collateral if necessary; in which case, the underlying collateral shall be subject to quarterly assessments of whether the value covers the outstanding loan balance. Additional collaterals should be obtained when necessary. The abovementioned debt security can be waived if the borrower is able to find an individual or company of adequate financial strength to guarantee the debt; in which case, the accountable department shall assess the acceptability of such a guarantee and advise the board of directors on the final decision. If the guarantor is a corporate entity, investigate whether the corporate guarantor's Articles of Incorporation allows it to offer guarantees to external parties.

Article VI: Loan tenor and interest accrual
External party lending should be no longer than one year.
External party lending shall accrue interests monthly at no lower than the Company's average short-term financial institution borrowing rate. Adjustments can be made in special circumstances subject to the consent of the board of directors.

Article VII: Post-lending management and procedures on overdue loans:
After loan disbursement, the Finance Department shall regularly monitor changes in borrower's and guarantor's financial position, business performance and credibility, as well as changes in collateral value. All findings shall be recorded in writing. Any material changes to the above shall be reported immediately to the President and the responsible department for follow-up.
Upon loan maturity or early repayment, the borrower shall be instructed to repay the amount of outstanding principal plus interest before returning promissory note to the borrower or proceeding with lien removal on the pledged collateral.
If the borrower is unable to repay on time, the Company may claim against the pledged collateral or guarantor in a manner permitted by law.

Article VIII: Reporting procedures

- (I) Before the 10th calendar of each month, the Finance Department shall notify the Accounting Department the balance of external party loan granted by the Company and subsidiaries in the previous month, along with revenue figures, for monthly announcement and regulatory reporting into the reporting website designated by the Financial Supervisory Commission (FSC) within the specified timeframe.
- (II) In addition to making monthly reports on loan balance, the Finance Department shall also prepare relevant data and notify the Accounting Department to proceed with public announcement and regulatory reporting within two days from the time the balance of external party loans granted by the Company and subsidiaries is found to have met any of the following criteria:
 - 1. When the balance of loans to external parties amount to more than 20% of the Company's net worth, as shown in the latest financial statements.
 - 2. When the balance of loans granted to a single third party amount to more than 10% of the Company's net worth, as

shown in the latest financial statements.

3. Where loans are granted for transaction-related purpose, the balance exceeds the sum of business dealing in the last year.
4. When additional loans amounting to more than NT\$10 million and 2% of net worth, as shown in the latest financial statements, are granted after making the announcements/regulatory reports described in Items 1-3 above.

Article IX: Controls on external-party lending by subsidiaries

- (I) Subsidiaries of the Company are required to establish “External Party Lending Procedures” in accordance with rules of the Securities and Futures Bureau. The procedures are subject to board approval, supervisor review and shareholder meeting resolution within each subsidiary and shall be reported to the Company’s board of directors afterwards. The same applies to all subsequent amendments.
- (II) Subsidiaries of the Company shall implement their own “internal control systems” and “External Party Lending Procedures” to govern loans granted to external parties. Subsidiaries are required to report to the Company in writing before the 5th calendar day each month all relevant information on loans granted to external parties in the previous month, such as balance, borrowers, tenors etc. The Audit Department shall include subsidiaries’ external party lending as part of its monthly audit focus, and make audit progress as part of the mandatory issues to be reported to the board of directors and supervisors.
- (III) Subsidiaries that are not public companies are required to notify the Company on the day the external party loan balance meets the announcement/reporting criteria listed in Paragraph 2, Article 8. Upon receiving notification, the Company shall make the announcement and report according to rules over the designated website.

Article X: Discipline

Any employee involved in external party lending found in violation against the Securities and Futures Bureau’s “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the procedures shall be subject to the following treatments, depending on the severity. The violation records shall be taken as the reference in annual performance evaluation for the individuals.

- (I) Delegation of authorization for violation: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (II) Violation of review procedures: First-time offenders will be given verbal warning, whereas second-time offenders are subject to written warning and compulsory participation in internal control training. Employees should be removed from current role for recurring offense or violation of high severity.
- (III) Announcement and declaration to public for an offense: A first time offender shall receive an oral warning. A recidivist shall receive warning in writing and shall be required to participate in the mandatory training programs on internal control system in the Company. A further recidivist or a recidivist in a critical offense shall be assigned out of the current position.
- (IV) The violator's line manager shall also be subject to disciplinary action, unless there is justifiable reason not to take precautions beforehand.
- (V) Where the board of directors or a director is found in contravention of a decision resolved in the shareholders' meeting, the supervisors shall notify the breakdown or such director to stop the offending behavior in accordance with Article 218~2 of the Company Act.

Article XI: This procedure, once approved by the board of directors, shall be implemented with the consent of supervisors and shareholders' approval in a shareholder meeting. Where directors have expressed objections on record or in writing, these objections must also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.

Chenming Mold Ind. Corp.
Endorsement and Guarantee Procedures

One. Purpose

The following procedures have been established according to Article 36-1 of the Securities and Exchange Act for enhanced financial and risk management over external endorsements/guarantees, unless otherwise regulated by law.

Two. Applicability

Endorsements and guarantees mentioned in the procedures shall include:

- I. Endorsements and guarantees for financing arrangements:
 - (I) Cheque discounts.
 - (II) Endorsements or guarantees provided to facilitate financing of other companies.
 - (III) Negotiable instruments issued to non-financial institutions as security for the Company's financing activities.
- II. Customs-related endorsements and guarantees: Endorsements and guarantees for customs duty-related purposes, either for the Company or for other companies.
- III. Other endorsements and guarantees: Endorsements and guarantees that can not be classified into any of the above.

Pledge of movable or real estate properties as collaterals for loans undertaken by other companies shall also comply with the procedures.

Three. The endorsed / guaranteed

The Company shall provide endorsements/guarantees only to the following companies, except for endorsements/guarantees given to other peers or partners in relation to a construction contract, or to investees in a joint investment arrangement proportionate to shareholders' ownership interests.

- I. Businesses with which the Company has business dealing.
- II. Businesses to which the Company holds more than 50% direct or indirect voting interest.
- III. Business that holds more than 50% direct or indirect voting interest of the Company.
- IV. Businesses in which the Company holds more than 90% direct and indirect voting interest may provide endorsements and guarantees to each other, provided that the amount of endorsements and guarantees shall not exceed 10% of net worth of the respective companies. This restriction does not apply to endorsements and guarantees among investees in which the Company holds 100% direct or indirect voting interest.

Four. Endorsement/guarantee limit

The Company and subsidiaries shall not provide endorsements/guarantees to external parties exceeding 80% of the Company's net worth on an aggregate basis, or exceeding 40% of the Company's net worth for individual parties. Aggregate endorsements/guarantees exceeding 50% of the Company's net worth shall have necessity and rationality explained during shareholder meetings.

Transaction-related endorsements/guarantees granted to business partners shall be subject to the single-business limits mentioned in the preceding Paragraph, and are capped at the sum of purchases or sales (whichever the higher) made in the last year or in the current year up till the time of endorsement/guarantee.

Five. Endorsement and Guarantee Procedures

- I. When providing endorsement or guarantee, the Finance Department shall review each request on several aspects including applicants' eligibility, limit, compliance with the procedures and whether the transaction meets the announcement/reporting criteria. The outcome of its review, along with assessments conducted in accordance with section Six of the procedures, shall be submitted to the Chairman for approval and to the board of directors for resolution before execution. If the transaction is still within authorized limit, the Chairman may approve the transaction first based on credibility and financial position of the endorsed/the guaranteed party, and seek acknowledgment afterwards during the upcoming board of directors meeting.
- II. If the endorsed/the guaranteed party is a subsidiary with net worth below 50% of paid-up capital, internal auditors shall follow up on the endorsement/guarantee as part of its quarterly audit focus, and produce written reports for review by the board of directors and the supervisors.
- III. The Finance Department shall maintain a registry of details relating to external party endorsements/guarantees. Once endorsement/guarantee has been resolved by the board of directors or approved by the Chairman, the transaction may proceed to sign-off according to the prescribed procedures, and shall have details such as the name of the endorsed/the guaranteed, the amount, the board's/Chairman's approval date, the issuance date of endorsement/guarantee and matters subject to due diligence assessment described in section Six of the procedures recorded in the registry. Meanwhile, relevant documents such as negotiable instruments and contracts must be photocopied and held in proper custody.
- IV. Internal audit staff shall perform audits relating to the execution of endorsement and guarantee on a quarterly basis, and produce written reports on audit findings. Any major violation discovered must be notified immediately to all supervisors in writing.
- V. The Finance Department shall prepare monthly statements of external party

guarantees occurred and canceled during the month to facilitate control, tracking, announcement and regulatory reporting. Contingent losses shall be assessed and recognized on a quarterly basis. Information regarding external party endorsement/guarantee shall be disclosed in financial statements along with details of financial statement auditors.

- VI. If the endorsed/guaranteed party initially conformed with eligibility requirements but fails to comply with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies on a later date, or if the amount endorsed/guaranteed exceeds the prescribed limits due to change of the calculation basis, the Finance Department shall propose a correction plan with respect to the amount endorsed/guaranteed or the excess. All excess must be resolved within a specified period upon approval by the Chairman. These correction plans shall be presented to supervisors for review and executed by accountable parties according to schedule.
- VII. Prior to the expiry of endorsement/guarantee, the Finance Department shall take initiative in notifying the guaranteed party that the Company will be recovering guarantee notes from the bank or creditor, and will be revoking any documents related to the endorsement/guarantee.

Six. Due diligence review procedures

In an endorsement/guarantee, the Finance Department is required to perform the following reviews and assessments while maintain records of its progress:

- (I) Establish the relationship between the endorsed/the guaranteed party and the Company, the purpose of loan, the use of capital, and relevance or significance to the Company's business activities. The necessity and rationality of existing endorsement/guarantee limits and balances shall also be assessed.
- (II) Obtain annual report, financial report and relevant information from the endorsed/the guaranteed party to analyze its operations, financial position, credibility and source of repayment, and assess possible risks.
- (III) Analyze the percentage of outstanding endorsements/guarantees relative to net worth, liquidity and cash flow position, and take into consideration the results of (I) and (II) above to assess impacts in terms of business risk, financial position and shareholders' equity.
- (IV) Depending on the nature of guarantee, credibility of the guaranteed party and outcomes from (I) ~ (III) above, evaluate whether it is necessary to obtain collaterals from the guaranteed party and monitor on a quarterly basis whether the collateral value covers outstanding balance of endorsement/guarantee. Additional collaterals should be obtained when necessary.

- Seven. Controls on external-party endorsement/guarantee by subsidiaries
- I. Subsidiaries of the Company are required to establish “Endorsement and Guarantee Procedures” in accordance with rules of the Securities and Futures Bureau (SFB), Financial Supervisory Commission. The procedures are subject to board approval, supervisor review and shareholder meeting resolution within each subsidiary and shall be reported to the Company’s board of directors afterwards. The same applies to all subsequent amendments.
 - II. Subsidiaries of the Company shall implement their own “internal control systems” and “Endorsement and Guarantee Procedures” to govern endorsements/guarantees granted to external parties. Subsidiaries are required to report to the Company in writing before the 5th calendar day each month all relevant information on endorsements/guarantees granted to external parties in the previous month, such as balance, parties, duration etc. The Audit Department shall include subsidiaries’ external party endorsement/guarantee as part of its monthly audit focus, and make audit progress as part of the mandatory issues to be reported to the board of directors and supervisors.
 - III. Subsidiaries that are not public companies are required to notify the Company on the day the external party endorsement/guarantee balance meets the announcement/reporting criteria listed in Paragraph 2 of the procedures. Upon receiving notification, the Company shall make the announcement and report according to rules over the designated website.
 - IV. Endorsement and guarantee between subsidiaries in which the Company holds more than 90% direct and indirect voting interest are subject to board of directors’ resolution before proceeding. This restriction does not apply to endorsements and guarantees among investees in which the Company holds 100% direct or indirect voting interest.
- Eight. Levels of decision-making and approval authority
- I. Endorsements and guarantees are subject to the approval procedures outlined in section Five, and are executed once approved by the board of directors. However, in situations where timing is of concern, the board of directors may authorize the Chairman to approve endorsements/guarantees within the single-party limit upfront and seek acknowledgment afterwards in the upcoming board of directors meeting.
 - II. Any business-related endorsement/guarantee above the limits mentioned in the procedures that is deemed necessary and in conformity with the criteria outlined in the Endorsement and Guarantee Procedures shall be subject to the approval of the board of directors and have more than half of board members jointly guaranteeing the likely losses before proceeding. In which case, the Company shall revise the procedures and seek acknowledgment in a

shareholder meeting; if shareholders do not agree to the proposal, plans shall be devised to eliminate the excess within a specified period of time.

Nine. Seal custody and procedures

- I. The Company shall register a common seal with the Ministry of Economic Affairs specifically for endorsements and guarantees. This seal shall be held in custody by the Finance Department with the approval of the board of directors; any subsequent change in the seal custodian is subject to the board's approval. The seal held in custody shall be included as part of the hand-over list.
- II. Once an endorsement/guarantee has been resolved by the board of directors or approved by the Chairman, the Finance Department shall raise a "Seal Usage Request" and present relevant documents such as the proof of approval, the endorsement/guarantee contract or guarantee note for approval by the Head of Finance before referring to the seal custodian for seal usage.
- III. The seal custodian must check for proof of approval, verify whether the "Seal Usage Registry" has been approved by the Head of Finance and compare details of the seal request document before affixing the seal. Once the seal has been affixed, the Seal Usage Registry shall be updated accordingly.
- IV. When offering guarantee in favor of a foreign company, the Company's letter of guarantee must be signed by the Chairman or the President with authorization from the board of directors.

Ten. Announcement Procedures

- I. Before the 10th calendar of each month, the Finance Department shall notify the Accounting Department the balance of external party endorsements/guarantees granted by the Company and subsidiaries in the previous month, along with revenue figures, for monthly announcement and regulatory reporting into the reporting website designated by the FSC within the specified timeframe.
- II. In addition to making monthly reports on loan balance, the Finance Department shall also prepare relevant data and notify the Accounting Department to proceed with public announcement and regulatory reporting within two days from the time the balance of external party endorsements/guarantees granted by the Company and subsidiaries is found to have met any of the following criteria:
 - (I) When the balance of endorsements/guarantees to external parties amount to more than 50% of the Company's net worth, as shown in the latest financial statements.
 - (II) When the balance of endorsements/guarantees granted to a single third party amounts to more than 20% of the Company's net worth, as shown in the latest financial statements.

- (III) When the balance of endorsements and guarantees offered to a single business aggregate to NT\$ 10 million or above, while the balance of endorsements, guarantees, long-term investments, and loans to that business amount to more than 30% of the Company's net worth, as shown in the latest financial statements.
- (IV) Where endorsements/guarantees are granted for transaction-related purpose, the balance exceeds the sum of business dealing in the last year.
- (V) When additional endorsements/guarantees amounting to more than NT\$30 million and 5% of net worth, as shown in the latest financial statements, are granted after making the announcements/regulatory reports described in Items 1 ~ 4 above.

Eleven. Internal audit

Internal audit staff shall perform audits relating to the execution of endorsement and guarantee at least on a quarterly basis, and produce written reports on audit findings. Any violation discovered must be notified immediately to all supervisors in writing.

Twelve. Discipline

Any employee involved in external party endorsement/guarantee found in violation against the SFB's "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies" or the procedures shall be subject to the following treatments, depending on the severity. The violation records shall be taken as the reference in annual performance evaluation for the individuals.

- I. Violation of approval authority: First-time offenders will be given verbal warning, whereas second-time offenders are subject to written warning and compulsory participation in internal control training. Employees should be removed from current role for recurring offense or violation of high severity.
- II. Violation of review procedures: First-time offenders will be given verbal warning, whereas second-time offenders are subject to written warning and compulsory participation in internal control training. Employees should be removed from current role for recurring offense or violation of high severity.
- III. Violation of announcement/reporting requirement: First-time offenders will be given verbal warning, whereas second-time offenders are subject to written warning. Employees should be removed from current role for recurring offense or violation of high severity.
- IV. The violator's line manager shall also be subject to disciplinary action, unless there is justifiable reason not to take precautions beforehand.
- V. For any violation against company policies or shareholder meeting resolutions involving the board or its directors, the supervisors shall have the

responsibilities to instruct the board or its directors to cease such conducts according to Article 218-2 of The Company Act.

Thirteen. Other Terms

- I. Endorsements and guarantees made by the Company and subsidiaries each year shall be reported during the next shareholder meeting.
- II. This procedure, once approved by the board of directors, shall be implemented with the consent of supervisors and shareholders' approval in a shareholder meeting. Where directors have expressed objections on record or in writing, these objections must also be escalated to supervisors and raised for discussion in the shareholder meeting. The same process shall apply to all subsequent amendments.

Chenming Mold Ind. Corp. Shareholding status of directors and supervisors

Date: April 16, 2019

Title	Name	Date when elected	Number of shares held when elected			Number of shares held currently.			Remarks
			Type of share	Number of shares	Accounting for ___% of outstanding shares	Type of share	Number of shares	Accounting for ___% of outstanding shares	
Chairman	Lin Mu-Ho	June 16, 2017	common shares	25,000,230	14.71%	common shares	25,000,230	15.34%	
Vice Chairman	Lin Feng-Ran	June 16, 2017	common shares	6,612,310	3.89%	common shares	6,612,310	4.06%	
Director	Chen Hsiao-Chun	June 16, 2017	common shares	259,456	0.15%	common shares	259,456	0.16%	
Director	Lo Chih-Chi	June 16, 2017	common shares	573,958	0.34%	common shares	573,958	0.35%	
Director	Ching Chi-Ben	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Chang Yi-Min	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Independent Director	Lin Chiang-Feng	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Supervisor	Lin Pei-Yu	June 16, 2017	common shares	4,512,755	2.66%	common shares	4,512,755	2.77%	
Supervisor	Lin Po-Hsiang	June 16, 2017	common shares	0	0.00%	common shares	0	0.00%	
Total				36,958,709			36,958,709		

Total number of shares issued on June 16, 2017: 169,935,018 shares

Total number of shares issued on April 16, 2019: 162,935,018 shares

Note: Minimum required shareholding across all directors: 9,776,101 shares; shareholding as at April 16, 2019: 32,445,954 shares

Note: Minimum required shareholding across all supervisors: 977,610 shares; shareholding as at April 16, 2019: 4,512,755 shares

© The shares held by independent directors are not counted towards directors' shareholding.