

Minutes of Annual General Shareholders' Meeting of Elite Material Co., Ltd.

Date: Thursday, 14 June 2018

Time: 9:00 a.m. Taipei time

Place: Meeting Room #1 at the company headquarters

No. 18, Datong 1st Road, Guanyin District, Taoyuan City 32849, Taiwan

Shareholders present:

1. Total number of issued shares: 319,652,458
2. Total number of issued and outstanding shares: 319,652,458
3. Total shares represented by shareholders present: 236,739,927 (including shares represented by shareholders who cast the proxy vote via electronic transmission, and the total number of such shares present is 166,164,001)
4. Percentage of shares held by shareholders present: 74.06%

The aggregate shares of shareholders present in person or by proxy constituted a quorum.

Directors present:

Mr. Dong, Ding Yu (Chairman of the Board of Directors)

Mr. Yeh, Chia Hsiu (Independent Director)

Mr. Chen, Xiang Shen (Independent Director)

Mr. Tsai, Fei Liang (Director)

The number of directors present exceeded one-third of the total number of directors.

In attendance:

Certified Public Accountant: Mr. Calvin C. Y. Chiang

Attorney: Mr. Lin, Yuan Xiang

Chairman: Mr. Dong, Ding Yu (Chairman of the Board of Directors)

Recorder: Ms. Vicky Chiang

Meeting called to order

Chairman's address (omitted)

Reporting Items

1. To report Year 2017 business operations and financial statements

The Year 2017 business report is attached as Attachment I. The 2017 financial statements and independent auditors' audit report by KPMG are attached as Attachments II and III.

The full financial reports prepared and audited by KPMG can be viewed and downloaded at the company website: <http://www.emctw.com/en-global/investors/index/14>; or at the website of MOPS operated by the Taiwan Stock Exchange: <http://mops.twse.com.tw>

2. To report review results of Year 2017 business operations and financial statements by the auditing committee

The review report by the Audit Committee is attached as Attachment IV.

3. To report the information of the employees' compensation and the Directors' remuneration

The information of the employees' compensation and the Directors' remuneration is attached as Attachment V.

4. To report the information of the corporate bond issued in Year 2017

The information of the corporate bond issued in Year 2017 is attached as Attachment VI.

Proposed resolutions

1. To accept the Year 2017 business report and financial statements

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of the Year 2017 business report and financial statements.

Explanatory Notes:

- i. EMC's Year 2017 business report and financial statements, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, have been resolved to accept by the 10th board meeting of the 10th term, and have been examined by and determined to be correct and accurate by the Audit Committee of EMC. We thereby submit this report.
- ii. The Year 2017 business report, financial statements, independent auditors' audit report, and the review report of the Audit Committee are attached as Attachments I, II, III, and IV.
- iii. Please accept the aforesaid business report and financial statements

Voting Results:

236,733,927 shares were presented at the time of voting (including votes casted via electronic transmission; hereinafter referred as "e-voting")

Voting results	Shares	% of shares present
For (Including e-voting: 138,661,907)	209,014,321	88.29%
Against (including e-voting: 191,548)	191,548	0.08%
Abstain (including e-voting: 27,310,546)	27,528,058	11.63%

RESOLVED, that the 2017 business report and financial statements be and hereby were accepted as submitted.

2. To approve the proposal for distribution of 2017 profits

The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2017 profits.

Explanatory Notes:

- i. Cash dividends to common share holders: Totaling NT\$1,534,331,798. Each common share holder will be entitled to receive a cash dividend of NT\$4.8 per share.
- ii. The fractional dollar amount which is less than one New Taiwan Dollar, if there is any, will not be distributed and will be recognized by the company as other income.
- iii. After being approved at the Annual General Shareholders' Meeting, it is proposed that the Chairman of EMC be authorized to determine the record date and the payment date that the cash dividends will be distributed to common share holders.
- iv. Should EMC subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total number of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Chairman of EMC be authorized to adjust the cash to be distributed to each common share, based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.
- v. The 2017 profit allocation proposal is attached as Attachment VII.
- vi. Please approve the aforesaid proposal for the distribution of 2017 profits.

Voting Results:

236,733,927 shares were presented at the time of voting

Voting results	Shares	% of shares present
For (Including e-voting: 138,839,144)	209,191,558	88.37%
Against (including e-voting: 14,313)	14,313	0.01%
Abstain (including e-voting: 27,310,544)	27,528,056	11.62%

RESOLVED, that the proposal for the distribution of 2017 profits be and hereby were approved as submitted.

3. To approve amending the company bylaw of “Procedures of Capital Lending to Others of Elite Material Co., Ltd.”

The Board of Directors proposes and recommends that each shareholder vote FOR the amendments of the company bylaw.

Explanatory Notes:

- i. In compliance with the Securities Exchange Act and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, it is proposed that Articles 2, 3, 4, 5, 6, 14, 15 of the company bylaw of “Procedures of Capital Lending to Others of Elite Material Co., Ltd.” be amended.
- ii. The overview table of “Procedures of Capital Lending to Others of Elite Material Co., Ltd.” Before and After amendments is attached as Attachment VIII.
- iii. Please approve the proposal for the amendments of the aforesaid bylaw.

Voting Results:

236,733,927 shares were presented at the time of voting

Voting results	Shares	% of shares present
For (Including e-voting: 138,804,127)	209,156,541	88.35%
Against (including e-voting: 45,328)	45,328	0.02%
Abstain (including e-voting: 27,314,546)	27,532,058	11.63%

RESOLVED, that the proposal of amending the company bylaw of “Procedures of Lending Capital to Others of Elite Material Co., Ltd.” be and hereby were approved as submitted.

Extemporary motion: None

Meeting adjourned

Chairman: Dong, Ding Yu
Recorder: Vicky Yang

Attachment I

Year 2017 Business report

I. Year 2017 business results

i. Execution results of business plan

- a. Kunshan production site of Jiangsu Province, China: Monthly production capacity has achieved 1.35 million sheets.
- b. Zhongshan production site of Guangdong Province, China: Monthly production capacity has achieved 950,000 sheets.
- c. Guanyin/Hsinchu production site of Taiwan: Monthly production capacity has achieved 650,000 sheets.

Unit: NT\$ thousands

Items	Year 2017
Revenue	23,609,983
Gross profit	5,827,978
Operating profit	4,006,558
Income before tax	4,028,452
Net income	2,795,176

Note: Numbers are presented on consolidated basis. The net income of year 2017 includes the net income of NT\$4,219 thousand belongs to the minority interests.

ii. Summary of cash flow statements

Unit: NT\$ thousands

Items	Year 2017
Net cash provided by operating activities	3,060,277
Net cash used in investing activities	721,808
Net cash used in financing activities	1,201,352
Effects of changes in foreign exchange rate on cash and cash equivalents	(73,613)
Increase in cash in reporting period	1,063,504

iii. Analysis of profitability

Items	Year 2016	Year 2017
Return on assets (%)	15.14	14.11
Return on equities (%)	27.46	24.96
Percentage of paid-in capital (%)	Operating profit	123.50
	Income before tax	122.83
Net margin (%)	12.57	11.84
Earnings per share (NT Dollar)	8.70	8.74

iv. Results of research and development:

New products successfully developed by the Company in 2017:

1. A new recipe created for eco-friendly ultra-low signal loss High-Tg laminates for radio frequency transmission
2. Eco-friendly ultra-low signal loss High-Tg laminates used for 5G base stations
3. Eco-friendly low signal loss laminates with high dimensional reliability used for next-generation substrates
4. Measuring, testing, and qualifying processes are developed and equipment is installed for materials used for substrates and electronic devices adopted by automotive industry

In addition, the Company obtained another 4 patents from the US, proving R&D efforts of EMC has cemented its leading position of creating eco-friendly halogen-free materials used in the global laminate market. Several newly developed products are in the process of receiving qualifications from end customers worldwide, and the mass production of the said products is about to commence. EMC has the confidence that the Company is ready to meet the increasing worldwide demand for green laminates.

II. Summary of Year 2018 business plan

i. Operating strategy

- a. To create new materials for high density interconnect (HDI) PCBs, and to develop more applications and promote more consumption for such materials
- b. To develop laminates consumed by automotive vehicles, and to obtain more quality certifications for such laminates
- c. To promote proactively laminates with increasingly higher thermal reliability

ii. Sales volume target

Production site	CCL (Sheet)	Prepreg (roll)	Mass Lam (000 panels)
Guanyin/Hsinchu, Taiwan	7,049,254	162,150	1,707
Kunshan, China	14,591,500	259,334	
Zhongshan, China	9,715,400	191,505	
Total	31,355,654	612,989	1,707

- a. Expected sales volume target:
Copper clad laminates (CCLs): 31,355,654 sheets/year
Prepreg (PP) : 612,989 rolls/year
Mass Lam (M/L) : 1,707 thousand panels/year
- b. Significant production and sales policies:
 - (a) To increase the sales volume of eco-friendly products in compliance with the environmental regulations of the European Union (EU)
 - (b) To improve the production yield rate in order to meet the rising demand from clients

- (c) To pursue the most appropriate inventory volume by coordinating production and sales activities, in order to improve the utilization efficiency of the working capital

III. Effects from changes in competitions, regulations, and business environment on the future development strategy of the company

i. Priorities of the future development strategy of EMC:

- a. To secure the leading position of EMC for materials consumed by HDI PCBs in the global market
- b. To develop varieties of base materials consumed by high-frequency laminates with increasingly higher thermal reliability, in order to meet the rising demand from the proliferating cloud services.
- c. To enhance operating results by precisely executing the internal control policy and the management decisions

ii. Effects from changes in competitions, regulations, and business environment:

Year 2018, in our view, will be the year that the global communication industry begins to upgrade from 4G to 5G. Several pre-commercial testing devices and networks are being launched. A revolutionary change at the quality and engineering specifications of laminate materials is occurring. To take advantage of the opportunity, EMC plans: 1) to increase the percentage of sales derived from halogen-free base materials, as we believe handsets and other consumer electronic devices would entirely adopt halogen-free materials since environment consciences will be an irreversible trend; 2) to increase percentage of sales derived from high-frequency laminates with higher thermal reliability; 3) to advance services to customers to cement current market share, and actively cultivate potential customers; 4) to better execute the performance evaluation of the company employees and strictly implement self-examination system.

Chairman & President: Dong, Ding-Yu

Directors of Accounting Department: Sara Yen

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

Attachment II

Year 2017 Financial Statements – consolidated basis

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
 ELITE MATERIAL CO., LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016
 (Expressed in Thousands of New Taiwan Dollars)

	2017.12.31		2016.12.31			2017.12.31		2016.12.31			
	Amount	%	Amount	%		Amount	%	Amount	%		
ASSETS											
Current Assets:											
1100	Cash and cash equivalents (Note (6)(g))	\$ 5,293,589	25	4,230,083	22	2100	Short-term borrowings (Note (6)(g))	\$ 150,325	1	150,449	1
1110	Current financial assets at fair value through profit or loss (Note (6)(b))	6,184	-	-	-	2120	Current financial liabilities at fair value through profit or loss (Note (6)(b))	-	-	17,008	-
						2170	Accounts payable	5,164,083	25	5,042,103	26
1120	Notes receivable, net (Note (6)(c))	343,413	2	289,700	1	2200	Other payables	1,292,094	6	1,276,646	7
1170	Accounts receivable, net (Note (6)(c))	7,116,961	34	7,423,370	39	2230	Current tax liabilities	267,535	2	354,443	2
1200	Other receivables, net (Note (6)(c))	13,079	-	7,393	-	2250	Current provisions (Note (6)(i))	21,153	-	62,883	-
1310	Interventions (Note (6)(d))	2,551,830	12	2,074,544	11	2322	Long-term borrowings: current portion (Note (6)(a))	-	-	350,000	2
1470	Other current assets	113,528	1	106,972	1	2399	Other current liabilities, others	31,820	-	13,315	-
		13,480,404	74	14,132,084	74			6,947,012	34	7,246,837	38
Non-Current Assets:											
1513	Non-current available-for-sale financial assets (Note (6)(b))	16,822	-	18,229	-	2500	Non-current financial liabilities at fair value through profit or loss (Note (6)(b))	5,589	-	-	-
1600	Property, plant and equipment (Note (6)(f))	4,803,458	23	4,622,571	24	2530	Bonds payable (Note (6)(i))	1,320,206	6	870,900	5
1780	Intangible assets	7,344	-	5,062	-	2540	Long-term borrowings (Note (6)(a))	-	-	31,080	-
1840	Deferred tax assets (Note (6)(j))	63,550	-	53,833	-	2570	Non-current provisions for employee benefits (Note (6)(k))	21,629	-	516,942	2
1900	Other non-current assets	325,505	2	294,835	2	2570	Deferred tax liabilities	606,912	3	15,044	-
1920	Guarantee deposits paid	13,505	-	14,227	-	2645	Guarantee deposits received (Note (6)(l))	15,574	-	-	-
1985	Long-term prepaid rents	88,126	1	91,934	-			1,970,180	9	1,473,966	7
		5,330,310	26	5,100,691	26			8,917,202	43	8,720,803	45
						Total liabilities:					
						Equity attributable to owners of parent (Note (6)(m)):					
						3100	Share capital	3,196,524	15	3,189,211	17
						3200	Capital surplus	623,721	3	443,632	3
							Retained earnings:				
						3310	Legal reserve	1,256,696	6	979,661	5
						3320	Special reserve	126,586	1	-	-
						3351	Accumulated profit and loss	6,903,344	33	6,014,993	31
						3400	Other equity	(237,192)	(1)	(126,586)	(1)
							Non-controlling interests	11,833	-	11,039	-
							Total equity	11,883,512	57	10,511,972	55
							Total liabilities and equity	\$ 20,800,714	100	19,282,775	100

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
ELITE MATERIAL CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (Note (6)(p))	\$ 23,609,983	100	22,069,584	100
5000 Operating costs (Note (6)(d))	(17,782,005)	(75)	(16,304,045)	(74)
Gross profit from operations	5,827,978	25	5,765,539	26
Operating expenses:				
6100 Selling expenses	(958,196)	(4)	(1,035,767)	(5)
6200 Administrative expenses	(585,724)	(3)	(588,341)	(2)
6300 Research and development expenses	(277,500)	(1)	(202,737)	(1)
Total operating expenses	1,821,420	8	1,826,845	8
Net operating income	4,006,558	17	3,938,694	18
Non-operating income and expenses (Note (6)(r)):				
7010 Other income	51,046	-	22,762	-
7020 Other gains and losses	5,692	-	(17,053)	-
7050 Finance costs	(34,844)	-	(27,212)	-
Total non-operating income and expenses	21,894	-	(21,503)	-
Profit before income tax	4,028,452	17	3,917,191	18
7951 Less: Tax expense (Note (6)(l))	(1,233,276)	(5)	(1,143,182)	(5)
Profit	2,795,176	12	2,774,009	13
Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Remeasurement from defined benefit plans	2,493	-	(29,655)	-
8349 Income tax expense related to components of other comprehensive income that will not be reclassified to profit or loss	(424)	-	5,042	-
Total items that will not be reclassified subsequently to profit or loss	2,069	-	(24,613)	-
8360 Items that will be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign statements	(133,402)	(1)	(702,914)	(3)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	22,654	-	119,361	-
Total items that will be reclassified subsequently to profit or loss	(110,748)	(1)	(583,553)	(3)
Other comprehensive income	(108,679)	(1)	(608,166)	(3)
Total comprehensive income	\$ 2,686,497	11	2,165,843	10
Profit, attributable to:				
Profit, attributable to owners of parent	\$ 2,790,957	12	2,770,355	13
Profit, attributable to non-controlling interests	4,219	-	3,654	-
	\$ 2,795,176	12	2,774,009	13
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	\$ 2,682,420	11	2,162,981	10
Comprehensive income, attributable to non-controlling interests	4,077	-	2,862	-
	\$ 2,686,497	11	2,165,843	10
Earnings per share (Note (6)(o))				
Basic earnings per share (dollars)	\$	8.74	\$	8.70
Diluted earnings per share (dollars)	\$	8.53	\$	8.65

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
ELITE MATERIAL CO., LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent					Other Equity		Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total
	Share capital	Retained Earnings	Unappropriated Retained Earnings	Exchange Difference on Translation of Foreign Statements	Legal Reserve	Special Reserve	Capital Surplus			
Balance as of January 1, 2016	-	-	-	-	-	-	-	-	-	-
Profit for the years ended December 31, 2016	-	-	2,770,355	(24,613)	-	-	456,175	2,770,355	3,654	2,774,009
Other comprehensive income for the years ended December 31, 2016	-	-	(24,613)	(382,761)	-	-	-	(607,374)	(792)	(608,166)
Total comprehensive income for the years ended December 31, 2016	-	-	2,745,742	(382,761)	-	-	-	2,162,981	2,862	2,165,843
Earnings distribution:										
Legal reserve	-	238,924	(238,924)	-	-	-	-	-	-	-
Cash dividends	-	-	(1,367,929)	-	-	-	-	(1,367,929)	-	(1,367,929)
Issuance of shares for exercise of employee stock options	14,160	11,031	-	-	-	-	-	25,191	-	25,191
Recognized compensation costs on employee stock options	-	52	-	-	-	-	-	52	-	52
Changes in non-controlling interests	-	-	-	-	-	-	-	(2,963)	-	(2,963)
Balance as of December 31, 2016	3,189,211	443,632	979,661	(126,586)	-	-	10,500,913	11,039	10,511,972	
Profit for the years ended December 31, 2017	-	-	2,790,957	-	-	-	2,790,957	4,219	2,795,176	
Other comprehensive income for the years ended December 31, 2017	-	-	2,069	(110,606)	-	-	(108,537)	(482)	(108,619)	
Total comprehensive income for the years ended December 31, 2017	-	-	2,793,026	(110,606)	-	-	2,682,420	4,077	2,686,497	
Earnings distribution:										
Legal reserve	-	277,035	(277,035)	-	-	-	-	-	-	-
Special reserve	-	-	126,586	(126,586)	-	-	-	-	-	-
Cash dividends	-	-	(1,499,056)	-	-	-	(1,499,056)	-	-	(1,499,056)
Equity component of convertible bonds issued by the Company - arise from stock option	-	121,544	-	-	-	-	121,544	-	-	121,544
Conversion of convertible bonds	5,863	62,356	-	-	-	-	68,419	-	-	68,419
Conversion of convertible bonds to ordinary shares	-	(3,559)	-	-	-	-	(3,559)	-	-	(3,559)
Issuance of shares for exercise of employee stock options	1,450	1,395	-	-	-	-	3,045	-	-	3,045
Recognized compensation costs on employee stock options	-	(47)	-	-	-	-	(47)	-	-	(47)
Changes in non-controlling interests	-	-	-	-	-	-	(3,303)	-	-	(3,303)
Balance as of December 31, 2017	\$ 3,196,524	\$ 623,721	\$ 1,256,696	\$ 126,586	\$ 6,905,344	\$ (237,192)	\$ 11,871,679	\$ 11,833	\$ 11,883,512	

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

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

ELITE MATERIAL CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities :		
Profit before tax	\$ 4,028,452	3,917,191
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	441,108	466,091
Amortization	4,180	2,580
Provision for doubtful accounts	(33,009)	7,294
Loss (profit) on financial assets or liabilities at fair value through profit or loss	(22,923)	(24)
Interest expenses	19,233	27,212
Interest income	(51,046)	(22,762)
(Gains) loss from disposal and retirement of property, plant and equipment, net	1,361	316
Share-based payment	(47)	52
Discount amortization on convertible bonds convert to interest expense	15,611	-
Others	15,839	-
Total adjustments to reconcile net income to net cash provided by operating activities	<u>390,327</u>	<u>480,759</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	(54,408)	(43,630)
Accounts receivable	235,970	(1,334,594)
Other receivables	4,454	8,256
Inventories	(490,220)	(399,756)
Other current assets	3,597	(34,005)
Other assets	(29,567)	2,631
Total changes in operating assets, net	<u>(330,174)</u>	<u>(1,806,098)</u>
Changes in operating liabilities, net:		
Accounts payable	160,361	348,664
Other payable	66,804	35,332
Provision	(40,730)	45,443
Other current liabilities	25,368	6,759
Net defined benefit liabilities	(6,938)	(6,546)
Total changes in operating liabilities, net	<u>204,795</u>	<u>929,652</u>
Total changes in operating assets and liabilities, net	<u>(125,379)</u>	<u>(876,446)</u>
Total Adjustments	<u>264,948</u>	<u>(395,687)</u>
Cash inflow generated from operations	4,293,400	3,521,504
Interest received	40,872	22,804
Interests paid	(16,087)	(27,244)
Income taxes paid	(1,257,008)	(916,492)
Net cash provided by operating activities	<u>3,060,277</u>	<u>2,600,572</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(716,936)	(518,764)
Disposal of property, plant and equipment	959	2,095
Acquisition of intangible assets	(6,465)	(4,522)
Decrease in guarantee deposits paid	634	705
Net cash used in investing activities	<u>(721,808)</u>	<u>(520,486)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	22,381	123,233
Proceeds from issuance of convertible bonds	1,500,000	-
Proceeds from long-term borrowings	750,000	-
Repayments from long-term borrowings	(1,975,000)	(311,300)
Decrease in guarantee deposit received	581	(530)
Dividends paid	(1,502,359)	(1,370,894)
Exercise of employee stock options	3,045	25,191
Net cash used in financing activities	<u>(1,201,352)</u>	<u>(1,534,300)</u>
Foreign exchange rate effects	(73,613)	(226,971)
Net increase in cash and cash equivalents	1,063,504	318,815
Cash and cash equivalents, beginning of year	4,230,085	3,911,270
Cash and cash equivalents, end of year	<u>\$ 5,293,589</u>	<u>4,230,085</u>

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

Year 2017 Financial Statements – parent-alone basis

(English Translation of Financial Statements and Report Originally Issued in Chinese)
ELITE MATERIAL CO., LTD.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016
 (Expressed in Thousands of New Taiwan Dollars)

	2017.12.31		2016.12.31	
	Amount	%	Amount	%
ASSETS				
Current Assets:				
1100	1,087,855	10	644,037	4
1130	243,481	2	227,733	2
1170	1,397,791	10	1,743,912	12
1181	221,846	1	22,481	-
1200	23,667	-	4,190	-
1310	635,937	4	546,333	4
1470	36,747	-	30,649	-
	4,517,524	27	3,229,248	23
Non-Current Assets:				
1330	9,642,680	59	9,430,104	65
1400	2,141,028	13	1,839,614	13
1730	2,795	-	2,191	-
1840	57,488	-	36,433	-
1900	38,000	1	100,924	-
1920	3,962	-	5,449	-
	11,926,253	73	11,465,115	78
Total assets	\$ 16,453,777	100	\$ 14,694,463	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
2100	130,925	1	22,022	-
2120	-	-	1,968	-
2170	1,508,605	9	1,339,977	9
2180	42,847	-	36,180	-
2190	739,494	5	735,731	5
2200	154,188	1	205,477	2
2230	15,118	-	18,641	-
2322	4,899	-	350,000	3
2399	-	-	4,311	-
	2,616,166	16	2,734,307	19
Non-Current Liabilities:				
2330	1,300,006	8	-	-
2340	-	-	870,900	6
2351	21,639	-	21,030	-
2370	606,912	4	356,942	4
2390	5,869	-	10,221	-
2645	15,116	-	-	-
	1,949,732	12	1,469,143	10
	4,565,998	28	4,193,729	29
Equity attributable to owners of parent (Note (6)(m)):				
3100	3,196,324	19	3,139,211	22
3100	621,721	3	449,620	3
3110	1,235,696	8	979,661	6
3120	126,386	1	-	-
3151	6,005,344	42	6,014,995	41
3151	(237,182)	(1)	(128,538)	(1)
3400	11,871,879	72	10,300,919	71
Total liabilities and equity	\$ 16,453,777	100	\$ 14,694,463	100

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)
ELITE MATERIAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (Notes (6)(p) and (Note (7)))	\$ 6,181,352	100	6,025,659	100
5000 Operating costs (Notes (6)(d) and (Note (7)))	(5,167,859)	(84)	(4,713,871)	(78)
Gross profit (loss) from operations	1,013,493	16	1,311,788	22
5910 Less: Unrealized gains	5,225	-	1,046	-
5920 Add: Realized gains	1,046	-	973	-
Gross profit from operations, net	1,009,314	16	1,311,715	22
Operating expenses:				
6100 Selling expenses	(195,666)	(3)	(228,190)	(4)
6200 Administrative expenses	(305,206)	(5)	(322,831)	(5)
6300 Research and development expenses	(127,866)	(2)	(92,184)	(2)
6300 Total operating expenses	628,738	10	643,205	11
Net operating income	380,576	6	668,510	11
Non-operating income and expenses:				
7010 Other income (Note (6)(r))	2,087	-	2,460	-
7020 Other gains and losses (Note (6)(r))	(7,634)	-	(17,300)	-
7370 Share of profit of associates and joint ventures accounted for using equity method	3,119,404	50	2,793,523	46
7050 Finance costs (Note (6)(r))	(34,400)	-	(27,005)	-
Total non-operating income and expenses	3,079,457	50	2,751,678	46
7900 Profit before income tax	3,460,033	56	3,420,188	57
7950 Less: Tax expense	(669,076)	(11)	(649,833)	(11)
Profit	2,790,957	45	2,770,355	46
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
8311 Remeasurement from defined benefit plans	2,493	-	(29,655)	-
8349 Income tax expense related to components of other comprehensive income that will not be reclassified to profit or loss	(424)	-	5,042	-
Total items that will not be reclassified subsequently to profit or loss	2,069	-	(24,613)	-
Items that will be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign statements	(133,260)	(2)	(702,122)	(12)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	22,654	-	119,361	2
Total items that will be reclassified subsequently to profit or loss	(110,606)	(2)	(582,761)	(10)
Other comprehensive income after tax	(108,537)	(2)	(607,374)	(10)
Total comprehensive income	\$ 2,682,420	43	2,162,981	36
Basic earnings per share (Note (6)(o)) (dollars)	\$ 8.74		8.70	
Diluted earnings per share (Note (6)(o)) (dollars)	\$ 8.53		8.65	

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)
ELITE MATERIAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings				Other Equity		Total
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Differences on Translation of Foreign Statements			
Balance as of January 1, 2016	3,175,051	433,549	740,737	-	4,876,106	456,175	2,770,355	11,652,973	
Profit for the years ended December 31, 2016	-	-	-	-	2,770,355	-	-	2,770,355	
Other comprehensive income for the years ended December 31, 2016	-	-	-	-	(24,613)	(532,761)	-	(587,374)	
Total comprehensive income for the years ended December 31, 2016	-	-	-	-	2,745,742	(532,761)	-	2,162,981	
Earnings distribution:									
Legal reserve	-	-	233,024	-	(238,924)	-	-	-	
Cash dividends	14,160	-	-	-	(1,367,920)	-	-	(1,367,920)	
Issuance of shares for exercise of employee stock options	-	11,031	-	-	-	-	-	11,031	
Recognized compensation costs on employee stock options	-	52	-	-	-	-	-	52	
Balance as of December 31, 2016	3,189,211	444,581	973,661	-	6,014,095	(126,586)	10,500,913	12,002,915	
Profit for the years ended December 31, 2017	-	-	-	-	2,790,957	-	-	2,790,957	
Other comprehensive income for the years ended December 31, 2017	-	-	-	-	2,059	(110,606)	-	(108,547)	
Total comprehensive income for the years ended December 31, 2017	-	-	-	-	2,793,016	(110,606)	-	2,682,410	
Earnings distribution:									
Legal reserve	-	-	277,035	-	(277,035)	-	-	-	
Special reserve	-	-	-	126,586	(126,586)	-	-	-	
Cash dividends	-	-	-	-	(1,499,056)	-	-	(1,499,056)	
Equity component of convertible bonds issued by the Company-wise from stock option	-	121,544	-	-	-	-	-	121,544	
Conversion of convertible bonds	5,863	62,556	-	-	-	-	-	68,419	
Conversion of convertible bonds to ordinary shares	-	(5,359)	-	-	-	-	-	(5,359)	
Issuance of shares for exercise of employee stock options	1,450	1,595	-	-	-	-	-	3,045	
Recognized compensation costs on employee stock options	-	(47)	-	-	-	-	-	(47)	
Balance as of December 31, 2017	3,195,524	613,721	1,250,696	126,586	6,005,344	(237,192)	11,871,679	13,055,134	

Note: For the years ended December 31, 2017 and 2016, rewards of directors of \$56,042 and \$35,627 and employees of \$108,126 and \$106,881, respectively, were estimated and recognized as current expense.

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)
ELITE MATERIAL CO., LTD.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Profit before tax	3	3,422,182
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	142,822	142,822
Amortization	2,202	1,227
Provision for doubtful accounts	622	2,212
Loss (profit) on financial assets or liabilities at fair value through profit or loss	(2,122)	1,222
Investment gains (losses) recognized under equity method	(2,112,424)	(2,722,222)
Interest expense	12,722	22,222
Interest income	(2,222)	(2,222)
(Gain) loss from disposal and retirement of property, plant and equipment, net	222	(222)
Share-based payment	(22)	22
Financial assets measured at amortizable bonds account in interest expense	12,212	-
Total adjustments to reconcile net income to net cash provided by operating activities	<u>(2,222,422)</u>	<u>(2,222,222)</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	(22,222)	(22,222)
Accounts receivable	142,222	(22,222)
Accounts receivable-related parties	(122,222)	(12,222)
Other receivables	(12,222)	12,222
Inventory	(122,222)	(22,222)
Deferred revenues	2,222	(222)
Other current assets	(2,222)	(2,222)
Other assets	12,222	(12,222)
Total changes in operating assets, net	<u>(222,422)</u>	<u>(122,222)</u>
Changes in operating liabilities, net:		
Accounts payable	142,222	2,222
Accounts payable-related parties	2,222	-
Other payables	22,222	22,222
Provision	(2,222)	12,722
Other current liabilities	222	(222)
Net defined benefit liabilities	(2,222)	(2,222)
Total changes in operating liabilities, net	<u>222,222</u>	<u>122,222</u>
Total changes in operating assets and liabilities, net	<u>2,222</u>	<u>(22,222)</u>
Total adjustments	<u>(2,222,222)</u>	<u>(2,222,222)</u>
Cash inflow generated from operations	222,222	712,222
Interest received	1,222	2,222
Dividends received	2,222,222	1,722,222
Interest paid	(12,222)	(22,222)
Income taxes paid	(222,222)	(222,222)
Net cash provided by operating activities	<u>2,222,222</u>	<u>1,222,222</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(212,222)	(222,222)
Disposal of property, plant and equipment	222	1,222
Acquisition of intangible assets	(2,222)	(2,222)
Increase in guarantee deposits paid	1,222	(222)
Net cash used in investing activities	<u>(212,222)</u>	<u>(222,222)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	122,222	12,222
Proceeds from issuance of convertible bonds	1,222,222	-
Proceeds from long-term borrowings	722,222	-
Payments from long-term borrowings	(1,222,222)	(212,222)
Increase in guarantee deposits paid	222	(222)
Dividends paid	(1,222,222)	(1,222,222)
Exercise of employee stock options	2,222	22,222
Net cash used in financing activities	<u>(1,222,222)</u>	<u>(1,222,222)</u>
Net increase in cash and cash equivalents	1,222,222	(2,222)
Cash and cash equivalents, beginning of year	222,222	222,222
Cash and cash equivalents, end of year	<u>3</u>	<u>222,222</u>

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

Attachment III

The Independent Auditors' Report by KPMG – consolidated report

To the Board of Directors of Elite Material Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Elite Material Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 and 2016, 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, 2017 and 2016, 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”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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.

1. Revenue recognition

Please refer to Note 4(n) "Revenue" and Note 6(p) "Revenue" of the consolidated financial statements.

Description of key audit matter:

The recognition of revenue is based on the fact that the Group has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated

in the sales contracts between the Group and the customers. The Group still needs to take the risk of the products before they are delivered to customers. Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control ; performing cut-off test for recognition of revenue on the period before and after the reporting date to assess the rationality to the recognition timing of sales revenue.

2. Allowance for Inventory Valuation

Please refer to Note (4)(h) "Inventories" and Note (6)(d) "Inventories" of the consolidated financial statements.

Description of key audit matter:

The printed circuit board and other electronic components are the major products of the Group. Inventories have specific life cycle due to their attributes. Apart from this, the Group prepared certain amounts of security stock to meet the delivery date required by the customers. Inventories are stated at the lower of cost or net realizable value. Consequently, there may be situations that the net realizable value of inventory will exceed its cost. In addition, the Group would purchase the materials in advance for the expected sales orders. The cancellation or the change of orders, and the change of the material used or quantities of the material may lead to product obsolescence. Therefore, the recognition on allowance for inventory valuation and obsolescence loss was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the allowance for loss due to price decline, obsolete, and slow moving inventories to determine whether policy of the Group is applied; selecting samples to examine their net realizable values to verify the accuracy and completeness of inventory aging report; reassessing the accuracy of allowance for inventory valuation and obsolescence loss according to the Group's accounting policy; performing a retrospective review to evaluate the completeness of disclosure for allowance for inventories

Other Matter

Elite Material Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, 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 IFRSs, IASs, interpretation as well as related guidance endorsed 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 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 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 Chung-Yi Chiang and Ying-Ju Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

The Independent Auditors' Report by KPMG – parent-alone report

To the Board of Directors of Elite Material Co., Ltd.:

Opinion

We have audited the financial statements of Elite Material Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2017 and 2016, 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, 2017 and 2016, 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 and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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. Revenue recognition

Refer to Note 4(n) "Revenue" and Note 6(p) "Revenue" to the financial statements.

Description of key audit matter:

The recognition of revenue is based on the fact that the Company has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated in the sales contracts between the Company and the customers. The Company still needs to take the risk of the products before they are delivered to customers. Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control; performing cut-off test for recognition of revenue on the period before and after the balance sheet date to assess the rationality to the recognition timing of sales revenue.

2. Allowance for Inventory Valuation

Please refer to Note (4) (g) "Inventories" and Note (6) (d) "Inventories" of the financial statements.

Description of key audit matter:

The printed circuit board and other electronic components are the major products of the Company. Inventories have specific life cycle due to their attributes. Apart from this, the Company prepared certain amounts of security stock to meet the delivery date required by the customers. Inventories are stated at the lower of cost or net realizable value. Consequently, there may be situations that the net realizable value of inventory will exceed its cost. In addition, the Company would purchase the materials in advance for the expected sales orders. The cancellation or the change of orders, and the change of the material used or quantities of the material may lead to product obsolescence. Therefore, the recognition on allowance for inventory valuation and obsolescence loss was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the allowance for loss due to price decline, obsolete, and slow moving inventories to determine whether policy of the Company is applied; selecting samples to examine their net realizable values to verify the accuracy and completeness of inventory aging report; reassessing the accuracy of allowance for inventory valuation and obsolescence loss according to the Company's accounting policy; performing a retrospective review to evaluate the completeness of disclosure for allowance for inventories

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 safeguards.

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 Chung-Yi Chiang and Ying-Ju Chen.

KPMG

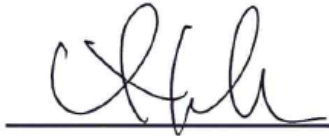
Taipei, Taiwan (Republic of China)
March 20, 2018

Attachment IV

Review report by the auditing committee

To the 2018 General Shareholders' Meeting of Elite Material Co., Ltd.,

In accordance with Article 219 of the Company Act, we have examined the Business Report, the Resolution for Allocation of Surplus Profit, the Financial Statements submitted by the Board of Directors for the year ending 2017 which had been audited by independent auditors, Mr. Calvin C. Y. Chiang and Ms. Celia Chen of KPMG, and the auditing report signed by the said independent auditors, and found them in order. We thereby submit the report.



Yeh, Chia Hsiu

Convener of the auditing committee of Elite Material Co., Ltd.

20 March 2018

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

Attachment V

Information of employees' compensation and Directors' remuneration in Year 2017

Unit: NT\$ Dollar	Year 2017
Earnings before tax, employee's compensation, and Directors' remuneration	\$ 3,604,200,824
Accumulated losses	-
Distributable earnings to employees and Directors	\$ 3,604,200,824
Employees' compensation (3% of the distributable earnings)	\$ 108,126,025
Directors' remuneration (1% of the distributable earnings)	\$ 36,042,008

The said employees' compensation and Directors' remuneration will be distributed in cash.

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*

Attachment VI

Information of the corporate bond issued in Year 2017

1. Type of corporate bond: Year 2017 domestic No. 4th unsecured convertible bond
2. Usage of proceeds: For the repayment of bank borrowings and for the needs of working capital
3. Total par value issued: NT Dollar 1,500 million
4. Key terms:
 - 1) Maturity: Five years, the bond is issued on 16th May 2017 and due on 16th May 2022
 - 2) Coupon rate: 0%

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Attachment VII

Elite Material Co., Ltd. Profit Allocation Proposal of Year 2017

Unit: NT dollar

Net income of 2017	2,790,957,134
Less:	
10% legal reserve	279,095,713
Special reserve of earnings	110,605,940
Plus:	
Unappropriated retained earnings of previous years	4,112,317,214
Other comprehensive gain (actuarial adjustment of defined benefit plan of Year 2017)	2,068,807
Earnings available for distribution as of 31 December 2016	6,515,641,502
Distribution items:	
Cash dividends to common share holders (NT\$4.8 per share)	1,534,331,798
Stock dividends to common share holders	-
(Cash dividend per common share is calculated based on a total number of shares outstanding of 319,652,458.)	
Total distribution	1,534,331,798
Unappropriated earnings	4,981,309,704

Note:

1. Pursuant to the Article 36 of Elite Material Co., Ltd. Articles of Incorporation, the distribution order of Year 2017 net income is prior to other distributable items.
2. The number of shares outstanding is decided based on the actual number of outstanding shares as of 20 March 2018.

Chairman & President: Dong, Ding-Yu

Director of Accounting Department: Sara Yen

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Attachment VIII

Overview of the Elite Material Co., Ltd. Bylaws on “Procedures of Capital Lending to Others” amendments

Article 2	Current Article	Proposed Changes	Reasons
	<p>The Procedures is made based on the <u>Executive Order [Order (91) Tai-Tsai-Zen (6) No. 0910161919] issued by the Securities and Futures Commission of Ministry of Finance on 18th December 2002, and has been amended based on the Executive Order [Order Jin-Guan-Zen-Shen-Zi No. 1010029874] issued by the Financial Supervisory Commission (hereinafter referred as “FSC”) on 6th July 2012.</u></p>	<p>The Procedures is made based on the <u>Article 36-1 of Stock Exchange Act and “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies (hereinafter referred as ‘Regulations’)” promulgated by Financial Supervisory Commission (hereinafter referred as “FSC”).</u></p>	<p>Amended based on the updated regulations of the financial regulatory authority.</p>
Article 3	Current Article	Proposed Changes	Reasons
	<p>Unless otherwise under any of the following circumstances, the capital of a company shall not be lend to any shareholder of the Company or any other person:</p> <ol style="list-style-type: none"> 1) Those companies who have business relationships with the Company ("Business Partners"); and 2) Those companies, to whom the Company and its subsidiaries can provide endorsements and/or guarantees in accordance with the “Procedures of Endorsements and Guarantees of Elite Material Co., Ltd.”, have short-term financing needs ("Companies Seeking Short-Term Financing"). <p>"Companies Seeking Short-Term Financing" in (2) above refers to only:</p> <ol style="list-style-type: none"> 1) A company in which the Company directly and indirectly holds more than fifty per cent (50%) of the voting shares; and 2) A company that directly and indirectly holds more than fifty per cent (50%) of 	<p>Unless otherwise under any of the following circumstances, the capital of a company shall not be lend to any shareholder of the Company or any other person:</p> <ol style="list-style-type: none"> 1) Those companies who have business relationships with the Company ("Business Partners"); and 2) Those companies, to whom the Company and its subsidiaries can provide endorsements and/or guarantees in accordance with the “Procedures of Endorsements and Guarantees of Elite Material Co., Ltd.”, have short-term financing needs ("Companies Seeking Short-Term Financing"). <u>3) Subsidiaries of the Company may provide loan to one another.</u> <p>"Companies Seeking Short-Term Financing" in (2) above refers to only:</p> <ol style="list-style-type: none"> 1) A company in which the Company directly and indirectly holds more than fifty per cent (50%) of the voting shares; and 2) A company that directly and indirectly holds more than fifty per cent (50%) of 	<p>Items 3 is added to clarify qualified borrowers.</p>

	the voting shares in the Company.	the voting shares in the Company.	
Article 4	Current Article	Proposed Changes	Reasons
	<p>Limits on the Total Amount of Lending and Respective Subjects:</p> <ol style="list-style-type: none"> 1) The total amount of loans extended by the Company to the Borrowers as set forth in Article 3 above shall not exceed thirty per cent (30%) of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth"). 2) The total amount of loans extended by the Company to the Business Partners shall not exceed the three per cent (3%) of the Company's Latest Net Worth. 3) The amount of a single loan extended by the Company to any of Companies Seeking Short-Term Financing shall not exceed ten percent (10%) of the Company's Latest Net Worth; the aggregate amount of such loans shall not exceed thirty per cent (30%) of the Company's Latest Net Worth. 	<p>Limits on the Total Amount of Lending and Respective Subjects:</p> <ol style="list-style-type: none"> 1) The total amount of loans extended by the Company to the Borrowers as set forth in Article 3 above shall not exceed thirty per cent (30%) of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth"). 2) The total amount of loans extended by the Company to the Business Partners shall not exceed the three per cent (3%) of the Company's Latest Net Worth. 3) The amount of a single loan extended by the Company to any of Companies Seeking Short-Term Financing shall not exceed ten percent (10%) of the Company's Latest Net Worth; the aggregate amount of such loans shall not exceed thirty per cent (30%) of the Company's Latest Net Worth. 4) <u>The total amount of inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, one hundred per cent (100%) of the voting shares shall not exceed thirty per cent (30%) of the Company's Latest Net Worth.</u> 	<p>Items 4 is added to regulate a foreign company in which the Company directly and indirectly holds 100% of the voting shares.</p>
Article 5	Current Article	Proposed Changes	Reasons
	<p>The review and evaluation that shall be performed includes the followings:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests; 4) whether collaterals are required and appraised values of such collaterals. 5) In the case of extending loans to the Business Partners, the business relationship shall be continuing for one year or more, and the total amount of loans extended shall not exceed fifty 	<p>The review and evaluation that shall be performed includes the followings:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests; 4) whether collaterals are required and appraised values of such collaterals. 5) In the case of extending loans to the Business Partners, the business relationship shall be continuing for one year or more, and the total amount of loans extended shall not exceed fifty 	<p>Amending wordings to better define transactions.</p>

	<p>per cent (50%) of the <u>sales or transactions</u> contemplated by the parties in the most recent year, or three per cent (3%) of the Company's Latest Net Worth, whichever is lower.</p> <p>6) In the case of extending loans to Companies Seeking Short-Term Financing, the Borrowers are limited to the Company's subsidiaries which can still operate normally, and the purpose is limited for short-term financing needs, and the total amount shall not exceed ten per cent (10%) of the Company's Latest Net Worth.</p>	<p>per cent (50%) of the <u>sales or procurements</u> contemplated by the parties in the most recent year, or three per cent (3%) of the Company's Latest Net Worth, whichever is lower.</p> <p>6) In the case of extending loans to Companies Seeking Short-Term Financing, the Borrowers are limited to the Company's subsidiaries which can still operate normally, and the purpose is limited for short-term financing needs, and the total amount shall not exceed ten per cent (10%) of the Company's Latest Net Worth.</p>	
Article 6	Current Article	Proposed Changes	Reasons
	<p>(Items 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, and 13 are not amended.)</p> <p>9) Disbursement of the Loan: Once a loan extended case is approved and the security procedures pursuant to the Procedures are implemented, which is checked and found no error by the Finance Department, <u>the loan may be disbursed to the Borrower by issuing a check.</u></p>	<p>(Items 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, and 13 are not amended.)</p> <p>9) Disbursement of the Loan: Once a loan extended case is approved and the security procedures pursuant to the Procedures are implemented, which is checked and found no error by the Finance Department, <u>the loan may be disbursed to the Borrower.</u></p>	<p>Amending wordings to include other ways to disburse the loan in addition to issuing checks.</p>
Article 14	Current Article	Proposed Changes	Reasons
		<p>Control procedures for subsidiaries' loan extension:</p> <p>1) Subsidiaries of the Company proposing to extend loans to others shall prepare their respective procedures in compliance with the Regulations, and shall implement such procedures accordingly. Subsidiaries of the Company shall report the same to the Finance Department of the Company and the Finance Department of the Company will compile all procedures from subsidiaries for recordation.</p> <p>2) Subsidiaries of the Company shall submit, before the 8th day of each month, detailed statements of the loans extended as of the end of last month to the Company for review.</p>	<p>A newly-added Article to control loan extension of the Company's subsidiaries.</p>
Article 15	Current Article	Proposed Changes	Reasons
	The amendment of these Procedures	The amendment of these Procedures	Number of the

	<p>shall be approved by the Audit Committee, then resolved by the Board of Directors, then forwarded to the Shareholders' Meeting for approval. Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Audit Committee and Shareholders' Meeting for discussion.</p>	<p>shall be approved by the Audit Committee, then resolved by the Board of Directors, then forwarded to the Shareholders' Meeting for approval. Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Audit Committee and Shareholders' Meeting for discussion.</p>	<p>Article is amended while the content remains the same.</p>
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Attachment IX

Procedures of Capital Lending to Others of Elite Material Co., Ltd.

As last amended on 13 June 2017

Article 1 All capital lending to others by the Company and its subsidiaries shall be in compliance with these "Procedures of Capital Lending to Others" ("Procedures").

Article 2 The Procedures is made based on the Executive Order [Order (91) Tai-Tsai-Zen (6) No. 0910161919] issued by the Securities and Futures Commission of Ministry of Finance on 18th December 2002, and has been amended based on the Executive Order [Order Jin-Guan-Zen-Shen-Zi No. 1010029874] issued by the Financial Supervisory Commission (hereinafter referred as "FSC") on 6th July 2012.

Article 3 Unless otherwise under any of the following circumstances, the capital of a company shall not be lend to any shareholder of the Company or any other person:

- 1) Those companies who have business relationships with the Company ("Business Partners"); and
- 2) Those companies, to whom the Company and its subsidiaries can provide endorsements and/or guarantees in accordance with the "Procedures of Endorsements and Guarantees of Elite Material Co., Ltd.", have short-term financing needs ("Companies Seeking Short-Term Financing").

"Companies Seeking Short-Term Financing" in (2) above refers to only:

- 1) A company in which the Company directly and indirectly holds more than fifty per cent (50%) of the voting shares; and
- 2) A company that directly and indirectly holds more than fifty per cent (50%) of the voting shares in the Company.

Article 4 Limits on the Total Amount of Lending and Respective Subjects:

- 1) The total amount of loans extended by the Company to the Borrowers as set forth in Article 3 above shall not exceed thirty per cent (30%) of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth").
- 2) The total amount of loans extended by the Company to the Business Partners shall not exceed the three per cent (3%) of the Company's Latest Net Worth.
- 3) The amount of a single loan extended by the Company to any of Companies Seeking Short-Term Financing shall not exceed ten percent (10%) of the Company's Latest Net Worth; the aggregate amount of such loans shall not

exceed thirty per cent (30%) of the Company's Latest Net Worth.

- Article 5 The review and evaluation that shall be performed includes the followings:
- 1) necessity and rationale of the loan;
 - 2) the Borrowers' credit standing and risk evaluation;
 - 3) impact on the Company's operation, financial condition and shareholders' interests;
 - 4) whether collaterals are required and appraised values of such collaterals.
 - 5) In the case of extending loans to the Business Partners, the business relationship shall be continuing for one year or more, and the total amount of loans extended shall not exceed fifty per cent (50%) of the sales or transactions contemplated by the parties in the most recent year, or three per cent (3%) of the Company's Latest Net Worth, whichever is lower.
 - 6) In the case of extending loans to Companies Seeking Short-Term Financing, the Borrowers are limited to the Company's subsidiaries which can still operate normally, and the purpose is limited for short-term financing needs, and the total amount shall not exceed ten per cent (10%) of the Company's Latest Net Worth.

- Article 6 Processes for capital lending to others shall include:
- 1) Application: When any Borrower submits its loan application to the Company, the person-in-charge shall make the initial contact and obtain preliminary understanding of the purpose of the loan, and the most recent operating situation and financial status of the borrower. For feasible cases, the meeting minutes shall hence be taken to submit to the President for approval.
 - 2) Credit investigation:
 - a. Finance Department shall collect, analyze and evaluate the credibility status, operating situation, financial position and solvency of the Borrower, and then prepare and submit the evaluation report to the Board of Directors as the reference for risk assessment.
 - b. Frequency of credit investigation:
 - i. For the first-time loan application, the Borrower shall present requisite basic information, financial data and the application to the Company, so as the person-in-charge may perform the credit investigation.
 - ii. For Borrowers who intend to re-finance the loan before the date of repayment, the credit check shall in principle be performed once a year. In the event of a material case, depending on the actual needs, the credit check shall herein be conducted every half year.
 - iii. Provided that the Borrower is of good financial position, and its annual financial statements are reviewed and certified by its appointed Certified Public Accountants, the credit check evaluation report prepared during previous two years, combined with the reviewed and certified financial statements, can be adopted and submitted to the

Board of Directors for the purpose of re-financing the loan.

- 3) Notification of loan approval or disapproval:
 - a. After the credit check and evaluation, if the ability of Borrower to service the loan is less than satisfactory and, therefore, the loan application shall be disapproved, the person-in-charge shall submit the reason of disapproval for ratification, and thereupon promptly notify the Borrower.
 - b. For the loan application approved after evaluating the solvency of Borrower, the person-in-charge shall prepare an evaluation report, in which the reason of approval and drafted terms of the loan shall be included, to submit progressively up to the President for ratification.

- 4) Resolutions of Board of Directors:

The loan application ratified by the President shall receive consent from the Audit Committee, and thereafter, submit to the Board of Directors for approval. The loan can be disbursed only approval is granted by a resolution of a Board of Directors meeting.

When handling loans extended by the Company to its subsidiaries, or loans extended by the Company's subsidiaries to one another, the procedure mentioned in the preceding paragraph shall apply, and shall be resolved by the Board of Directors. For the same Borrower, the Board of Directors may authorize the Chairman to grant multiple drawdown or revolving credit to the said Borrower within one year, provided the total drawdown does not exceed the limit resolved by the Board of Directors. When a loan extended by the Company or its subsidiaries to an individual Borrower, the limit on the aforesaid total amount shall not exceed 10 per cent (10%) of the said Borrower's net worth of the last period financial report audited or reviewed by its accountants.

The Board of Directors shall take into account the opinions of the Independent Directors and furthermore record in the minutes of such meetings the Independent Directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.

- 5) Notice to the Borrower:

Upon approval of a loan case, the person-in-charge shall promptly inform the borrower by written notice, telecom, or internet, and describe in detail the Company's terms of loans to be disbursed, including the amount, maturity date, interest rate, requirements of collateral and guarantor. The Borrower shall, within the time limit, sign the loan agreement and carry out the procedures to create a pledge (or mortgage) on the collateral and for verification and signing of the guarantor, as grounds for disbursing the funds.

- 6) Contract Signing and Identity Verification:

- a. The person-in-charge for the loan case shall draw up the terms and conditions of the loan agreement. With the ratification by the supervisory

personnel and forwarding to the legal consultants for review and verification, the agreement shall proceed with the signing procedures.

- b. The content of the loan agreement shall conform to the terms and conditions approved for the loan. After signing the loan agreement by the Borrowers and the joint guarantors, the person-in-charge shall complete the procedures of identity verification.

7) Collateral Registration:

When collateral is required to secure the loan, the Borrowers shall provide such collateral and fulfill the legal procedures for mortgage and/or lien to protect the Company's interest.

8) Insurance:

- a. All collateral, except land and securities, shall be covered by fire (property damage) insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the appraised value of the collateral. The Company shall be named as the beneficiary of the insurance. The insured object, quantity, location of storage, coverage conditions and endorsements must be consistent with the requirements of the Company.
- b. The person-in-charge shall be mindful of the duration of the insurance. Notice shall be made to the Borrowers to re-new the insurance before its expiration.

9) Disbursement of the Loan:

Once a loan extended case is approved and the security procedures pursuant to the Procedures are implemented, which is checked and found no error by the Finance Department, the loan may be disbursed to the Borrower by issuing a check.

10) Loan term, maturity and interest calculation

- a. The term of loans extended by the Company shall not exceed one year. Upon borrowing, the repayment date shall be specified.
- b. Interest for short term financing shall be calculated on the agreed rate basis which rate is subject to adjustment depending on the costs of fund of the Company and lending rate quoted by commercial banks. Interest receivable shall be collected on monthly basis; where the period is less than one month, the interest receivable shall be calculated based on one full month.

11) Repayment of loan:

- a. Following drawdown of the loans, the Company shall constantly monitor the financial, business and the relevant credit conditions of the Borrowers and guarantor. Where collateral has been provided, the company shall also monitor the change in the value of the said collateral. Two months before the maturity date, the person-in-charge shall write to notify the

Borrowers to repay the principal amount of the loan and interest accrued on the repayment date, and that extension of repayment is not permitted.

- b. The Borrowers shall immediately repay the principal amount and interest accrued when the loan becomes due and payable. Only then can the relevant evidence of claim such as collateral, IOU and the contract be revoked and returned to the Borrowers.

12) Deleted.

13) Document Filing of the Loan Cases:

For loan cases handled by the person-in-charge, after the loan disbursement, the relevant evidence of claim such as the contract, promissory note, et cetera, together with the collateral document, insurance policy and correspondence papers shall be filed in order and placed inside the keeping bags. A note of the filed content and the name of the client shall be specified on the bags, submitted to the supervisory personnel for inspection, and sealed accordingly if inspected no error. On the perforation, the seal certification of the person-in-charge and the supervisory personnel shall be stamped. After registering on the registration transcript for safekeeping items, the filed documents shall be archived.

Article 7 The Company shall maintain accounts books for loan extension setting out in details the subjects of loans, their amount, date of approval by the Audit Committee, date of approval by the Board of Directors, loan drawdown date and results of evaluation as required under Article 5 above.

Article 8 The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform the Audit Committee of the same.

Article 9 Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Audit Committee. Rectification shall be completed within the time frame stipulated in improvement plans.

According to these Procedures, the matters shall be approved by the Audit Committee, if the matters have not been approved by more than half members of all Audit Committee members, the matters shall be approved by the Board of Directors with two-thirds of all Directors and the resolution of Audit Committee shall be recorded in the Board of Directors minutes. The Audit Committee members and the Board of Directors members as stated will only calculate the members in present position.

Article 10 The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month. The "publish and report" referred to herein shall be those entered into the website designated by the FSC for reporting information.

Article 11 When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within two (2) days commencing immediately from the date of occurrence:

- 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth; or
- 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth; or
- 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2% or more of the Company's Latest Net Worth.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.

"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 12 The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.

Article 13 The Company shall extend loans in compliance with the Regulations issued by the Securities and Futures Commission and these Procedures. In the event that any managers or person undertaking the matters with respect herewith are found to be in breach of provisions herein in material aspect or causing damage to the Company, the Company shall discipline the said persons in accordance with the internal rules on employee reward and punishments and the relevant personnel regulations.

Article 14 The amendment of these Procedures shall be approved by the Audit Committee, then resolved by the Board of Directors, then forwarded to the Shareholders'

Meeting for approval. Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Audit Committee and Shareholders' Meeting for discussion.

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